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# Housing for All will be a challenge unless we bring everyone into the banking realm



By [RealtyMyths](#) on April 27, 2019

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Housing is everyone's dream. But everyone is not that lucky to fulfill his dream. or is it! One of the major challenge to own a house in India is the ineligibility to avail the housing loan. And the fact that around 190 million adults in India not having a bank account clearly reasons it out. Though the government is doing its part to bring everyone into the banking realm, there are companies like ART



Amar Bahl, COO, ART Housing Finance

Housing Finance that give loans to them, the otherwise ineligible, lower income and deprived section of the society. Team RealtyMyths, during its interaction with **Mr. Amar Bahl, the COO of ART Housing Finance**, tried to understand the issues behind this social gap and how they are helping the government achieve its dream of Housing for All. Here are the excerpts of the conversation.

**RM:** *India is one of the fastest growing economies of the world. However, it is also a fact that India has the second-largest unbanked population in the world. How do you see that? Why it is important to bring everyone into the banking realm?*

**Amar:** India has emerged as one of the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democratic values and partnerships. The World Bank has maintained growth forecast for India at 7.5 % for FY20. With a current population of approx.. 136 Cr., India is the second largest populous country in the world after China and also India has the world's second largest unbanked population with around 190 million adults without an account. It is important to bring everyone in the banking realm as financial inclusion of the unbanked population has the potential to reduce inequality and increase economic growth. Financial inclusion through banking will boost the efficiency of the payment system, promote household savings & access to credit, and improve people's ability to manage risk. In short, financial access will lower transactional costs for people who wish to make payments, to save, to borrow, or to manage risks & also it allows countries to mobilize domestic savings effectively. Jan Dhan account was a directional step in this regard, as per latest data deposits in Jan Dhan account will cross Rs. 100000 Cr. mark which in itself is an achievement towards on-boarding the unbanked population under banking channel. Prudent financial inclusion is a win-win situation for both the country and it's unbanked population, at large.

**RM:** *Owning a home is everyone's dream. It is, therefore, that the government initiated 'Housing for All' campaign and promises to fulfill it by the year 2022. You are into the business of providing housing loans. How do you rate the success of Housing for All do far? Do*

*you think the government will achieve its target, and why?*

**Amar :** As per 2011 census data around 1.77 million people were homeless in India and around 20 percent population is residing in Kachha houses; However government has put in immense effort to improve the situation with launch of schemes like “Pradhan Mantri Awas Yojana” (PMAY) with the aim to build 10.2 million houses in rural areas by March 2019 & “Housing for All by 2022” for those living in urban areas with a projection, to build 12 million houses by 2022. As one can assess, the success of Housing For All by 2022 totally depends on creating affordable houses in both urban and rural areas of India so that people, especially those who belong to the Economically Weaker Sections and Lower Income Groups of the society can own an affordable home within their budget and live a quality and meaningful life in shelter owned by them.

Presently, data from the Ministry of Rural Development suggest that the scheme’s performance has been less than stellar due to various reasons. Four years after the government launched the Pradhan Mantri Awas Yojana-Urban (PMAY-U), just 20 percent houses have been completed under the scheme against the sanctioned number of houses, while another 52 percent are grounded for construction. Out of Rs.100000 crore central assistance sanctioned for the scheme, the government has released just Rs.34,000 crore so far. According to the data presented by the Ministry to the Lok Sabha, as on January 31, 2019, a total 15,263 projects have been approved for construction of around 72,65,763 houses under the PMAY-U, of which approx. 37,54,871 houses have been grounded for construction, some 14,42,796 houses have been completed. Various state governments are also pushing housing for all initiative through state-level policy intervention and promotional scheme under Mukhya Mantri Awas Yojana.

A significant increase in the planned spending under the scheme from Rs.29043 crore in FY 18 to Rs 64,500 crore in FY19, is likely to result in a notable pick, for execution, since fund availability was a big constraint in the past. Being a player in the affordable segment, we have an immense opportunity and we are focused to make this dream realize with extended support from government & banking industry. In terms of easy and lower cost funding to HFCs like us, we can make this dream realizable in comprehensive terms. We believe that housing for all is an achievable dream and right steps have been taken to realize the dream in time to come.

**RM:** *Though there are many housing finance companies in the market, there are very few who serve the lower segment of the society. You are one of them. How difficult it is to award loans to those who cannot guarantee the repayment?*

**Amar:** Currently there are around 99 HFCs registered with NHB and some of them are actively serving the lower and mid-income segment of the society. And yes we are among them to provide credit facility to the much lower income group of society, which earlier they were deprived off. The lack of available housing options, combined with lack of income proofs and minimal access to home finance for low-income borrowers, means that millions of Indian households currently live in cramped, poorly constructed houses/slum areas/shanties. So still there is a lot of opportunities to grow in this large pool of untapped opportunity.

In this segment of income group, a special set of skills required to assess the credit risk in order to judge the creditworthiness of customers due to lack of formal income as they are unable to produce formal pay slips and other relevant documentation confirming income sources, establishing creditworthiness.

So in order to deal with such situation, we are having a dedicated Real-Time Risk Monitoring (RTRM) team in place which helps to identify and review loan applications and post assessing various risk factors sanction the required loans with overall policy framework. We have implemented a standardized underwriting system to maintain high asset quality. We also check whether there is consistency in terms of decisions being taken for the same kind of risk appetite across locations but has a system in place for notifying the senior managers and supervisors whenever an exception is made to take appropriate decision with acceptable risk and reward framework.

**RM:** *You must have come across many defaulters by now, due to the nature of the profiles of your target group. How do you hedge your risk? How you tackle an NPA?*

**Amar:** Our organization is among first of its kind in the industry which has gone fully digital in true sense from sourcing a loan till disbursal of the loan; This proved as a boon to speedy sanctioning with quality credit assessment. Due to high credit assessment risk, of this segment, we have framed sound policy framework to ensure minimum slippage. We have placed a dedicated Real-Time Risk Monitoring (RTRM) team in place who help us identify and review applications with high-risk factors and implement a standardized

underwriting system to maintain high asset quality. We ensure we meet clients and his family at their workplace & current residence, to assess their real income and expense levels, including information of who all are the earners & dependents in the family and parallelly these profiles are checked by our Risk Control Unit to find any gap in the information received by us. To proceed with, low Loan to value and income obligation grid in credit assessment of thin-file customers enables us to play safe even in case of default by customers. We have continuous monitoring and internal control mechanism, to address the default risk, this all has enabled us to maintain an almost minimum level of NPA in the industry.

**RM:** *Coming back to Housing for All, you are actually playing a catalysts' role in fulfilling the government's dream. Do you think what the government is doing is enough? What more the government can do to enable every person of the society owns a home?*

**Amar:** Government has taken a lot of initiatives, in both demand and supply side. We believe that government intervention on the supply side, by providing adequate concession to developers, engaged in the creation of affordable housing stock, such as granting infrastructure status to the eligible projects, tax concession, fast-tracking and formalization of various approvals and Credit Linked subsidy scheme, will help to achieve this desirable dream. However, the liquidity challenge is there to support further lending through housing finance companies. We expect the same will be eased out soon and industry players will be able to make this dream happen. Digitization of housing record, low-cost mortgage guarantee scheme, Aadhar enabled E-KYC and E-Sign would further help the industry to expand and deliver quick services with lower cost and better efficiency. Stamp duty is a state subject, but nationwide low stamp duty regime on low-cost housing will definitely be a game changer in times to come, if the same, gets implemented.

**RM:** *Tell us more about your operations. How big is your network? What due diligence you perform before approving a loan?*

**Amar:** Our area of operation currently exists in 6 states which includes Delhi NCR, Rajasthan, Gujarat, Maharashtra, Haryana, and Uttar Pradesh wherein we are covering 45+ locations. We will continue to penetrate in the LIG and MIG segment, and among that focus on assessed income profiles. We have a multi-pronged strategy for due diligence of assessed income profiles and collateral backed by the maker-checker concept at each stage of the loan life cycle through fully automated end to end digital workflow solutions. Fraud

containment is one of the key areas in this industry and we are very diligent on that part to avoid any future loss arising out of any kind of fraud this includes both profiles as well as collateral fraud.

**RM:** *There are still a very large number of population aspiring to buy a house. How do you plan to reach out to them? What are your expansion plan for this year, if any?*

**Amar:** Yes you are right, there still a large chunk of population aspiring for their dream home, in coming years and this will continue at the same pace, process due to the young population of our country. Rising income level is further fueling aspiration of individual for having their own shelter, hence opportunity is very large and to cater to the same, we will continue to use our digital platform (virtual branches) and low-cost brick and mortar structures following HUB & Spoke model to bridge the gap and reach the desired mass as per our growth plan. In coming years we will deep dive into the geographies wherever we are operating currently and gradually will add more states in order to become a digital housing finance company in the affordable segment.

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