

A COMPARATIVE STUDY OF HOUSING LOAN DISBURSEMENT OF NEW GENERATION BANKS AND NATIONALISED BANKS IN KERALA

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Abstract

Housing, as one of the three basic needs of life, always remains on the top priority of any person, family, government and society at large. In India, majority of the population lives in slums and shabby shelters in rural areas. From the last decade, the Government of India has been continuously trying to strengthen the housing sector by introducing various housing loan schemes for rural and urban population. The first attempt in this regard was the National Housing Policy (NHP), which was introduced in 1988. The National Housing Bank (NHB) was set up in 1988 as an apex institution for housing finance and a wholly-owned subsidiary of Reserve Bank of India (RBI). The main objective of the bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled commercial banks.

Food, cloth and shelter are the three basic needs of any individual for his survival. As a human being, an individual needs his own space and privacy, which can be provided by the ownership of a house. The development of housing sector is also equally important for the growth of a nation. In India, according to 2001 census, 72% of the population is living in rural areas and majority of the population is living in slums and shabby areas indicating that housing sector is still unorganized over there. To strengthen this unorganized sector, the Government of India made its first attempt in 1988 by introducing National Housing Policy (NHP). The main objective of NHP was to provide housing facilities to the masses and to improve the housing conditions. For the upliftment of this sector, various schemes have been introduced for urban and rural population such as Valmiki Ambedkar Awas Yojna, Indira Awas Yojna, Samagra Awas Yojna, Pradhan Mantri Gramodyog Yojna, Ghar Sudharyojna, Rajiv Gandhi Grameen Vidyutikaran Yojna, Apna Ghar Yojna, Bharat Nirmanyojna, Maitri Scheme Housing, Urban Conclave on Urban Poverty Alleviation & Rajiv Awas Yojna etc. The main purpose of this chapter is to evaluate the performance of housing loan disbursement in Kerala.

Key Words: Housing Finance, Loan Disbursement, Number of Beneficiaries, Interest Rate.

INTRODUCTION

A number of projects and interested willing lenders are available to fulfil the ambitions of an own house for each citizens. Builders are looking forward with equipped luxury apartments for the needy. A home loan process is a lengthy one that starts off with filling up an application form. After a credit appraisal, scrutiny of papers, legal formalities, technical check, valuation and collecting fees and margin money, the lender finally disburses the loan. Disbursement is payment of the loan amount by the lender to the borrower to meet his expenses. Consider the case where the lender decides to disburse the entire amount as in the case of a fully constructed house, with no major work pending. This is called full disbursement. A loan is fully disbursed by the lender only when the builder is a reputed and respected one. Only in rare situations, will a lender fully disburse the loan amount, for a project that is in its initial stages. Otherwise, only for a ready-to-occupy house, the bank disburses the entire loan amount. Loan disbursement largely depends on the phase of completion of a project.

1.OBJECTIVES OF THE STUDY

The main objectives of the present study are

1. To study the growth and development of institutional housing finance in Kerala.
2. To analyze the housing loan disbursement of Nationalized Banks and New Generation Banks in Kerala.

2.METHODOLOGY

The data are to be collected from primary and secondary sources. Primary data for the study have been collected from the following sources. A structured questionnaire will be sent to get primary data from the beneficiaries. Besides informal interview will be conducted with officials of different housing financial units. The main advantage of this particular method is that it makes possible to repeat or rephrase the questions in order to ensure that they are understood by any category of people to elicit correct information from them. Initially a literature survey was to conduct to get a comprehensive view of earlier studies in the subject and to determine important variables which are related to it. The literature survey also helps to develop the theoretical framework and research questions for the studies. The literature published reports, books, articles from international journal were the major secondary sources of data. It also utilized the bibliographical data bases, abstracts, full text from the various international journals. Further documents were taken from various websites.

3. REVIEW OF LITERATURE

Home has been the centre and instrument for mankind's moral and material progress ever since the advent of civilisation. Since home life affects the very foundation of an individual's life, the house becomes an integral part of it. The first step in house construction is collecting money to own a house. These days one need not have ready cash to start house construction. There are many financing institutions which give a helping hand in fulfilling one's dream of owning a house. Review of such available literature is presented below.

In the opinion of Naik (1981) "housing is an essential element of life for most human beings". The modern concept of housing does not limit the idea of housing merely to the provision of shelter. Housing constitutes a physical matrix in which human interaction occurs. The house that people live in, touch upon every facet of their lives and the society as a whole" as cited by Paul S.

Dr K.N. S. Nair and S.G. Jayachandra Raj (1994) are of the opinion that "Kerala stands unique in the realm of growth and development. But even in the wake of states' rapid expansion in the social sector, it is to be observed that Kerala projects a dichotomy picture of development, comprising of feeble economic structure (commodity producing sectors) along with developed social structure (Physical quality of life). The 43rd round of National Sample Survey, pertaining to the period 1987-88, on the level and status of housing in India portrays a clarity of vision on various aspects of housing on a macro level

R Balachandran (1996) is of the opinion that Kerala has been badly affected by the slump more due to the mushrooming growth of builders as well as the withdrawal of NRIs, particularly from the Gulf. The market became overheated and it crashed at great speed when non-trade barriers began creating its own impact - the unclear political situation, the fluctuations of the dollar and so on.

As stated by S.D. Gosangadi in Manorama year Book 1992, housing requires huge capital resources. Developing countries suffer from the syndrome of low investment, low capital formation, low productivity low savings, leading to scarcity of resources. It is a vicious spiral from which they find it difficult to extricate themselves

In Manorama year book (1992) S.D. Gosangadi states that "as per the estimate of the National Building Organisation based on census figures, the usable housing stock rose from 68.8 million units to 102.7 million units between the two decades from 1961 to 1981, despite the fact that, there is a huge backlog of housing shortage in the country.

4. HOUSING LOAN DISBURSEMENT OF NEW GENERATION BANKS AND NATIONALISED BANKS IN KERALA

In our country an own house is the main factor of a family. Constructing a house is not a joke. It mainly needs finance. To overcome this problem various banks in our country provide loan in the name of housing loan. Each bank has different principles to provide it. This section discuss the performance of the bank based on the housing loan disbursement in kerala by sample units during the period 2005-2006 to 2011-2012 exhibited in table 4.1

Table: 4.1, Total Amount of Housing Loan Disbursement-Kerala (in lakhs)

Year	SBI		PNB		IOB	
	Amount	% to India	Amount	% to India	Amount	% to India
2005-06	1712.45	5.42	8172.76	3.53	1848.45	5.91
2006-07	2062.89	5.48	9849.61	5.94	2481.12	5.54
2007-08	3082.03	6.94	11621.22	7.12	3486.90	6.80
2008-09	3486.90	6.66	8791.78	7.18	3911.02	5.72
2009-10	4500.49	5.98	4961.66	3.09	4680.15	5.87
2010-11	4879.02	5.43	9385.42	3.37	5217.32	5.74
EG	22		-4		20.5	

Source: RBI Bulletin

Table: 4.2, Total Amount of Housing Loan Disbursement-Kerala (in lakhs)

Year	HDFC		ICICI		AXIS	
	Amount	% to India	Amount	% to India	Amount	% to India
2005-06	60.07	60.03	100.12	87.54	45.00	49.96
2006-07	80.00	61.54	110.00	82.56	75.07	57.54
2007-08	90.67	55.06	118.23	73.59	85.87	55.52
2008-09	110.00	54.91	135.75	72.69	104.12	63.16
2009-10	160.67	65.54	176.00	83.76	110.00	54.82
2010-11	165.12	58.97	186.00	79.49	165.89	61.44
EG	20.9		13.2		22.4	

Source: RBI Bulletin

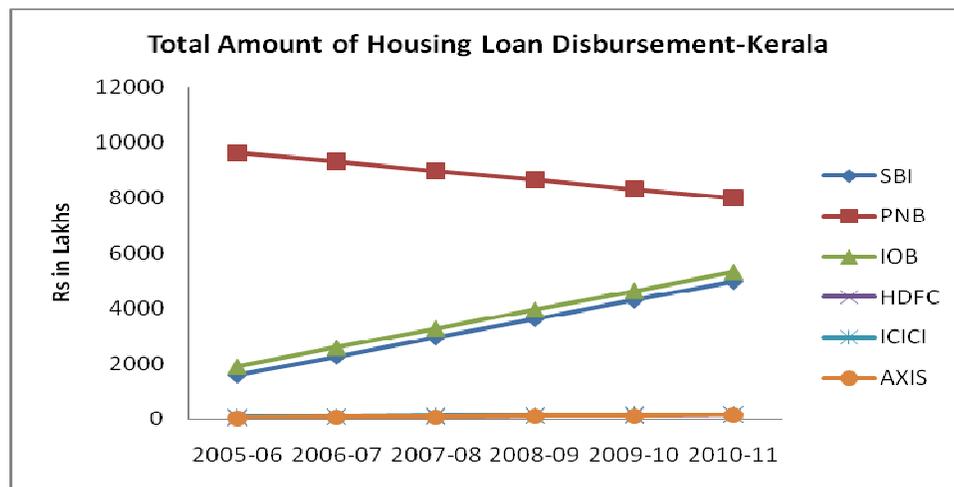


Figure-4.1

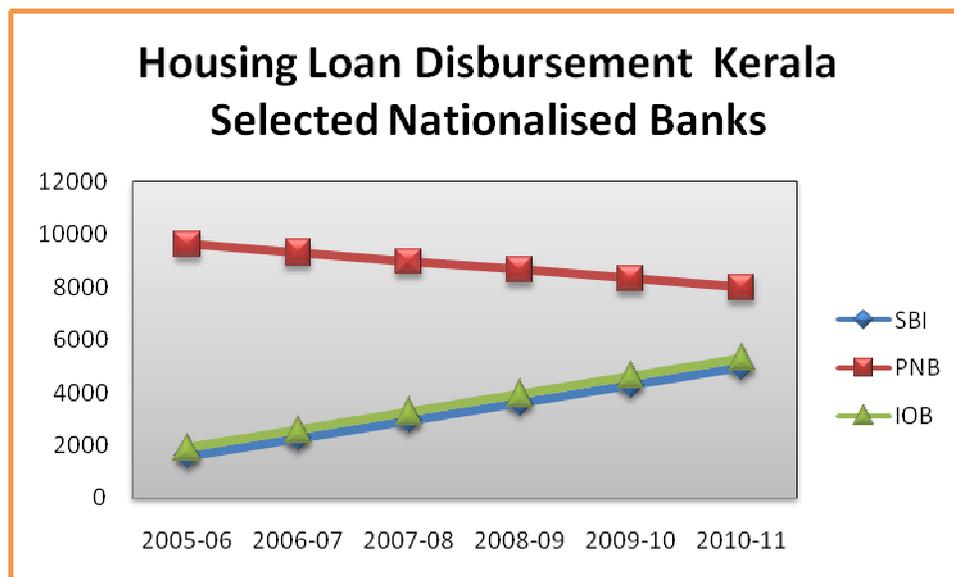


Figure-4.2

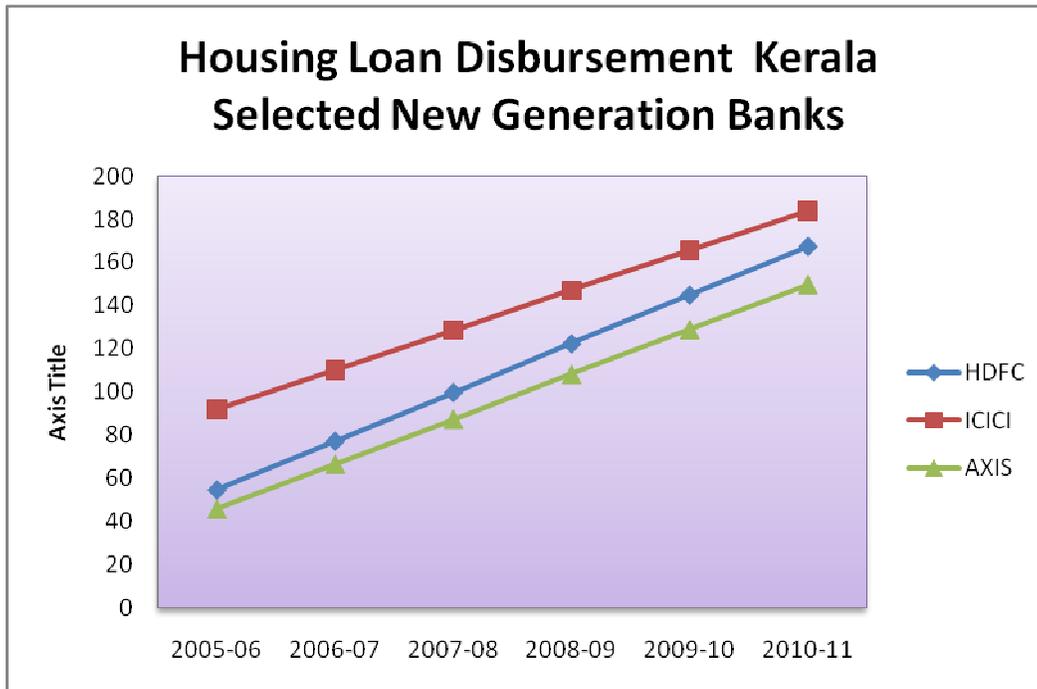


Figure-4.3

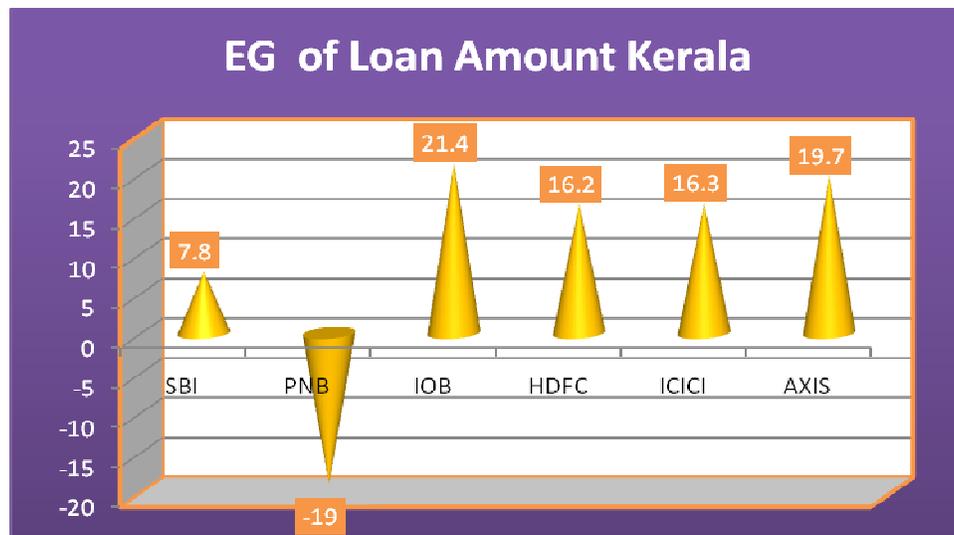


Figure-4.4

The above Table 4.1 presents the amount of housing loan disbursed by the selected banks in Kerala and the percentage share with respect to all India, along with the exponential growth rate. The percentage share of the housing loan disbursed in Kerala by SBI amounts only 5 to 6% of the total amount of Loan disbursed by the SBI in India. But it records an average growth of 22% over the years 2005-06 to 2010-11. In the case of PNB the percentage share of Kerala is 3.53% of the all India disbursement on 2005-06 which increases to 7.18% in 2008-09 which again reduces to 3.37% in 2010-11. The exponential growth rate also gives a decline by 4%. As in the case SBI, the percentage share of housing loan disbursed in Kerala by the

IOB is around 6% with an average growth rate of 20.5%. That is from the table it seems that the percentage share of the housing loan disbursed in Kerala in the case of the selected nationalised bank is less than 7% of the total loan disbursed. Table 4.2 shows the amount of loan disbursed by the New generation bank and the percentage share of Kerala compared to all India is more than 60 percentage. In the case of HDFC bank this is more than 80% in the first two year under study and more than 70% during the third year and fourth year. During first years under study it is more and it is showing a mixed trend during the subsequent year under study. The percentage contribution again increased to 83.76% during the year 2009-2010 and it was 79.49% during the last year under study. The AXIS bank recorded the highest percentage (22.4%) of growth rate in housing loans in Kerala followed by HDFC with 20.9%. But the growth rate of ICICI Bank limits to 13.2%, though its major market is Kerala. Even though the amount of loan disbursed in kerala shows an increasing trend by all the banks during the year under study ,the percentage contribution to all India level shows a mixed trend. It is because of the increase in the total amount of loan disbursement by all banks in all India level. Figures 4.1, 4.2 and 4.3 present the trend values of loan disbursement and figure 4.4 shows the graphical presentation of EG.

CONCLUSION AND FINDINGS

Housing problem is a crucial problem to a modern man in a civilized society. Home provides physical frame work in which he social, economic and cultural resources of an individual are released. The main findings of the study are:

1. The amount of housing loan disbursement of New Generation Bank show an increasing trend during the period under study because of limited formality and offer of allied services to their customers.
2. Among the Nationalized banks IOB has better growth rate in loan disbursement in kerala compared to SBI and PNB.
3. PNB always shows a negative growth both in Kerala .
4. Nationalised Banks contribute major share of housing loan disbursement in kerala.
5. In case of New Generation Bank HDFC and AXIS bank show a higher growth rate than ICICI.
6. The new generation banks found Kerala as the most promising market as far as the housing loan is concerned.

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