CHAPTER-2

OBJECTIVES, SCOPE & METHODOLOGY
CHAPTER-2
OBJECTIVES, SCOPE AND METHODOLOGY

I - INTRODUCTION:

This chapter aims at studying the need for the study, objectives of the study and the selection of the sample. The study also deals with method of collection of data, tabulation and the preparation of the report. The limitations of the study and the literature survey are also given.

Shelter is a basic human need. Securing ownership of a house can raise the welfare of the household that lives in it and it enhances productivity, efficiency and creativity. But housing development has been slow. Because housing is a large investment, it requires long-term finance. Other factors hindering housing development are inflation, interest rate controls, instability of financial markets and the inadequate legal system. Housing in India has been one of the important economic activities which serve to fulfill many of the plan objectives: providing shelter to the needy, raising an environment conduct for better health and sanitation, creating additional employment and achieving urban, rural and interpersonal equity in terms of standard of living. Further, housing could lead to the generation of additional savings at all levels. Shelter, like food and clothing, is one of the most important inputs which have a profound impact on the socio-economic and physio-psychological development of human beings. Housing is important service development in both economic and welfare terms. It is not only consumption good but also a productive investment.

II - NEED FOR THE STUDY

Shelter is a basic human need and productive investment. Easy accesses to institutional finance at affordable rates are an essential pre-requisite for accelerating the tempo of housing activity. This is more so in the eastern and north-eastern region where the general level of income is relatively low. It is, therefore, imperative that a specialized housing finance system – albeit as an integral part of the national finance
system – be created for this region for the development of new housing stock as well as for the renovation, upgradation and expansion of the existing housing stock in the rural, semi-urban and urban areas. Out of the total outlay of Rs. 97,500 crores for housing in the 8th Five Year Plan, organized sector is expected to contribute about Rs.25,000/- crores. The emergence of a number of HFCs in organized and unorganized sectors has brightened the economic scenario. The potential for the HFCs is vast. The success of HFCs depends on how effectively they can tap resources. Fortunately, during the last couple of years, lot of emphasis has been placed on creating an integrated national housing finance system. With the creation of National Housing Bank, an apex housing finance institution, housing finance has received added impetus. In addition to the NHB are many housing financial institutions that are established in India. These include HDFC, HUDCO, LICHFL, Commercial banks and other housing finance companies. Banks can venture into informal housing by providing loans for upgradation of the housing stock in a gradual manner over a period of years. The schemes for financing informal housing can be combined with the schemes meant for employment and income generation, which can result in the overall improvement in the living conditions of the poor. The informal housing market also gives a chance for the banks to capitalize the absence of big existing housing finance institutions.

Housing finance being a specialized activity, it is desirable to concentrate the activities by selected banks rather than the indiscriminate involvement by all banks. As residential housing loans do not create direct additional income, recovery of loan may prove to be difficult even though loan may be adequately secured. There are many legal and other hurdles to be tackled before substantial involvement of banks. At the same time, banks cannot stand apart from housing finance particularly when many avenues of traditional lending being taken away form commercial banks in the wake of financial innovations.

In addition to the problem of financing the biggest problem faced by prospective house owners and buyers is the deficiency in getting services from the house finance companies in India. Even today the housing finance companies while
sanctioning loans to the housing sector are treating the loans as an extension of their portfolio of loans without studying problems of construction of houses and borrowers\(^3\). It is in this context an attempt is made here to study the problems of housing in the City of Greater Hyderabad of Andhra Pradesh State in India.

It is also aimed at studying and evaluating the progress of Life Insurance Corporation Housing Finance Limited (LICHFL) and Housing Development Finance Corporation (HDFC) in financing of housing activities in Hyderabad. In addition to study the service quality rendered to house owners and customers.

**III-OBJECTIVES OF STUDY**

The study mainly aims at studying the housing activities in Hyderabad and financing by LICHFL & HDFC in Hyderabad. In addition to measuring the service quality being provided by LICHFL & HDFC.

The study specifically aims at:

1. Studying the importance of housing, demand for housing and house finance in India.
2. Evaluation of the role of LICHFL & HDFC in financing of houses in Hyderabad.
3. To identify the popular schemes of LICHFL & HDFC.
4. To analyze the trends in housing finance by LICHFL & HDFC.
5. To ascertain the problems of borrowers of LICHFL & HDFC while availing housing loans.
6. To evaluate the impact of tax considerations on housing finance with respect to LICHFL & HDFC.
7. Measuring the service quality being provided by LICHFL & HDFC to its customers in Hyderabad.
8. Finally to suggest certain measures to housing loan policy makers of LICHFL & HDFC for increasing the service quality to its customers so as to increase its base.

IV-SCOPE OF THE STUDY

The scope of the proposed study is restricted to Hyderabad divisions of both LICHFL and HDFC. Hyderabad divisions of these organizations extend the facilities of housing finance to its clients belonging to Hyderabad region in the State of Andhra Pradesh.

1) LIC HOUSING FINANCE LIMITED (LICHFL):

LIC Housing Finance Limited (LICHFL) as a subsidiary of Life Insurance Corporation (LIC) was incorporated on June 19th 1989, to accelerate the development of housing. LICHFL is the second largest Housing Finance Company in India.

‘To each one a home of his own” is the main objective of LICHFL. It renders liberal financial assistance to policy holders and others for purchase/construction of residential houses/flats. The following are the other objectives of LICHFL:

(i) To provide loans to public sector/private sector employees to construct residential accommodation for their employees.

(ii) To mobilize insurance linked long term savings from the public to deploy such funds in long-term finance in the housing sector.

(iii) To facilitate approval of builders in advance and offer them construction finance to enhance customer servicing with a real estate market information.
LIC Housing Finance provides long term finance to resident individuals of India and Non-Resident Indians (NRIs) for the purchase, construction, repair and renovation of new / existing flats / houses and mortgage. The Company is the only one of its kind that offers a Life Insurance Policy as collateral security to back its loans. LICHFL also provides finance on existing property of business / personal needs. The company has been growing steadily over the last two decades both in terms of business and profits.

There are 6 Regional Offices, 112 Area Offices consisting of Operating Offices and Extension Counters spread across Nation. LICHFL has got its Registered and Corporate Office at Mumbai. It has a total team of 2,500 dedicated employees in the Country.

With these LICHFL had widest network amongst all the Housing Finance Companies in India. Hyderabad branch of LICHFL was established in the year 1993 with just 20 employees and today it has a total of 6 branches in Hyderabad at various places like Ameerpet, Dilsukhnagar, Gachibowli, Himayathnagar, Kukatpally, and Secunderabad. There are about 107 fulltime employees in LICHFL, Hyderabad branches and more than 500 company appointed Direct Sales Agents (DSAs) and Home Loan Agents (HLAs) working under Hyderabad branches.

2) HOUSING DEVELOPMENT FINANCE CORPORATION (HDFC):

The Housing Development Finance Corporation (HDFC) was formally promoted and incorporated on October 17, 1977 under the chairmanship of Mr.H.T.Parekh. HDFC was promoted by ICICI, the International Finance Corporation and His Royal Highness Aga Khan. Each party had contributed 5% of the equity of the Corporation.

HDFC from its very first day of its operations was built as a principle centered organization. An organization built on the basis of fairness and kindness, efficiency and effectiveness. It has gradually built trust among the people strengthening
communications and participative management style. Trust is the very cement for meaningful relationships and an open and creative management style. It is the very foundation for measuring worth.

Objective of HDFC is to enhance residential housing stock and to promote house ownership by providing individual household/families with long term housing loans at commercially viable rate. More specifically, the objectives of HDFC are:

i. To finance mainly low and middle income group of people to purchase/construct a single family dwelling unit primarily for self occupation, and

ii. Granting loans to the co-operative sector for housing their employees.

HDFC provides longterm finance to individuals for the purchase, construction, repair and renovation of new/existing flats/houses and mortgage loans. HDFC is specialized in the field of housing. Its own name was constituted from three words – the interlocking of three areas of housing, finance and development. HDFC being a pioneer organization in the field of housing finance is a leading institution in retail lending housing finance at time when no other major player was in the field. HDFC has consistently endeavored to provide top notch service to its customers through its extensive network of 87 offices which inter linked Nation wide, and introduced innovative value added products to enhance both its range and quality of service.

HDFC’s Hyderabad branch was opened in the year 2000 and with just 15 employees and today HDFC has got 6 branches in Hyderabad and Secunderabad at various places like Basheerbagh, Dilsukhnagar, Gachibowli, Kukatpally, Panjagutta and Tarnaka with 200 fulltime employees and many Marketing Agents working under these branches.
3) SELECTION OF LOAN APPLICANTS:

The property for which loan is applied must be in and around Greater Hyderabad Municipal Corporation (GHMC), Alwal, Qutubullahpur, Kukatpally, Kapra, Kompally, L.B. Nagar, Gaddiannaram, Malkajgiri, Secunderabad, Hyderabad Urban Development Authority (HUDA) layouts. Outer areas of the City like Shamshabad Airport, Cyberabad Development Authority (CDA) & Airport Development Authority (ADA) Uppal and Patancheru also come under the jurisdiction of LICHFL and HDFC.

The identification of customers are through direct walk-ins by customers, customers responding to the paper ads, hoardings, other media, direct sales made by LICHFL agents & HDFC Home Loan Executives, references given by the existing customers, references made by panel members of LICHFL & HDFC, references made by builders, references made by employees of LICHFL & HDFC and other references etc.

The loan applicants net income from his salary must be above Rs.10,000/- per month. The organization in which the applicant is working must be government owned organization and in case of a private employee the organization in which the applicant is working must be in approved list organizations acceptable to LICHFL & HDFC. In case of a business person his net annual income must be Rs.1,50,000/- and above.

Applicant must submit application form duly filled legibly with photographs affixed on it by the applicant co-borrower and by furnishing all documents relating to loan property like property plan approved by civic authorities, link documents of property, encumbrance certificate, sale deed from vendor, estimates from panel engineer, income details like salary certificates in case of salaried applicant income tax returns certificate certified by chartered accountant or auditor in case of businessman applying for loan, PAN card, copy of bank statement showing his/her income, current place or residence, Passport in case of NRIs, current place of work or business etc.
Applicant also need to furnish guarantor details like proof of income of guarantor, residential address, proof of guarantor and guarantor’s employment and professional details must be furnished.

After perusal of the above documents, if LICHFL & HDFC is satisfied with the above details, LICHFL’s Credit Officer & HDFC Credit Officer will inspect the property and value the property with their Panel Value Engineer/Technical Team and prepares the report to be approved by the Branch Manager. Branch Manager will give his final nod for disbursement of loan after evaluating the feasibility of loan.

4) SELECTION OF SAMPLE RESPONDENTS:

The selection of 500 respondents was made on the basis of stratified random sampling from the records of LIC Housing Finance Limited (LICHFL), Hyderabad Offices and House Development Finance Corporation (HDFC) Offices, Hyderabad. The details of the selected respondents can be seen from table 1 to table 7.

Table 2.1
4(i) Classification of respondents according to number of persons, age and marital status

<table>
<thead>
<tr>
<th>Age &amp; Marital status</th>
<th>LICHFL</th>
<th>HDFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>%</td>
</tr>
<tr>
<td>No. of Persons:</td>
<td>379</td>
<td>75.8</td>
</tr>
<tr>
<td>Below age of 30 years</td>
<td>17</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>355</td>
<td>71.1</td>
</tr>
<tr>
<td>60-65 years</td>
<td>7</td>
<td>1.3</td>
</tr>
<tr>
<td>Marital status:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>376</td>
<td>99.2</td>
</tr>
<tr>
<td>Unmarried</td>
<td>03</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: Questionnaire 1&3

The above table 2.1 relating to the respondents of LICHFL reveals that out of 379 male applicants, the percentage of male below the age of 30 years is 3.4 %. There were 71.1 % of male applicants between the age group of 30 to 60 years and 1.3 % of male applicants between the age group of 60 to 65 years.
The study shows that out of 121 female applicants of LICHFL, the percentage of female below the age of 30 years is 1.37%. The percentage of female between the age group of 30 to 60 years is 22.75%.

The table also reveals that out of 379 male applicants, 99.2% applicants were married and 0.8% applicants were unmarried. Table 1 also shows that 100% of female applicants are married women.

The above table 2.1 relating to the respondents of HDFC reveals that out of 350 male applicants, the percentage of male below the age of 30 years is 5.2%. There were 64.4% of male applicants between the age group of 30 to 60 years and 1% of male applicants between the age group of 60 to 65 years.

The study shows that out of 150 female applicants, the percentage of female below the age of 30 years is 3.6%. The percentage of female between the age group of 30 to 60 years is 5.8%.

The table also reveals that out of 350 male applicants, 98.2% applicants were married and 1.8% applicants were unmarried. Table 1 also shows that 100% of female applicants are married women.

In both the organizations, majority of the respondents were in the age group of 30 to 60 years old.
Table 2.2
4(ii) Classification of respondents according to qualification

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Education</th>
<th>LICHFL</th>
<th>HDFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td>1</td>
<td>No education</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>2</td>
<td>Upto S.S.C.</td>
<td>59</td>
<td>28</td>
</tr>
<tr>
<td>3</td>
<td>Upto graduation</td>
<td>141</td>
<td>52</td>
</tr>
<tr>
<td>4</td>
<td>Upto Post-graduation</td>
<td>180</td>
<td>41</td>
</tr>
<tr>
<td>Total</td>
<td>379</td>
<td>121</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: Questionnaire 1 & 3

The purpose of table 2.2 is to examine the qualifications of the loan applicants of LICHFL and HDFC.

Out of 379 male applicants of LICHFL, 15.6% studied up to S.S.C., 37.2% studied up to Graduation and 47.2% studied up to Post-Graduation. Out of 121 female applicants, 23% of them studied up to S.S.C., 43% of them studied up to graduation and 34% of them studied up to Post-Graduation.

Table 2.2 is also to examine the qualifications of the loan applicants of HDFC. Out of 352 male applicants, 12% studied up to S.S.C., 51% studied up to graduation and 38% studied up to Post-Graduation. Out of 148 female applicants, 12% of them studied up to S.S.C., 51% of them studied up to graduation and 37% of them studied up to Post-Graduation.
Table 2.3

4(iii) Classification of Respondents according to Income

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Annual Income (in Rs)</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.20 to 3 lakhs</td>
<td>172</td>
<td>93</td>
<td>265</td>
<td>99</td>
<td>66</td>
<td>165</td>
</tr>
<tr>
<td>2</td>
<td>3-5 lakhs</td>
<td>88</td>
<td>47</td>
<td>135</td>
<td>81</td>
<td>54</td>
<td>135</td>
</tr>
<tr>
<td>3</td>
<td>5 lakhs and above</td>
<td>65</td>
<td>35</td>
<td>100</td>
<td>120</td>
<td>80</td>
<td>200</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>325</td>
<td>175</td>
<td>500</td>
<td>300</td>
<td>200</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: Questionnaire 1 & 3

The purpose of table 3 shows the income of the loan applicants of LICHFL and HDFC.

Out of 325 male applicants of LICHFL, 52.92% of them who constitute major in number were earning between Rs.1.20 lakh to Rs.3 lakhs per annum.

Table 2.3 shows that 27.07% of the applicants were earning between Rs.3 to 5 lakhs per annum. 20% of the applicants were earning Rs.5 lakhs and above per annum.

Coming to 175 female applicants of LICHFL, 53.14% of them who were major in number were earning Rs.1.20 lakh to Rs.3 lakhs per annum. 26.85% of them were earning between Rs.3 to 5 lakhs and 20% of the female are earning Rs.5 lakhs and above per annum.

Table 2.3 also shows the income of the 300 male applicants of HDFC. Out of them, 33% of them who were major in number were earning between Rs.1.20 lakh to Rs.3 lakhs per annum.
27% of the male applicants of HDFC were earning between Rs.3 to 5 lakhs per annum. 40% of the applicants were earning Rs.5 lakhs and above per annum.

Coming to 200 female applicants of HDFC, 33% of them who were major in number were earning Rs.1.20 lakh to Rs.3 lakhs per annum. 27% of them were earning between Rs.3 to 5 lakhs and 40% of the female are earning Rs.5 lakhs and above per annum.

From the above table, it can be concluded that majority of the male and female applicants of LICHFL and HDFC were earning between Rs.1.20 lakh to Rs.3 lakhs.

Table 2.4
4(iv) Classification of Respondents according to Size of Family

<table>
<thead>
<tr>
<th>LICHFL</th>
<th>HDFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>S.No</td>
<td>Size of family</td>
</tr>
<tr>
<td>1</td>
<td>Upto 2 Members</td>
</tr>
<tr>
<td>2</td>
<td>Above 2 &lt; 4</td>
</tr>
<tr>
<td>3</td>
<td>Above 4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Source: Questionnaire 1 & 3

Table 2.4 explains the size of the family of the applicants of LICHFL and HDFC.

Out of 500 applicants of LICHFL, 55% of the applicant’s family size is above 4. 42.7% of the applicant’s family size is between 2 to 4, and 2% of applicants family size is below 2.

Coming to the family size of HDFC applicants, table 2.4 explains that out of 500 applicants, 41.2% of the applicant’s family size is above 4. 55.2% of the applicant’s family size is between 2 to 4, and 3.6% of HDFC applicant’s family size is below 2.

In both the cases, the major percentages of applicants were from the family size of above 4.
Table 2.5
4(v) Classification of respondents according to caste wise

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Caste</th>
<th>No. of applicants</th>
<th>Percentage</th>
<th>No. of applicants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>O.C.</td>
<td>324</td>
<td>64.8%</td>
<td>362</td>
<td>72.4%</td>
</tr>
<tr>
<td>2</td>
<td>B.C.</td>
<td>76</td>
<td>15.2%</td>
<td>88</td>
<td>17.6%</td>
</tr>
<tr>
<td>3</td>
<td>S.C.</td>
<td>86</td>
<td>17.2%</td>
<td>44</td>
<td>8.8%</td>
</tr>
<tr>
<td>4</td>
<td>S.T.</td>
<td>14</td>
<td>2.8%</td>
<td>6</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>500</td>
<td>100</td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Questionnaire 1 & 3

Table 2.5 explains the number of applicants of LICHFL and HDFC according to caste wise. The study reveals that out of 500 applicants of LICHFL, 64.8% belongs to O.C. category; 17.2% belongs to S.C. category; 15.2% belongs to B.C. category; and remaining 2.8% belongs to S.T. category.

Coming to the respondents of HDFC, table 2.5 explains the number of applicants according to caste wise. The study reveals that out of 500 applicants 72.4% belongs to O.C. category; 8.8% belongs to S.C. category; 17.6% belongs to B.C. category; and remaining 1.2% belongs to S.T. category. The highest percentage of respondents both in LICHFL and HDFC were from O.C category.

Table 2.6
4(vi) Purpose of loan applied by respondents

<table>
<thead>
<tr>
<th>Purpose</th>
<th>LICHFL</th>
<th>HDFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Respondents</td>
<td>%</td>
</tr>
<tr>
<td>Purchase</td>
<td>128</td>
<td>25.60%</td>
</tr>
<tr>
<td>New construction</td>
<td>252</td>
<td>50.40%</td>
</tr>
<tr>
<td>Extension</td>
<td>64</td>
<td>12.80%</td>
</tr>
<tr>
<td>Repair / Improvements</td>
<td>56</td>
<td>11.20%</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Questionnaire 1 & 3
The organization in study is meant for providing housing finance to those who need it. LICHFC and HDFC provides loans for variety of purposes in housing such as purchase of a house, construction of new house, extension of existing houses and improvement and mortgages.

A question was asked to the respondents of both LICHFL and HDFC as to the purpose for which the loan was taken.

Table 6.8 shows the total respondents of LICHFL 50.40% were approaching for loan for the new construction of house/flat and 25.60% have said that the purpose of loan is to purchase the house/flat. For the purpose of extension and repairs/improvement of houses about 12.80% and 11.20% of them have approached LICHFL.

Table 2.6 reveals that out of 500 respondents of HDFC, 38.67% of the respondents have approached the organization for the purpose of loan for new construction, 28% of them approached for purchase of house/flat whereas 21.33% for extension and improvement and 12% for repairs and renewals respectively.

By and large it can be said that majority of the respondents of both the organization availing loan for the purpose of purchase and construction of new house/Flat only.

Table 2.7
4(vii) Amount of Loan applied by Respondents

<table>
<thead>
<tr>
<th>S.No</th>
<th>Loan amount ( in Rs)</th>
<th>LICHFL No. of applicants</th>
<th>Percentage</th>
<th>HDFC No of applicants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 lakh to 5 lakhs</td>
<td>156</td>
<td>31.2</td>
<td>87</td>
<td>17.4</td>
</tr>
<tr>
<td>2</td>
<td>5 lakhs to 10 lakh</td>
<td>240</td>
<td>48</td>
<td>240</td>
<td>48</td>
</tr>
<tr>
<td>3</td>
<td>10 lakhs and above</td>
<td>104</td>
<td>20.8</td>
<td>173</td>
<td>34.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>500</td>
<td>100</td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Questionnaire 1 & 3
Table 2.7 reveals the amount of loan applied by the applicants of LICHFL and HDFC.

Out of 500 applicants of LICHFL, 31.2% had applied for loan amount between 1 lakh to 5 lakhs. 48% had applied for loan amount between Rs.5 to 10 lakhs. The study also reveals that only 20.8% had applied for amount above 10 lakhs.

Coming to the respondents of HDFC, table 2.7 reveals that out of 500 applicants 17.4% had applied for loan amount between 1 lakh to 5 lakhs. 48% had applied for loan amount between Rs.5 to 10 lakhs. The study also reveals that 34.6% had applied for amount above 10 lakhs.

From the above table it can be concluded that majority of the respondents of LICHFL and HDFC had applied for a loan amount between Rs.5 lakh to Rs.10 lakh.

5) Collection of Data:

The researcher depended on the primary and secondary data for the purpose of carrying out the study. The secondary data was taken from the sources like-Census data from the office of the Registrar General of India, HUDCO reports, NHB reports, Greater Hyderabad Municipal Corporation (GHMC) and materials from commercial banks and housing finance companies. Annual Reports of LICHFL & HDFC.
V - METHODOLOGY

Proposed study is an empirical one and is based on both primary data and secondary data.

1) Primary Data:

The primary data was collected from the Area Office of LICHFL, Hyderabad and HDFC Main Branch, Hyderabad. Also data was collected from the branches of LICHFL & HDFC located in Hyderabad. The data was collected from the LICHFL & HDFC from selected loan applicants through a structured questionnaire based on the rational construct criteria. The questionnaire is presented to a sample of 500 respondents representing the cross section of the society from LICHFL and HDFC. (given in annexure)

2) Secondary Data:

The sources of secondary data include Annual Reports, manuals, official records, and other published sources pertaining to LICHFL & HDFC.

Informal discussions held with the borrowers and officials to elicit the information with a view to gain deeper insights into the operational aspects of housing finance in the selected areas of the study.

2) Sample:

There are many housing finance institutions in India. As it is difficult to cover the beneficiaries of all the housing finance institutions, two major players in India like Life Insurance Corporation Housing Finance Limited (LICHFL) and Housing Development Finance Corporation (HDFC) are selected for the proposed study. As many as 500 questionnaires were distributed among 500 beneficiaries of LICHFL and HDFC to obtain information in Hyderabad region.

4) Statistical Tools:

The data collected will be analyzed in one way and two way tables and through Statistical techniques such as percentages, averages and growth rates.
VI- LIMITATIONS OF STUDY

Following are the limitations of the study:

1. The study covered only geographical boundaries of Hyderabad City only which come under Greater Hyderabad Municipal Corporation (GHMC).

2. Due to the problem of illiteracy some house loan applicants and loan takers could not respond to questionnaire properly. However care was taken to elicit their opinion as far as possible.

3. While studying the aspects of respondents of LICHFL and HDFC about performance appraisal, certain items of investigation had to be dropped in view of non-response from the respondents. Therefore, the study of respondents (borrowers) perception is limited to the items which received enough response from them.

VII-CHAPTERISATION

The proposed study is organized into nine chapters as under:

Chapter- 1: Housing Finance in India.
Chapter- 2: Objectives, Scope and Methodology.
Chapter- 3: Housing in Hyderabad.
Chapter- 4: Operations of LICHFL and HDFC.
Chapter- 5: Resource Mobilization.
Chapter- 6: Analysis of Lending Operations of LICHFL and HDFC.
Chapter- 7: Analysis of Recovery Performance.
Chapter- 8: Service Quality in LICHFL and HDFC.
Chapter- 9: Findings and Suggestions.
VIII-REVIEW OF LITERATURE

In this section, it is proposed to briefly discuss the studies made in the past relation to housing and housing finance both at National level and State level. Studies relating to housing and housing finance were indeed, a subject of great importance and draw attention both from the government and from the academic community as well.

The research literature relating to housing finance is very limited, due to growing literature on industrial and commercial undertakings. The area of housing finance is of recent emergence and there is acute shortage of written work in this field. The literature available in this area is mostly by way of contributions in the form of statements by leading authorities heading various institutions like HUDCO and National Housing Bank. The shortage of literature in this vital area is evident by the Central Government thrust in formulating National Housing Bank in 1988.

Bhardwaj⁶ is one of the studies tried to bring out meaningful conclusion regarding human settlement problem. After analyzing the nature of problems and renewing the present efforts, he discussed the interaction involved between human settlements and family well-being.

Rama Rao⁷, in his study stressed upon the need to strengthen the policy with regard to house construction materials and building services in Andhra Pradesh.

Khodaji⁸ has stated that process of urban renewal that includes replanting, redevelopment, conservation and rehabilitation. In order to solve the urban crisis, there is an urgent need for Urban Renewal Programmes to be taken up by the developing countries. He viewed that people's participation is a perquisite for the successes of Urban Renewal Programme.

Prabahavathi⁹ and Sharma, are of the opinion that development programme for the weaker section housing is not implemented in an effective manner as the innocent poor, who are really deserving are deprived by the relatively educated, rich and well
placed people. These people have access to a great deal of social and political systems both within and outside slums.

Verghese\textsuperscript{10} has geographically described the problem of housing the country. A study conducted by Jayaram and Sandhu\textsuperscript{11} shows problems, policy and perspectives related to housing in India.

A detailed study of various factors in housing production, role of informational community on technology transfer etc, has been conducted by Fish\textsuperscript{12}. The researcher has also studied the categories of and the difficulties, problems faced by the people of Chandigarh. He made comparison and concluded that housing conditions in Chandigarh is better than that in other towns in the country.

Narad Naresh\textsuperscript{13} has examined the various efforts made by Government of India to improve housing infrastructure for human settlements and legislative support.

A study conducted by Sabir Ali\textsuperscript{14} reveals that not only the basic services like drinking water, electricity, toilets, roads and health are lacking in resettlement colonies in Delhi but the maintenance of these services and facilities are also poor.

Miglani\textsuperscript{15} in his study focused that the unpredicted growth of population and labor force in urban areas has brought forth a number of problems in towns and cities of developing countries. He observed that measurement and magnitude of housing shortage is typical and there is no specific criterion to define housing need and supply.

The uncontrolled urban growth as per the observation made by Mongia\textsuperscript{16} is the poor housing situation and the vital aspect of housing shortages relates to the housing for the low income group. In this article entitled "Necessity Turned into Luxury", he pointed out that inadequate house building activity is due to rising cost of construction, non utilization of construction techniques and low priority given to housing in the allocation of plan funds.
Arjun Singh in his study evaluated the requirement of housing and the projects to be taken up for some identified tribes in Gujarath. After analyzing the housing position in India Francis and Hegadde, have reached the conclusion that there seems to be a big gap between present and future requirement of housing in India.

Singh in his study portrays various institution responsible for implementing the housing in Uttar Pradesh. According to him, Uttar Pradesh Housing and Development Board has made significant improvement in housing by concentrating on low cost housing for weaker sections.

Khurana in his study tried to examine in detail the housing problem and role of cooperatives in India.

Pugh in his study “Housing and Urbanization” apart from various issues also examined the housing finance and the Government housing. He remarked that housing is close to the social life to the rich and poor. He is of the opinion that subsidy in housing cannot be justified.

Mulk Raj has made an attempt to study the issue of limited resources at national level and focused on the role of informal sector as far as housing finance is concerned.

Pavithran has studied the need for optimum utilization of resources and effective management of funds which is crucial decision to be made in housing activity.

Vijay Bhole studied on various housing finance agencies and housing issues on the performance of Andhra Pradesh Housing Board.

Another study conducted by Bijilani, clearly discussed the endeavors of HUDCO the apex national Housing Finance Institution in providing low cost housing methodology and techniques.
Tiwari\textsuperscript{26} has conducted study towards another direction of housing finance. He stressed the need for involvement of commercial banks in providing the liberal finances to overcome the shortages of housing units in India.

The observation of Roy\textsuperscript{27} shows that a dominant role is played by LICHFL in extending the liberal finances to the housing sector.

Sharma\textsuperscript{28} has highlighted the issue relating to housing and housing finances performance of HUDCO and future policies related to functioning and establishment of NHB.

Sundaram\textsuperscript{29} examined that to create a necessary atmosphere of maximum saving so as to invest in housing sector, there should be coordination between public housing and financial institutions such as HUDCO and LICHFL.

Rao\textsuperscript{30} in his study has pointed out there is need to discuss the housing finance in different perspectives to include the financing of infrastructure facilities in the development of housing settlements apart from the financing for the construction of house structure. Due to resource constraint the strategy of government is to concentrate on the construction of homes for poor and low income sections.

Chandrasekar\textsuperscript{31} is of the opinion the government provides suitable environment for the private investment agencies; they could allocate a portion of their investment towards construction of houses for the low and middle income sections apart from the council complexes.

Sharma\textsuperscript{32} in his study emphasized the need for reconciliation of increasing resource mobilization and catering to the needs of low income and poor section of the country at affordable cost. He further points out the HUDCO are doing a lot in this regard.
Lai\textsuperscript{33} in his study made a reference to NHB. He is of the opinion that the establishment of separate national apex body is necessary to concentrate on financial mobilization housing.

Sivaramakrishna\textsuperscript{34} reveals that HDFC is able to maintain recovery rate of nearly 98\%. In general, the LICHFL's performance is worth praising in the field of housing finance.

Gopalan\textsuperscript{35} in his study observed that it is difficult task for low and poor income group to raise the funds from private source for the construction of houses because of their low repaying capacity. The public agencies are required to raise their capital mainly through borrowings and are not able to recover the cost from the borrowers of housing finance and finding it difficult to finance for housing.

Singhal\textsuperscript{36} observed that government initiative at various levels and the ratification of NHB, the housing financial institutions have to act accordingly to meet the requirement of housing.

Mohan Rakesh\textsuperscript{37} has indicated in his study that creation of squatter settlements in and around the urban areas is due to natural rate of growth and encroachment of migrants form rural areas and accelerated growth in urban areas.

"Housing is a universal problem although the problem is chronic in developing countries; Cherunillam\textsuperscript{38} says that most of the advanced countries also face this problem with varying degrees".

In the opinion of Dayal\textsuperscript{39} "Roti, kapada our makan, (Food, Clothing and Shelter)" are the basic needs of human being despite the Food and clothing, the requirement of shelter is very essential for human being.
Miglani\textsuperscript{40} observes in order to ensure investment in housing and activate funds, LICHFL should increase its branches substantially and regulations should be amended to encourage investment in housing.

In the Opinion of Rajiv Sharma\textsuperscript{41} “Government care is required to be taken to see that the urban poor are provided housing near their place of occupation. Securing effective linkages between asset creation and asset management is a must to ensure optimal outcomes from the use of resources for housing”.

Samuel\textsuperscript{42} in his book, “Government of Andhra Pradesh estimates that by 2020, the Hyderabad City will become more than three times to its current size. By 2012 the population of Hyderabad is expected to reach 13.64 millions as a result more land and houses are required to meet the demand”.

According to Reema Sharma\textsuperscript{43} “The main objective of housing finance in India is adequate housing for all. The year 1987 was celebrated as an ‘International Shelter Year’ that emphasized the need to promote better housing to people. The union government of India has given priority to housing sector in all the five-year plans”.

In the opinion of Ashok Kumar\textsuperscript{44} “Housing continues to be one of the thrust areas of the economy for the policy makers. Rising income levels coupled with increased rate of formation of new households has contributed to a steady growth in demand for housing. Added to this is a significant shift in home-ownership pattern with younger population are striving to acquire their own houses. This phenomenon of early purchase has resulted in increased demand for housing loans”.

According to Dr. P.S. Rana\textsuperscript{45} “Besides a robust housing finance system, a sound and sustainable housing policy is equally important for expansion in housing credit. Defective policies with short term objectives in the housing construction segment can impose serious constraints on the credit system. While the two policy areas of the financial sector, viz. monetary and credit policy and fiscal policy are well
disposed towards housing, it is the ‘Real’ sector that needs to respond to the emerging challenges and opportunities.

According to Mr. V. Leeladhar the housing requirements in rural areas being estimated at 24 million units as compared to 7.1 million units in urban/metro areas based on 2001 census figures. The reduced flow of housing finance to the rural areas is attributed due to various reasons which are under study.

According Mr. D. Subba Rao, Governor, RBI, “Banks may also offer long term fixed housing loans to customers and address their asset-liability mismatch issues by recourse interest rate swap market. Floating loans pass on the better rate and risk from banks that are better placed to manage it to borrowers”.

Analytical study made by Mr. Ranga Rajan focuses on the significant changes, views and problems that occurred in the Indian Banking System since the nationalization of 14 major Commercial Banks in 1969 particularly in the field of deposit mobilization and credit employment, and suggests new approach to lending through direct credit plans, village adoption schemes, credit camps and group system.

Mr. Samantak Das says “National Building organization observed that housing shortage was 61 million units in 2011 with a break-up of 35 million units in rural areas and 20.5 million units in urban areas. Urban housing shortage at the beginning of tenth plan has been assessed to be around 8.89 million units”.

Mr. Elumalai.K says “Realizing the importance of housing the economy, government of India formulated the National Housing Policy in 1988. National Housing Policy in its preamble stressed that shelter is a basic need and it promotes economic activities and creates a base for attaining several national policy goals namely, providing shelter and raising quality of life, increasing productivity, stimulating economic activity and creating substantial additional employment”
“HDFC leadership style is very inclusive and empowering. Management is accessible to all and also goes out of its way to help people. That’s evident in HDFC Group’s low attrition rate,” says Renu Sud Karnad

Keki Mistry HDFC management allows managers to run their respective divisions independently without any day-to-day interference. HDFC management has also been very conscious in building a second line of leadership at the parent HDFC.

One of HDFC’s main objectives is to increase the flow of resources for housing through the integration of housing finance institutions with the domestic capital market,” says R Arivazhagan

C. Krishna Priya says “Apart from self-help groups and non-governmental organizations, the government should strongly intervene in promoting housing finance for social welfare. Financial and corporate houses should also treat housing finance as a social responsibility”.

Akinchan Buddhodev Sinha says that “Government’s emphasis in developing housing sector has decreased compared to other sectors in the economy. The marginal attitude of the government towards housing resulted in an inadequate investment in this sector in the past. The total backlog in housing shortage emanating from the meager investment in this sector has been continuously increasing at an alarming rate”.

According to Fulbag Singh The development of housing sector is also equally important for the growth of 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.”

Trishna Gogoi mentions “Andhra Pradesh is the first Indian State to establish an organization to work exclusively towards ‘Housing for All’ – Andhra Pradesh State Housing Corporation Ltd. (APSHCL). It was formed post-tsunami in 1979.
APSHCL has been mandated with numerous housing programmes like 'Indiramma' in 1983; ‘Indira Awas Yojana’ 2002-03 and Urban Permanent Housing 2006. Current schemes like ‘VAMBAY’, ‘Rajiv Gruha Kalpa (RGK)’ etc; are being implemented by the APSHCL.

According to Editor 58 ‘The Hindu’, Hyderabad, “HUDCO, a public sector organization of the government of India, was setup in 1970 with a mandate to ameliorate the housing conditions of low-income and weaker sections. It is the only National agency with predominant consideration of economically weaker sections both in terms of loan operation and design/technology adoption.”

Dr. P. K Mohanty, 59 Principal Secretary, Government of A.P says “Urban housing is increasingly becoming an important issue to address the rising levels of urbanization across the country. Urban housing is however no longer viewed as a simple issue: but it is seen from multiple dimensions.

Mallikarjun60 states “Hyderabad apartment rates had peaked in 2006 -2007. Since then, there has been consistent price fall, every year. The Telangana agitation was started in Nov 2009. However, by that time itself, prices had dropped by 9% over the previous year. Even with concern over Telangana issue, prices remained more or less stable during the year 2010. The marginal fall of 3% occurred in early 2010. Since then, price has not fallen. In fact, by December 2011, there was marginal increase”.

According to Economic Times61, Hyderabad. 29th May 2010 “With government empty cash offers and the lingering separate Telengana State issue is slowing fresh private investments in Hyderabad City. Hyderabad is struggling to keep pace with other Metros which are recovering from the impact of recession. Hyderabad cannot expect wide ranging, quick development soon. Instead, only micro centers like Hitec City, Gachibowli, Somajiguda would see action. We can not see all round growth, for sometime to come”.
Mr. K. Sundar Rao\textsuperscript{62} says "The long period of uncertainty and then the routine process of splitting of A.P State will definitely take away public interest in buying properties for investment in Hyderabad City. The lingering thought will be about the possible impact on Hyderabad with government employees, contractors; business men who take government works and likely to leave the State for the new. Also, a new State capital also will give better speculative investment opportunity and hence lot of private black money funds which otherwise would have been used to buy properties in Hyderabad, will move out to the new capital".

According to Mr. T. Joseph,\textsuperscript{63} "builders point out that the mid-segment which look out for flats in the range of say Rs. 1,800 to Rs. 2,500 per square feet has not been that badly affected as the one in deluxe and super deluxe category beyond Rs. 3,500 per square feet has been. This perhaps could be due to the fall in NRI investment into City real estate as the rupee becoming stronger has indeed affected the NRI investments".

According to Mr. V. Rishi Kumar,\textsuperscript{64} "With various taxes, both Central and State, accounting for nearly 36\% of overall property acquisition cost, builders' associations and national body Confederation of Real Estate Developers Associations of India have made out a case to reduce costs, to address the demand in the affordable housing segment".

Mr C. Sekhar Reddy\textsuperscript{65} said "If taxes are reduced and reasonable support provided by State Governments in the form of concessions, it would be possible to offer affordable houses at approximately Rs 1200 to Rs 1300 per square feet".

C. V. S. K. Sarma,\textsuperscript{66} GHMC Commissioner and Special Officer speaks "Nevertheless, Hyderabad Real Estate is going on the upward swing. The government and public are joining hands to make progress. Hyderabad property prices also get influenced by this news. As better infrastructure and connectivity are the main parameters on which capital and rental value of the property depends thus Hyderabad property is currently undergoing a go ahead in the real estate development scenario".
According to Times of India⁶⁷ Hyderabad “Affordable housing is the new mantra of Hyderabad’s real estate industry. This was the message sent out by leading developers and realtors from the city who participated in the consumer connect initiative organized by magicbricks, a Times Group realty portal. Terming the current market as ‘highly customer-friendly’, they pointed out how a large number of builders were cutting down the size of their properties to fit the budgets of buyers. With affordability being the primary objective of most developers, the participants said that it was the best time for customers to invest in real estate in Hyderabad”

According to ICRA’s⁶⁸ estimates, the total housing credit outstanding in India as on March 31, 2010 was over Rs. 4,313 billion as against Rs. 3,829 billion as on March 31, 2009, indicating growth of 13%. The housing loan portfolios of HFCs as a whole reported a growth of 21% during 2009-2010 is higher than the 10% growth reported by scheduled commercial banks (SCBs). With that, the share of HFCs in the mortgage market increased to 31% as on March 31, 2010 from 29% as on March 31, 2009.

M. Nagaiah⁶⁹ says “tax Concession in case of home loan for repairs, renovations or reconstruction. Interest amount up to Rs.30,000/- is exempted from income tax in case of loan taken for repairs or renovations or reconstruction.

In case of repairs or renovation or reconstruction tax rebate is available only in case of self-occupied or if the borrower is not able to occupy the property due to his employment/business/profession at another place, where he/she resides in a building not owned by him/her spouse/close blood relatives”.

Chanda Kochhar⁷⁰, MD and CEO, ICICI Bank said “In a major relief for home loan borrowers, the Reserve Bank of India (RBI) in its annual Monetary Policy for 2012-13 has made it mandatory for all banks to stop the practice of charging penalty on pre-payment of loans taken on floating rate. In the past few months, many banks have voluntarily abolished the pre-payment penalties. But, RBI’s directive is to ensure uniformity in lending rates across the banking system and henceforth no bank can charge such penalties. All major banks have waved pre-payment penalty,”
IX-SURVEY OF LITERATURE

The other studies in this are include the following:

5. Agrawal S.C: Industrial Housing in India, New Delhi Roxy Press. 1952.


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5. HDFC. “Staff Hand Book on Housing Loans,” 2009.


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