

An Analysis of National Housing Bank's (NHB) Performance in Housing Finance in india

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Abstract

A man needs housing in order to live a respectable life. The Government of India's main goal is to provide housing for everyone. It established the National Housing Bank in 1988 with the intention of achieving this goal, and it is through this bank that a number of housing finance companies offer housing loans. The goal of the study is to draw attention to the part the NHB has played in the nation's housing development. NHB's refinance activity to the housing finance institutions involved in housing finance activities was a significant contribution. One essential requirement for human existence is housing. Therefore, the Government of India (GOI) is not an exception to the global trend of housing building and financing. "Affordable Housing for All" has been a national objective in India since 2017. This national target was intended to be accomplished by 2022, however it was not, in part, due to the crisis brought on by the Covid-19 outbreak. 2025 is the GOI's updated goal. This study examines the primary participants in the housing financing industry, namely HFCs and Commercial Banks (CBs), and how they contribute to achieving the national housing goal. Increased visibility of specialist organizations with a smaller role, such as Apex, Small Finance Banks, and Affordable Housing Finance Companies (AHFCs).

Keyword: Development, NHB's refinance, HFCs and Commercial Banks (CBs)

Introduction

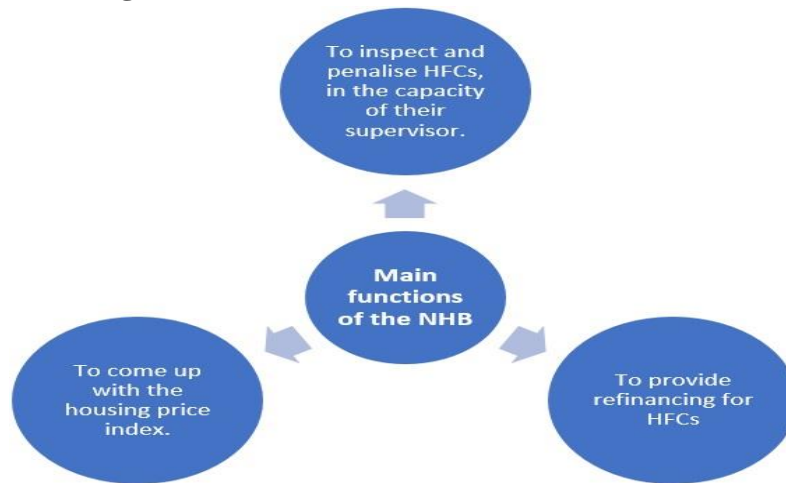


The legislature of India established the National Housing Bank (NHB), a premier housing finance institution, on July 9, 1988, in accordance with the National Housing Bank Act, 1986. It serves as the premier organization for advancing regional and local housing finance organizations and offering financial and other assistance to those organizations. In addition to coordinating their operations with other authorities, it registers, controls, and oversees the Housing Finance Companies. In an effort to enhance its operations, the Indian government recently established the NHB as a separate organization. With a view to strengthen the functions of NHB the Government of India has recently undertaken the NHB as its own entity. The entire ownership of the NHB was undertaken by the Government of India with an investment of Rs.1450 crore. Formerly NHB was partially owned by the Reserve Bank of India and at present, it has been released as per the recommendations of Narashimman-II Committee. This initiative has been announced by the notification of Ministry of Finance on 29th April 2019. The vision of the NHB is “Promoting inclusive expansion with stability in housing finance market”. To fulfill the vision the NHB has adopted a mission as follows. “To harness and promote the market potentials to serve the housing needs of all segments of the population with the focus on low and moderate income housing”. The vision and mission of the NHB has clearly indicated its objective to provide housing to all at affordable prices. With this motive NHB has framed its policies, principles, guidelines and procedures.

Objective Of National Housing Banks

- Promoting a healthy and cost-effective housing finance system
- Promoting a network of housing finance institutions to serve different regions and income groups
- Increasing resources for the housing sector
- Making housing credit more affordable
- Supervising the activities of housing finance companies
- Encouraging the supply of buildable land and building materials for housing
- Encouraging public agencies to supply serviced land for housing
- Providing long-term finance to housing finance institutions
- Undertaking research and studies on housing finance
- Providing training and capacity building for personnel in the housing finance sector
- Integrating housing finance system with the overall financial system of the economy.
- Region wise network promotion to serve different income groups.
- Making the housing credit more affordable by all income groups.
- Regulation and supervision of the activities of housing finance company as per the provisions of the NHB Act 1987.
- Facilitating the builders and constructors by supply of housing materials to strengthen the housing stock of the country

Function of National Housing Banks



- NHB promotes, establishes and supports the financial institutions which are involving in housing finance activities.
- NHB grants loans against pledge of jewels or mortgage of properties and it also advances against various assets.
- It provides guarantees to the housing finance companies for their loans.
- It also deals with underwriting activities.
- It deals with the bill of exchanges of the housing finance companies.
- The purchase and sales, and mortgage of immovable properties are also done by the NHB.
- It plays a vital role in establishing housing scheme for economically weaker section.
- It coordinates the activities of LIC, GIC, UTI and other financial authorities which are providing housing finance.
- Research and development activities of construction are being organized by NHB.
- Extension of housing credit schemes are formulated by NHB.

Housing Finance

Housing has great economic significance as well. Housing sector is of paramount Housing Finance importance to the economy of the country from the viewpoint of investment and employment generation in many other sectors of the economy. House construction activity stimulates and gives a boost to investment and production in a host of other industries which provide essential inputs for construction activity. In the cost of construction of houses, about 18% goes to the cement sector, 9% to steel sector and 73% to other industries like brick-manufacturing, timber, electrical, ceramic, sanitary ware, paints, hardware and many informal sectors. The construction sector ranks 4th among 14 sectors in terms of backward linkage and 3rd in terms of total linkage effect with other sectors of the economy in India. House construction, like any other economic activity, needs finance, which is essentially for medium to long term. In the past, in the absence of institutional sources of finance for housing, individuals used to depend on their own accumulated savings and borrowings from friends and relatives only for this purpose. But during the recent past, various institutional sources of finance have emerged for house building activity. Insurance companies, banks, housing finance companies, cooperative institutions are the main sources for finance for the housing sector. Housing finance is to be clearly distinguished from finance (loans) against house property. In the latter case, loans are provided against the security of house

property for any purpose, not necessarily for the construction/purchase of houses. On the other hand, housing finance connotes finance (or loans) for meeting the various needs relating to housing, namely,

- purchase of a flat or house
- acquisition of a plot, and construction of a house
- construction of a house
- extension of a house
- repairs, renovation and upgradation of a house/flat
- taking over housing loans from other banks/housing finance companies.

Housing finance has a wider connotation and includes both direct and indirect finance made available for this purpose. **Direct Finance includes** finance made available to individuals, group housing societies, government agencies or employers who undertake construction of houses. **Indirect Finance includes** investments in/loans given to the agencies which provide housing finance, e.g., investment in the bonds issued by National Housing Bank, HUDCO, etc. The shortage of housing is a socio economic problem of the Nation and it needs wider attraction from the government and other responsible agencies. The housing will be the choices to augment infrastructure, household wealth, employment opportunities, education, health, eradication of poverty, women's participation in workforce, maternal and child mortality and many other wellbeing indicators. The tremendous growth of population and urbanization need a huge demand and supply both in terms of quantity and quality of housing segments in India.

Home Loan Procedure

In recent years, the typically laborious procedure of obtaining loans has undergone a significant transformation due to the growing competition in the market for home loans. Nonetheless, there are still steps required in the home loan application procedure. Prior to applying for a home loan, the applicant should review the various steps involved. This is a step-by-step guide to getting a home loan.

Step 1 : Application form

Step 2 : Personal Discussion

Step 3: Bank's Field Investigation

Step 4: Credit appraisal by the bank and loan sanction

Step 5: Offer Letter

Step 6: Submission of legal documents & legal check

Step 7: Technical / Valuation check

Step 8: Registration of property documents

Step 9: Signing of agreements and submitting post-dated cheques

Step 10: Disbursement

Review of Literature

Bandyopadhyay Arindam and Saha Asish (2015), in their article studied they focused that The significance of borrower-specific traits and local circumstances in assessing demand potential and credit loss risk on residential housing loan repayment patterns in India was the main focus of their study. They used data from Indian banks and housing finance companies (HFCs) on 13,487 housing loan accounts that were approved between 1993 and 2007. Using logistic regression and the panel regression method, this study attempted to identify the key drivers of housing demand and how they relate to borrower characteristics.

Anand Kumar T.S and others (2018), in their paper they examined the practical guidance to MFIs adopting the housing In addition to the current line of microfinance services and inputs regarding any market study, customer profiling, product design, pricing, and client affordability, as well as income assessment, loan assessment, operational procedures, risk coping mechanisms, and technical backup guidance, they looked at the practical advice for MFIs implementing the housing program. They discovered that, from an institutional and financial standpoint, MFIs need also make sure that housing microfinance aligns with their strategy.

Meghna Sarda & Ramesh Chandra babu, 2019 in their study titled “financial performance analysis of selected Indian NBFCs in housing finance Examine the NBFCs' financial standing in relation to housing loans. The companies chosen for the study are those that are listed on the reputable stock exchange. Ratios are computed, tabulated, and displayed visually under camel parameters. Additionally, the hypothesis that examines the differences between the companies has been tested using statistical techniques, such as ANOVA (f-test). The analysis revealed that GRUH financing is ranked first in this study, followed by GIC home finance and Dewan home financing Ltd. LICHL secures the last rank

Satyanarayana & Ramu, 2022 in their study titled “ a comparative study between public and private housing finance companies (HFCs) in India” Analyze five public and five private HFCs' financial results in India between 2009 and 2018.through the use of financial ratios, a student t-test, and descriptive statistics in the form of means. They discovered that the profitability and operational ratios had a major impact on the financial performance of both public and private HFCs as a result of regulatory actions and policy changes.

K & Ahuja, 2024 in their articles titled “financial performance of housing finance companies in India”. Analyze the housing finance company's financial performance from 2014–2015 to 2018–2019. The reputable stock exchange lists a select group of housing financing companies. In their analysis, they used financial parameters such as liquidity, solvency, valuation, and profitability ratio. They came to the conclusion that Crest Venture and India Bulls are doing well in terms of liquidity, that India Bulls are performing better overall, and that Crest Venture is performing better in terms of investment when compared to other chosen housing finance companies

The Scope of Study

The purpose of the study is to draw attention to the NHB's contribution to housing development in India. Through the numerous housing finance businesses that are engaged in the construction of housing facilities, the NHB participates in its operations of financing activities for housing. NHB oversees and regulates the whole home finance system. The NHB oversees a number of housing initiatives that housing finance businesses accept and carry out, and the government and other relevant organizations' implementation of housing development initiatives has significantly decreased India's homeless population.

Statement of the Problem

One of the persistent problems facing growing nations like India is the lack of available housing. Lack of a home causes a person to experience a number of issues, such as delayed marriage, social rejection, and social isolation. The supply of reasonably priced houses can address this. In order to provide housing for everyone, the Indian government established the National Housing Bank, an apex organization. The report makes an effort to describe in detail how NHB helps the homeless by providing housing facilities.

Objectives of National Housing Bank

- To Describe the role that the NHB plays in the creation of housing plans.
- To Assess the NHB's performance.

Research Methodology

The study's Descriptive and analytical research based on secondary sources were gathered from government reports, journals, NHB publications, and associated websites From 2021-2024. A straightforward percentage method was applied. for interpretations and HFCs and Commercial Banks (CBs analysis. The NHB refinance disbursements through different financial institutions during the 2021-2022 period are explained in table-I, 2022-2023 period are explained in table-II. 2023-2024 period are explained in table-III. The distribution of home finance that is refinanced by NHB has been greatly aided by housing finance firms.

TABLE- I INSTITUTION-WISE REFINANCE DISBURSEMENTS FOR THE YEAR 2021-2022
(Amount in RS. CRORE)

Primary Lending Institutions	2021-2022	
	Amount Disbursed	% to Total
Housing Finance Corporation Companies	16,152	49.45
Scheduled Commercial Banks	15,723	48.13
Others	995	02.42
Total	32,663	100.00

The significant role played by Housing Financing Companies and Scheduled Commercial Banks resulted in very modest refinance disbursements from other financial institutions, such as RRB, cooperative banks, etc.

TABLE- II INSTITUTION-WISE REFINANCE DISBURSEMENTS FOR THE YEAR 2022-2023
(Amount in RS. CRORE)

Primary Lending Institutions	2022-2023	
	Amount Disbursed	% to Total
Housing Finance Corporation Companies	18,650	60.66
Scheduled Commercial Banks	11,485	35.10
Others	607	4.24
Total	30,742	100.00

The NHB refinance disbursements through different financial institutions during the 2022–2023 period are shown in table II, which was previously mentioned. By providing a greater number of home loans than other financial institutions, such as Scheduled Commercial Banks, RRBs, cooperative banks, etc., HFCs dominated the housing finance industry. They approved and disbursed Rs. 18,650 crores in 2022–2023, representing 60.66 percent of the total amount of loans made by all housing finance businesses.

TABLE- III INSTITUTION-WISE REFINANCE DISBURSEMENTS FOR THE YEAR 2023-2024 (Amount in RS. CRORE)

Primary Lending Institutions	2021-2022	
	Amount Disbursed	% to Total
Housing Finance Corporation Companies	14,566	52.76
Scheduled Commercial Banks	12,580	45.57
Others	456	1.67
Total	27,602	100.00

The accompanying Table III shows the National Housing Bank's refinance distribution for the 2023-2024 time frame. It articulated the Housing Finance's proactive role. Businesses use their refinance distribution to meet the housing finance requirement. The NHB has provided the housing finance businesses with refinances totaling Rs. 14,566 crore. By using Rs. 12,580 crore from NHB, Scheduled Commercial Banks have also primarily worked in the refinance distribution sector. The RRB, Cooperative Banks, and other financial institutions have contributed very little to the distribution of refinances.

Suggestion

The Indian government has done a fantastic job of giving the homeless places to live. However, the housing financing schemes' prompt implementation was hampered by the formalities and processes that the housing finance businesses established. It ought to be made simpler. In order to determine the land's title, approval processes, etc., the cooperation of the beneficiaries and borrowers is requested.

Conclusion

National Housing Banks made a partial contribution to the eradication of housing shortages through the execution of government-sponsored housing initiatives. It made homes more affordable for the impoverished in both urban and rural areas. Furthermore, NHB's laws largely govern the overall housing financing sector. It benefits society by making it easier for people to live decent lives through reasonably priced home plans.

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