

NHB-APUHF-APMCHUD International Conference on Housing: An Engine for Inclusive Growth

Session: Cross Country Experiences

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Country Highlights-Economic Indicators

❑ Economy highlights during 2011-12 /12-13

- Growth rate at 6.2% and 5.0% for 2011-12 and 2012-13 respectively
- Manufacturing sector grew at 2.7% in 2011-12, while Services sector grew at 8.2% during the period
- Inflationary pressures--Tight monetary policy stance --CAD

❑ Present Environment of the Indian Economy

- Stable economy
- Strengthening of the regulatory environment
- Rise in aggregate demand and Per capita income
- Services sector close to 65% of GDP and industry and agriculture at 27% and 8% respectively

❑ Indian Economy Estimates by 2030

- To grow to be the 3rd largest economy
- GDP to reach around Rs. 1,000 trillion
- 40 per cent (590 million) population estimated to live in urban areas

- **FINANCIAL INCLUSION:** Delivery of banking services at affordable cost to disadvantaged
- **AFFORDABLE HOUSING:** Expanded approach includes finance for affordable housing
- **INCLUSIVE GROWTH**

Housing Scenario in India

- ❑ India is witnessing increasing levels of urbanization
- ❑ Investments in housing result in higher capital formation
- ❑ Housing price inflation steady even in recession of Q1 of 2012-13
- ❑ Mortgage & housing finance market in India on a commendable traction
- ❑ Major policy concern - widening gap between demand and supply of housing units
- ❑ Mortgage and housing finance market resilient to the global market downturns due to
 - Enhanced risk management
 - Vigil on exposure limits
 - Comfortable capital adequacy positions of lending institutions

Housing Shortage in India

- Housing Shortage estimates in India:

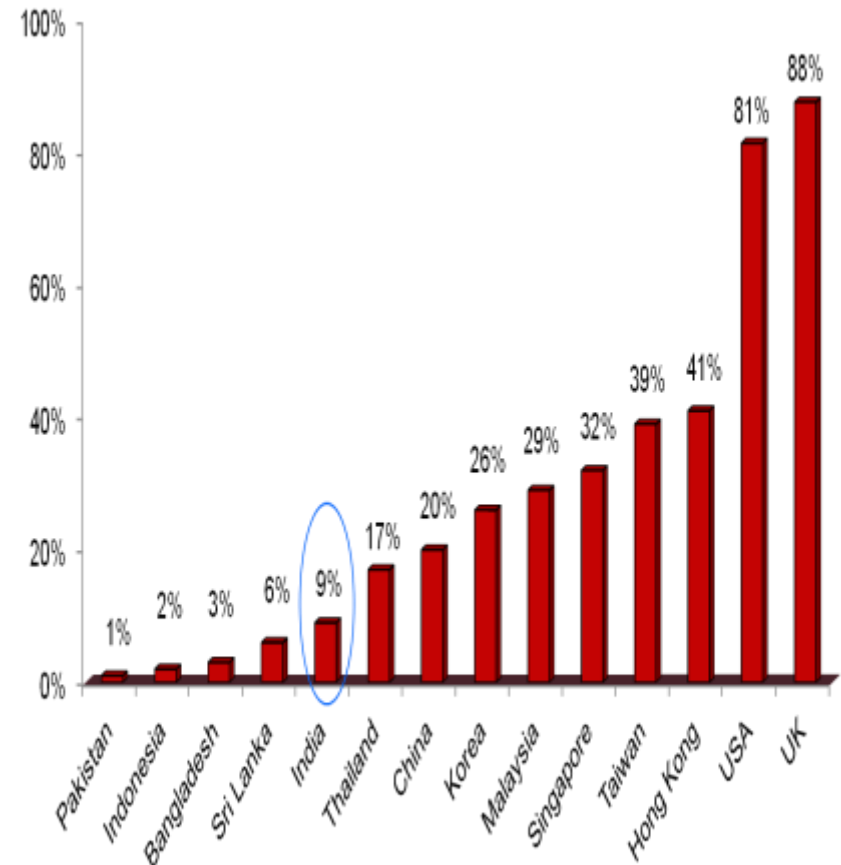
Technical Group on Urban Housing Shortage during 2012-17		
Category	Shortage in Million units	Percentage
EWS	10.55	56.18
LIG	7.41	39.44
MIG	0.82	4.38
Total	18.78	100.00
Rural Housing Shortage at the end of X1th Plan i.e. 2012		
Category	Shortage in Million units	Percentage
Below Poverty Line	39.30	90.00
Shortage above poverty line	04.37	10.00
Total	43.67	100.00

- Investment required for affordable housing (Trend and Progress of Housing in India 2012)

Units	In Rs. Billion
Need for fresh housing units	5701
Incremental housing to address congestion	760
Provision of infrastructure for new housing units	1273
Up gradation of infrastructure in existing slums	759

Indian Mortgage Market - Important Features

- ❑ Steady growth
- ❑ Mortgage is 9% of GDP
- ❑ Served by specialized HFCs & Commercial Banks
- ❑ Proactive and Risk based Regulation
- ❑ Conservative lending practices
- ❑ NPAs well contained & less risk in lending
- ❑ Loans up to Rs. 2.5 million treated as Priority lending



Stakeholders in Housing Market

Stakeholders	Extent of Participation	Focus Areas
Government	Central and State Level	Policy formulation and implementation of special programs for EWS/LIG sections Supportive and conducive environment
Public Sector	Housing Boards, Development Authorities, Public Agencies, Municipal Corporations, Urban Local Bodies etc	Provision of land and basic infrastructure
Private Sector	Developers Builders Construction Companies	Integrated Township Development particularly in metro and semi-metro areas. Focus on MIG/HIG segments
Individuals/SHGs/NGOs	Self Builders - sub-contracting Cooperative societies	Individual houses Cooperative societies Self Help Groups

SCHEMES/TOOLS FOR AFFORDABLE HOUSING AND SLUMLESS CITIES

- National Urban Housing and Habitat Policy 2007
- Jawaharlal Nehru National Urban Renewal Mission(JNNURM)
- Interest Subsidy Scheme For Housing The Urban Poor(ISHUP)
- Rajiv Awas Yojana(RAY)
- Affordable Housing In Partnership
- 1% Interest Subvention Scheme

Housing Finance in India-Institutions

Kind of Institutions	Regulator	Target Groups
All India Level Financial Institutions such as NHB, NABARD	Reserve Bank of India	Refinancing Institutions catering to all segments of the society
Banks including Regional Rural Banks, State Co-operative Banks and Foreign Banks	Reserve Bank of India	All segments of society in both urban and rural areas
Housing Finance Companies	National Housing Bank	Dedicated institutions which lend towards housing.
Cooperative Institutions sector	State Cooperative Acts	Deep presence across the country, particularly in the rural areas
Microfinance Institutions/NGOs/SHGs	Unregulated (Act to be introduced for regulating the same)	For the poor and lower income segments.

Performance: PSBs and HFCs

Parameters	PSBs(as on March 31,2012)	HFCs (As on March 31,2012)
Total Housing Loan Outstanding	Rs. 2, 730 billion	Rs. 2,222 billion
Housing Loan as a percentage of total loan	9.2 %(including priority sector lending)	73.66%
Net Non Performing Assets (In percentage)	2.63 %	0.06 % (GNPA - 1.24%)
Disbursements	Rs. 738 billion	Rs. 822 billion

National Housing Bank

- ❑ Apex Authority for Housing Finance sector
- ❑ Mutually synergistic roles
- ❑ Multi-pronged
- ❑ Multiple institutions

National Housing Bank(Contd)

<input type="checkbox"/> Regulation and Supervision	<input type="checkbox"/> Financing	<input type="checkbox"/> Promotion & Development
<input type="checkbox"/> Regulation of HFCs through <ul style="list-style-type: none"> ▪ Registration ▪ Prudential Norms ▪ KYC Norms ▪ Grievance Redressal <input type="checkbox"/> Supervisory oversight and building confidence in the sector by On-site and off-site surveillance	<input type="checkbox"/> Refinance to HFCs and Banks <input type="checkbox"/> Direct Finance to MFIs, Public Agencies <input type="checkbox"/> Special Finance Schemes for affordable housing	<input type="checkbox"/> Setting up of institutions <input type="checkbox"/> Developing secondary mortgage market and linking it with capital and other markets in financial sector <input type="checkbox"/> Other products such as RML, RMLeA etc <input type="checkbox"/> Providing equity support <input type="checkbox"/> Formulation of Housing Price Index <input type="checkbox"/> Capacity Building of HFC sector

NHB - Performance Highlights

- ❑ Cumulative refinance disbursements crossed Rs.1000 billion towards refinance for housing sector.
- ❑ NHB has cumulatively disbursed subsidy claims amounting to Rs. 78.54 million covering 8885 beneficiaries across 8 states under the ISHUP Scheme
- ❑ In 2012-13(FY ending 30.6.13), NHB has disbursed Rs.3137.5 million under the 1% Interest Subvention Scheme upto 31st Mar, 2013
- ❑ For the year 2012-13 under Rural Housing Fund, a total of Rs. 40000 million has been allotted under the scheme out of which NHB has disbursed Rs. 32246.20 million(upto 31st March 2013)
- ❑ NHB's refinance disbursements in 2011-12, Rs.143.9 billion Rural - 39% and Urban - 61% while in 2012-2013 it is Rs. 157.5 billion, Rural - 43% and Urban - 57%
- ❑ Loans below Rs. 1.5 million constituted 75.63% of the total refinance portfolio.
- ❑ The Bank's Housing Micro Finance (HMF) programme covers 40210 housing units located in both urban and rural areas of the country.

Way Forward- Housing

❑ Challenge: Reluctance of Builders/Developers-not viable

- Focus on PPP models
- Encouraging private sector to develop affordable housing projects between Rs. 0.5 to 1 million by incentivizing them through greater FSI etc
- Investment linked tax incentives for developers for affordable housing

❑ Challenge: Delays/Types

- Single window clearance for approvals

❑ Challenge: Quality of construction

- Setting up of Home Inspection Authority/Real Estate Regulator
- Promoting localized and cost effective technologies/Use of pre fabricated and modular materials and designs

❑ Challenge: Land/Tenure

- Digitization of Land Records
- Land Conversion

Rental Housing/Shelters for Migrants

Way Forward- Housing Finance

- **Challenge: Unavailability of long term funds for long term lending**
 - Channelizing a mix of medium and long term funds
 - Channelizing External Funds
 - Development of Secondary mortgage market
 - Rural Housing Fund
 - Urban Housing Fund
 - Tax free bonds by NHB
- **Challenge: Informal/poorer segments considered risky by lending institutions**
 - Risk mitigation and maintaining asset quality
- **Some other recommendations**
 - Developing innovative products and institutional mechanism
 - Customised Housing loan products for different segments
 - Deepen the debt market to ensure availability of long-term funding
 - Encourage development of new funding instruments such as covered bonds
 - Securitisation within the framework of RBI guidelines

Thank You