Published Date:	Saturday 3rd November, 2018	Publication:	The Times of India [Hyderabad]
Journalist:	Kanchan Goagate	Page No:	1
MAV/CCM:	641,587/171.09	Circulation:	297,000

THINKSTOCK

SMALL LOANS, BIG IMPACT

Here's how small-ticket size loans and a rise in the number of maiden borrowers have helped improve the housing finance sector in India

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With the union government pushing its flagship project Housing for All through sops and fiscal incentives, the growth trajectory for housing finance in the country is moving upwards. While policies and incentives are specifically designed for first-time borrowers, banks and other Housing Finance Companies (HFCs) are foraying into small-ticket size loans. One of the biggest contributors to GDP, housing is the second largest employer in the country after agriculture, says this year's Economic Survey. That's why the housing finance sector has been growing by leaps and bounds. According to the National Housing Bank Data, this market has been growing at a CAGR of around 16-17 per cent for the last five years and has grown to more than Rs 15 lakh crore in 2017-18 from about Rs 25,000 crore in 1996-97. Of late, HFCs in the non-banking sector are entering the housing sector with many operating on small size loans.

HOUSING CREDIT GROWTH

- Housing credit growth is likely to reach 17-19 per cent in FY2019, says ICRA;
- With a steady growth of 16 per cent in FY2018, the mortgage penetration touched 10 per cent as on March 31, 2018;
- Newer HFCs in the affordable housing segment continued to grow at higher than the overall industry growth rate of 39 per cent;
- Assets Under Management (AUM) of HFCs grew at 24 per cent last fiscal, says CRISIL report;
- The market share of HFCs in the home loan segment has increased by around 100 bps to 43 per cent;
- The non-housing segment, loan against property, developer funding remains the fastest-growing segment for HFCs, racking up 30 per cent growth last fiscal.

SWITCHING LOANS

Switching home loans from one lender to another is called balance home loan transfer. It is important to be cautious before taking a balance transfer decision. While switching to another lender, one must conduct a comparative study of both the financial institutions and consider factors such as the pedigree of the financial institution, reputation, customer service and operational efficiencies, principal amount, loan eligibility, loan tenure, processing fee, file charge, stamp duty, insurance, EMIs and other conditions.

Harshil Mehta
JMD and CEO, DHFL

WHILE BOROWING FROM NON-BANKING HFCs

The Indian housing finance book (worth around Rs 15 to 16 lakh crore) is divided among banks and HFCs. Those who operate with a single-minded focus and flexibility, create a quick-to-scale model, which helps them grow in the market. Non-banking HFCs also cover the customers, who do not have formal and documented income and have a flexible approach. Their policies and processes are driven by a customer-centric focus.

Arvind Hali,
MD and CEO,
ART Affordable Housing Finance

THE NHB PUSH

- The National Housing Bank (NHB), the apex financial institution for banking, registers and regulates HFCs;
- According to NHB, there are currently 91 HFCs in India;
- Number of HFCs has increased by 48 per cent;
- NHB RESIDEX covers 50 cities in India;
- Union Budget 2018-19 announced a dedicated Affordable Housing Fund through NHB;
- NHB is a leading nodal agency for PMAY;
- NHB would provide part-guarantee for bonds floated by HFCs that will lower the cost of funding and provide home-buyers sufficient incentive to borrow.

EXPERT TAKE

Rahul Prithiani
Director, CRISIL

Over the next few years, growth in housing finance will be driven by demand from Tier-II and III cities. Since such small cities are largely untapped, financiers have shifted focus to these markets. Also, measures in the form of fiscal incentives on housing loans, interest subvention scheme, and affordable housing schemes will boost the housing demand. Over the long-term, effective RERA implementation will lead to better structure and transparency in the industry and drive growth for housing finance.

EXPERT TAKE

Vinay Sah
CEO, LIC HFL

Affordable housing segment is a sweet spot in the real estate sector. Starting from according infrastructure status to giving subsidy benefits under PMAY-CLSS, this segment is getting a lot of impetus, both on the demand and supply side. Developers are encouraged to come up with new launches in view of this pent-up demand. The government's relentless focus for providing Housing for All by 2022 creates a perfect ecosystem for all stakeholders to grow and benefit. We already see a good traction in the overall growth in home loans aided by an increase in disbursements in the affordable segment.

HOME LOAN INDUSTRY IN INDIA: A GLANCE

- RBI data shows overall housing loan segment is worth around Rs 16 lakh crore and affordable housing forms 20 per cent of this chunk;
- Around 15-20 per cent of HFCs are operating in the small-ticket size segment;
- The housing finance to GDP ratio in India was at 9.7 per cent in 2016-17, up from 1.8 per cent in 1996-97;
- The housing finance market has been growing at a CAGR of around 16-17 per cent and has grown to more than Rs 15 lakh crore in 2017-18;
- The growth engines for loans continue to be small-tickets size loans upto Rs 25 lakh.

EXPERT TAKE

Supreeta Nijjar
vice-president and sector head, financial sector ratings, ICRA

While growth prospects remain good, given that the borrower profile is more vulnerable to income and external shocks, lenders would have to maintain good origination and lending processes as they expand in this segment.

GROWTH ENGINES FOR HOUSING FINANCE

- The government push for Housing for All;
- Affordable housing through CLSS helping more eligible candidates;
- Policy incentives promoting maiden borrowers;
- Non-banking HFCs keen on small-ticket size loans;
- More launches into affordable housing.