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"GROWTH TRAJECTORY OF HOUSING FINANCE COMPANIES - A STUDY"

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Abstract: Almost 50 years since the inception of HUDCO in 1970 the Housing Finance Companies have been playing the key role in providing financial assistance to home buyers, real estate developers for fulfilling their housing needs. For the past 6 years housing finance institutions are facing lot of distress due to fundamental and economic issues pertaining to the Housing sector which has led to a rising mismatch between the supply and the demand in housing segment. Supply push factors are not lowering housing prices thus making home ownership remain elusive for the masses which has become an impediment in achieving housing for all.

Indian Economy which is relying under major stress due to various structural and cyclical issues since 2014 due to implementation of Insolvency and Bankruptcy Code, Implementation of Goods and Service Tax, Real Estate Regulation Act, Demonetisation and due to issues such as Twin Balance Sheet Problems, Rising NPA and macro-economic issues such as Geo-political tensions, US-China Trade tensions which has led to the fall in Foreign direct Investment, Real and Nominal Gross Domestic Product, Gross fixed capital Formation,

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Gross Private domestic investment, Rising Inflation etc., with some issues having direct impact on the Housing Finance sector, while some indirectly led to the slowdown in the sector which in turn had led to fall in the Growth of Construction industry, Cement Industry, Steel and Aluminium Industry which resulted in increased unemployment. The stress in the housing finance institution escalated after the IL & FS crises which led banks become reluctant in lending to the NBFC sector which led further malaise on HFIs which recently led the HFI [Dewan Housing Finance Institution] being moved to IBC and more importantly the impact of Covid-19 pandemic, unprecedented lockdowns to contain the impact of Covid 19, transfer of regulation of HFCs from NHB to RBI and supply chain disruptions.

In this Backdrop, at the time when people perception towards housing is changing; from no longer being possessive about the concept of home ownership with sizes of homes decreasing drastically and micro homes. In order to overcome these challenges radical innovation in housing is required thus in the backdrop of gloomy economic scenario where all the important levers of growth namely private investments, private consumptions and exports were spluttering and GDP of the country falling to a new low due to various structural and cyclical issue facing the economy, the authors have tried to understand the growth trajectory of housing finance companies between F.Y. 2011-12 to F.Y. 2020-21 and to forecast the growth trends for the year F.Y. 2029-2030, using compound annual growth rate and trend analysis as a preliminary step to the policy decisions.

Keywords: Disbursements, Gross NPA, Market share, National Housing Bank, Net NPA, Refinance to HFCs, Return on Assets

I. Introduction

Housing is one of the basic needs of mankind in terms of safety, security, social status, cultural identity, satisfaction and achievement. Growth in the housing sector is regarded as one of the indicators, which has a reflection on the health of a particular economy. Since Indian independence, growth in the population has aggravated the problem of housing in the country.

During 1960s, the housing need was met either by self-financing or by government organizations. In the recent past housing and housing finance is being conferred with industrial status, due to its tremendous potential in contributing towards the economic growth of the country and is observed as a critical sector in terms of policy initiatives and interventions. This could be evidenced herewith the consistent efforts by the Government for improving housing conditions of the people by way of financial allocation in Five-year plans and fiscal measures related to housing announced in the Union budgets. In India, housing finance is offered by banks and housing finance companies (HFCs).

Housing Finance Companies and Scheduled Commercial Banks (the Prime Lending Institutions), have over the years, established their footprint in providing housing finance. PLIs have engaged actively in the market and thereby contributed immensely to the growth of housing sector. While for HFCs, housing finance is their primary business activity, a large number of Scheduled Commercial Banks have also focused on providing housing finance by creating separate housing finance companies and leveraging their extensive branch network and low cost of funds. Given the diversity of the market and the complexities involved, it took time for the housing finance market to evolve. Housing finance has successfully transited from highly regulated industry to an efficient market oriented industry.

Banks and housing finance companies (HFCs) are providing borrowers with a wide range of products and easy access to housing finance. The housing finance market is expected to grow at a compound annual growth rate (CAGR) of 20.58% during the Financial Year 2022-2027 period. Increasing urbanization, favourable demographics, rising disposable incomes, Government tax incentives and affordable mortgage rates are the key factors propelling the growth of the market.

The establishment of National housing bank in 1988 and the introduction of first National housing policy, has led to the growth and development of several housing finance institutions in the country. Specialized housing finance companies were established with some having very good parental organization support. There was a gradual increase in the commercial bank lending for housing financial needs of the customers, however this increased when housing finance was recognized as a priority sector lending by Indian government. There was a rise in demand for housing finance among few groups of customers due to rise in income; this was supported by land reforms, fiscal reforms and legal reforms by the government. With the boom in the housing finance, the demand for houses in urban areas had increased to the new heights; this led to the development of real estate sector and big builders. Banks and financial institution viewed investment in housing has a successful business for earning profits, when attractiveness of other sectors were diminishing. During 2002 and 2003, the commercial banks outpaced the housing finance companies in lending to housing sector. Even today the commercial banks share in housing finance is far more than that of specialized housing finance companies. Additionally, with the rise in demand for houses, the construction materials and land prices rose drastically making housing unaffordable. Few financial institutions offered less interest rate than peers to make lending to housing more attractive in order to lure more customers, even though with much effort, there was a gradual increase in the demand and supply of housing sector. With the outbreak of financial crises 2008 in USA, due to sub-prime lending to home loan customers, due to which the mortgage financing was considered much riskier across the world due to volatile land prices. The incidence of this crisis was somehow low when compared to Indian housing finance institutions due to better asset quality. The supply of housing finance to home buyers declined gradually due to much stress by the regulators for management of prudential norms by financial institution for long term lending. In the housing finance market, few housing finance companies closed down their business due to asset-liability management and off-balance sheet problems. Also, there were few mergers between commercial banks and their subsidiary housing finance companies due to low capital adequacy among housing finance companies. Only few specialized housing companies that had good financial support from banks and insurance companies were able to sustain in the housing financial market. Due to the shortage of good quality houses and the rising demand and supply gap in housing, the

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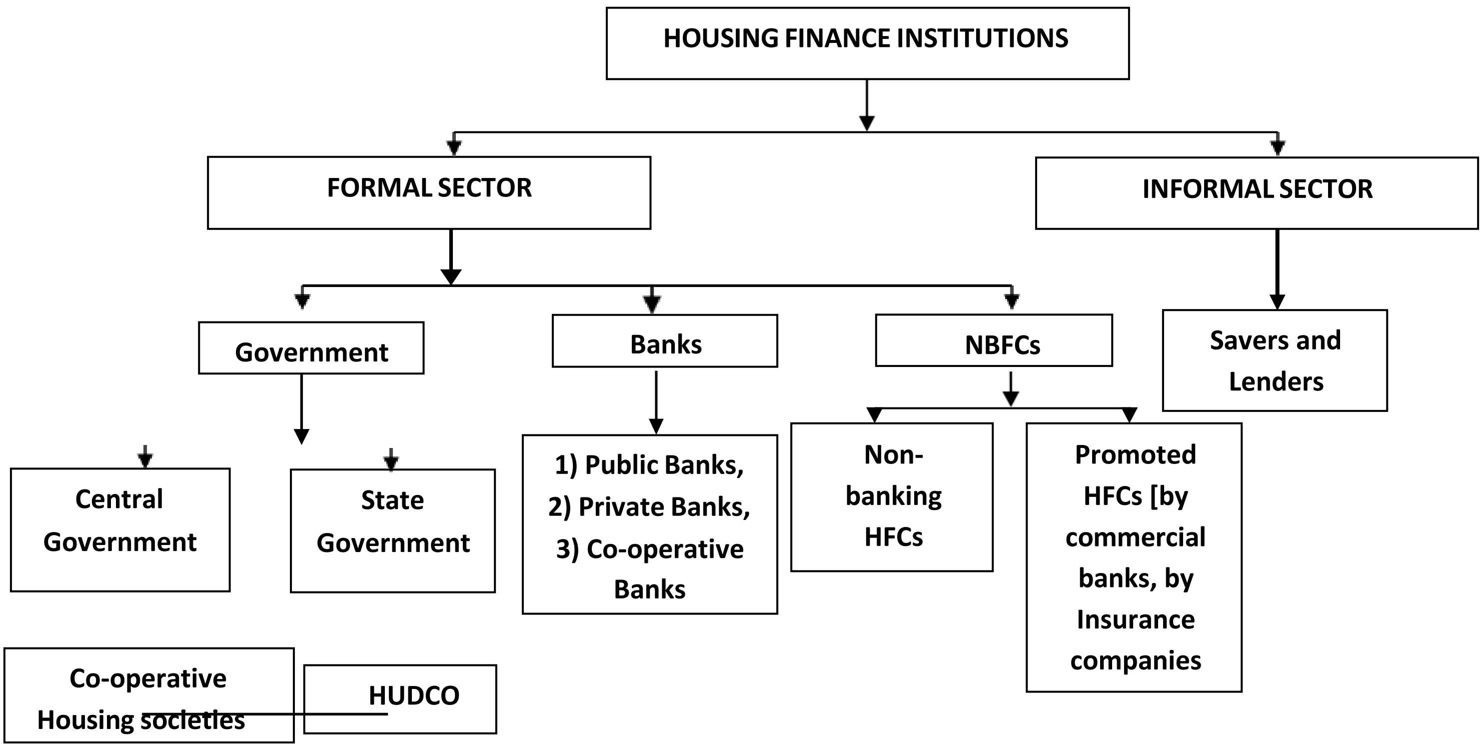
government announced several schemes for the growth of housing finance in the country. Housing finance sector being one among the largest contributor to GDP of the country and the 3rd largest sector with having huge forward and backward linkages, investment in housing by the government was deemed to be much effective for the economic development of the country. Few studies have proved that, the investment in housing is going to help the country to come out of recession and helps in stimulating the economy growth of the country.

Further, there was a growth in housing finance sector post 2010, with new housing finance companies getting established and commercial banks improving their house finance portfolios in a slow pace. With the demonetization, Real estate and regulation Act 2016 and the implementation of GST, the housing finance and real estate sector have become much more transparent and accountable. With the enforcement of new laws and introduction of new amendments by the government several barriers to housing was eliminated.

CLASSIFICATION OF HOUSING FINANCE INSTITUTIONS IN INDIA



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Earlier under NHB, the regulations of housing finance companies were more favorable when compared to that of other NBFCs, say for instance, it may be with respect to maintenance of sufficient capital or asset quality or may be with respect to licensing requirements. However, with the IL&FS crisis and the insolvency of Dewan housing finance limited, the trust on NBFCs and HFCs were much impacted and several investors pulled back their investment in the both the sector, hindering the growth. The outbreak of COVID 19 throughout the globe, the prospects of housing finance had deteriorated to much extent. During the second half of 2019 the Reserve bank of India had took over the regulatory power of HFCs from National housing bank for better risk management and governance of the same. However, the supervision and financing power of HFCs rests with the NHB.

1.1. HOUSING FINANCE COMPANIES IN INDIA

Housing Finance Companies (HFCs) are specialized Housing Finance Institution carrying on with a principal business of catering to the housing finance needs of the society and is conferred with a Certificate of Registration from National Housing Bank under NHB Act, 1987. As on 31st March 2021, there are total of 102 HFCs register under NHB Act 1987, with a network of 6272 Branch offices spread across various states and Union Territories of the country. HFCs have greater presence in Maharashtra, Gujarat, Tamil Nadu, Rajasthan, Madhya Pradesh, Andhra Pradesh, Karnataka and Uttar Pradesh. Whereas, HFCs have low (less than 5 branches/ offices) presence in States/ Union territories of; Arunachal Pradesh, Meghalaya, Mizoram, Jammu and Kashmir, Nagaland, Tripura, Sikkim, Andaman & Nicobar Islands, Daman & Diu and Dadra & Nagar Haveli and zero/ no presence of HFCs in Lakshadweep islands. As on 31st of March 2021, the outstanding individual housing loans of HFCs & SCBs as a Percentage of national GDP was 11.2 percent (viz. around INR. 22 lakh crore).

1.2. Objectives of the Study

1. To analyse the housing loans disbursements of Housing Finance Companies
2. To study the trends in refinance disbursements of National Housing Bank to Housing Finance Companies.
3. To analyse the market share of Housing Finance Companies.
4. To evaluate non-performing assets position of Housing Finance Companies.
5. To assess return on assets of Housing Finance Companies.

II. Literature Review

"Better housing leads to good family planning and use of aligned resources" (Nagaraju 2009). Strengthening the prospects of financial intermediation in order to attract the new housing finance lenders and new portfolio among banks for lending to housing finance needs of customers (Nassar 1986) is very essential in current times. Hope for a comfortable life, reduction in tax, housing as an Investment Avenue, cheaper interest rate on borrowings, customisation of products, uniformity in practices (service), linking loans to insurance, customer oriented approach for loan recovery, elimination of processing fees, sound documentation, lower rate of interest, insurance coverage, speedy disbursement of loan, simple procedures in sanctioning of loan, special concession, Safe investment, good appreciation value of asset and flexibility in interest payment option by the HFI and Government are the most important influencing factors for the borrowers (Nagaraju 2009, Shankaranarayanan 2009).

Due to huge disparity in lending to urban and rural borrowers, lack of sound principles in lending and awareness among borrowers, less transparency in performance and stringent land laws had made housing finance business less attractive (Tingalayya, et.al, 2009), Shortage of funds, inadequate mortgaging and inflexible securitisation laws, conventional attitude and unhealthy competition among housing finance agencies were the major problems concerning housing finance sector in India (Parekh 2013) during 1970s. Rapid urbanization in early 21st century, when demand of finance from all other sectors dropped significantly the thrust on housing finance as an attractive business raised the competition among commercial banks and other financial institutions led to an establishment of new HFIs in the country. Further, the opinion among commercial banks on housing finance as a profitable portfolio, the rise in demand for housing finance as the resultant of regulation by government as a priority sector, huge competition among bank for lending to the housing sector (Tingalayya, et.al, 2009).

HFCs depend substantially on banks for raising funds, including on refinance facilities extended by banks under priority sector lending. The increase in lending rates by banks to HFCs would result in higher lending rates making specialised housing finance business less attractive for HFCs viz. due to the lower margin coupled with negative impact on the overall profitability (Manoj 2010). Better monetary policies and fiscal policies with respect housing, especially in the way of incentives to financial institutions (Nassar 1986) is required for improvement in financing rural-housing demands, sufficiency in capital, better service marketing, Modern information technology and better R&D for the progress of HFCs (Kuppusamy 2018)

The HFCs must focus on; growth rate of sales, internalisation of production, better operating ratio (performance), vertical integration, current ratio and operating expenses to sales, harmonization of interest rate (of all HFIs) with RBI regulation, create awareness among the borrowers about various documents that are to be submitted along with the application to the home loan and the down payment requirements, Only 2 stages of verification process, simplification of loan procedures, product customisation, associating home loan with the insurance for loan recovery, follow up of uniform practices between NBHFIs and reduction in processing time are required for more convenience to borrowers (Parimaladevi 2010, Devaraj 2014).

However, all the housing loan related factors depend on the personal factors of the borrowers (Nagaraju 2009) thus, understanding of every customers need is the foremost step to every housing finance companies. Therefore, better Capital Adequacy, Asset Quality, Management Efficiency, Earning quality, Liquidity management, service quality and customer satisfaction will lead to the success of any financial services businesses (Oliver

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1980, Lovelock 1981, Grönroos 1984, Parasuraman et.al, 1985, Cronin et.al 1992, Varghese 2006) and housing finance being a financial services better management of above stated aspects would make housing finance companies remain a profitable ventures in a long run.

III. GROWTH TRAJECTORY OF HOUSING FINANCE COMPANIES

Steady growth of population in urban areas, rural-urban migration trends for search of better employment opportunities, growing demand for better lifestyle among the households has placed a pressure on the cities. The desire for higher level of education, better sanitation and health care has attracted many households who were looking forward for urban life had further fuelled demand for housing finance by banks and HFCs.

Following is the growth trend of housing finance market in India and housing finance companies in particular;

Source: Trend and Progress Reports 2011-2021 [NHB]

Housing finance companies the 100 percent subsidiary of RBI are dedicated players in housing finance segment offering tailored products and services based on the needs of the borrowers at attractive pricing with lower operating costs. With the increased competition

Years	Total HF Market in India [in Trillion]	Housing Loan Disbursements of HFCs [in Trillion]	Refinance by NHB [in Trillion]	Market Share of HFCs [Total HL in percentage]	Individual Housing Loan Market - Share of HFCs [in percentage]	Gross NPA [%]	Net NPA [%]	Return on Assets [%]
2011-12	6.00	1.04	0.13	35.50	34.00	0.20	0.80	1.90
2012-13	7.70	1.18	0.17	38.90	35.00	0.55	0.70	1.80
2013-14	8.78	1.33	0.22	39.20	33.50	0.70	0.60	2.10
2014-15	10.63	1.69	0.25	40.10	36.00	0.85	0.50	2.05
2015-16	12.60	2.01	0.29	38.00	36.50	0.90	0.50	2.00
2016-17	14.60	2.29	0.40	40.60	37.00	1.10	0.50	2.10
2017-18	17.00	3.02	0.38	42.30	38.00	1.30	0.60	2.00
2018-19	18.20	3.20	0.50	42.20	36.00	1.51	0.86	1.40
2019-20	20.50	2.22	0.51	41.70	33.00	6.45	4.49	0.01
2020-21	22.00	3.42	0.72	41.47	32.00	7.60	2.74	0.82

and buyers becoming more demanding, various innovative marketing and development strategies have been developed by HFCs to regain the majority market share like earlier.

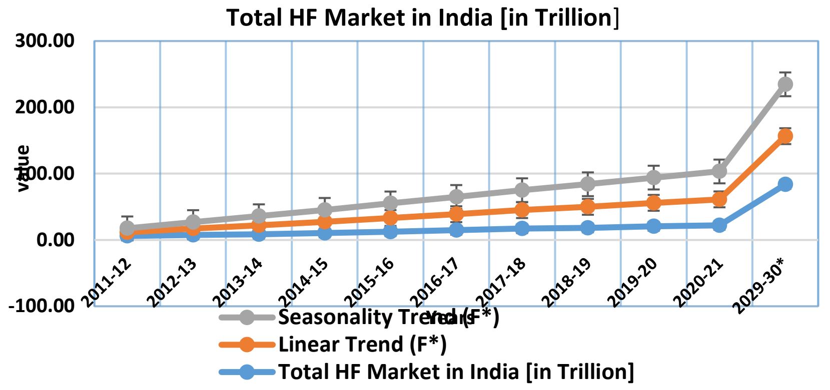
Affordability of housing in India is being the major cause of contention due to artificial scarcity of land, high transaction cost, majority of developers only focusing on high-income luxury segment and proliferation of slums. An extensive macroeconomic policy reforms by the government and RBI in form of fiscal and monetary policy support more frequently in the recent past, more particularly those focusing on domain of housing had led to positive consumer sentiments, driving an interest in home buying. The rising demand scenario has a reflection of lower rate of interest and by large the stable residential property prices unfolding an increased affordability (NHB T&P 2021).

3.1. TOTAL HOUSING FINANCE MARKET IN INDIA

Sufficient housing and hygiene being the basic need of every human being, housing and infrastructure development have become a growth agenda of every economy. House construction, like other economic activity requires finance, essentially for medium and long term. Prior to the establishment of NHB in 1988, the absence of dedicated institutional sources for financing housing needs. The individuals were depending on their own savings and borrowings from their friends and relatives for construction purposes. But the development of institutional sources of finance for house building activity by Banks, Insurance companies, housing finance companies and cooperative institutions created a separate market of housing finance.

Housing development, having great economic potential is of paramount importance to the economy of any country from a viewpoint of employment generation and investment than many other sectors of economy. The construction sector is ranked 4 among 14 sectors of having high backward linkages and stands 3rd for its total linkages with other sectors of country's economy. The home loan disbursements of banks and HFCs which accounts for an average of 41% and 39% of total market share based on total outstanding housing loan rose from 6 trillion in 2011-12 to 22 trillion in 2020-21. Over the last couple of years the share of HFCs have witnessed the surge to that of PSBs. In India, the housing finance market is more concentrated in top 15 states, accounting for around 93 percent of housing loan outstanding.

H_1: There is a seasonality effect in growth of Total Housing Finance Market in India

<table>
<tr><th>Years</th><th>Total HF Market in India [in Trillion]</th><td colspan="3" rowspan="8">
</td></tr>
<tr><td>2011-12</td><td>6.00</td></tr>
<tr><td>2012-13</td><td>7.70</td></tr>
<tr><td>2013-14</td><td>8.78</td></tr>
<tr><td>2014-15</td><td>10.63</td></tr>
<tr><td>2015-16</td><td>12.60</td></tr>
<tr><td>2016-17</td><td>14.60</td></tr>
<tr><td>2017-18</td><td>17.00</td></tr>
<tr><td>2018-19</td><td>18.20</td><td>CAGR</td><td>0.16</td><td rowspan="4">CAGR would be a better measure for forecasting with regard to Total HF Market in India [in Trillion], predicting INR 83.66 trillion market potential in 2029 - 30. Further, the seasonal trend and linear trend would also be a better estimate of Total HF Market in India [in Trillion] with adjusted R^2 of 99 percent each.</td></tr>
<tr><td>2019-20</td><td>20.50</td><td>Y-o-Y GR</td><td>13.80</td></tr>
<tr><td>2020-21</td><td>22.00</td><td>Std. Dev.</td><td>5.55</td></tr>
<tr><td>2029-30*</td><td>83.67</td><td>Variance</td><td>30.79</td></tr>
</table>

The calculated P-value is less than 0.05 (0.00006). Therefore, we accept hypothesis 1 [H_1], that the trend in Total Housing Finance Market in India is seasonal. Therefore, it can be concluded that; “There is a seasonality effect in growth of Total Housing Finance Market in India”. Further, it could be observed that growth of Total Housing Finance Market in India between the years 2011-12 and 2020-21 is upward sloping depicting a positive growth over the period of time.

3.2. HOUSING LOAN DISBURSEMENTS OF HOUSING FINANCE COMPANIES

During 1970s, Public Insurance companies and SCBs established a specialized units called housing finance companies for catering to the housing finance needs of the society by identifying the potential of the segment, to avail refinance facilities from the NHB and to obtain tax incentives. However, till late 1990s the share of unorganised sector in lending to the housing finance needs of the people stood three-fourth of the total market. With the falling interest rates, the tax concessions, recognition of housing finance under the priority sector lending and so on had led new private owned HFCs enter the housing finance market. Though the SCBs had overtook the majority share in the housing finance market, the HFCs have been showing the steady growth over the past 2 decades in total housing loan disbursements though faced by fierce competition from the banks. The HFCs being the

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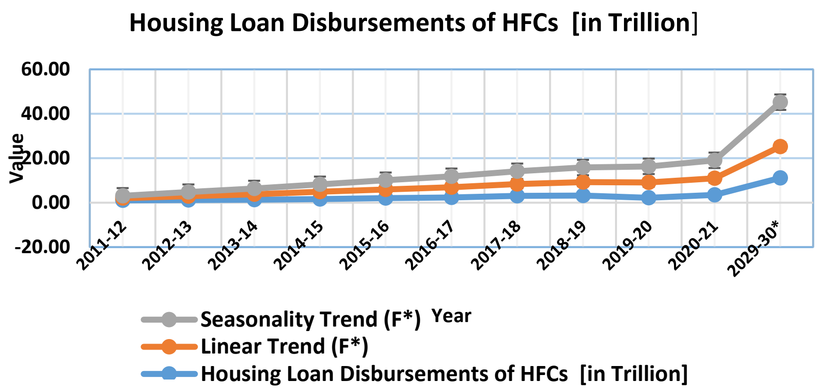
dedicated housing finance lender have an advantage of selling a single product with better customisation to that of SCBs who offer a variety of banking services through network.

Housing finance is different from finance/loan against a house property. Housing finance means finance for meeting housing needs of the borrower, viz. (a) purchase of a flat or an house (b) purchase of a plot for/and construction of a house (c) construction of a residential house (d) extension of an old house (e) repairs, renovation and up gradation of existing house/flat (f) housing loan account transfer from other banks/HFCs. Housing finance has a broader meaning and includes direct and indirect finance made for above purposes.

H$_2$: There is a seasonality effect in Housing Loan disbursement of housing finance companies.

<table>
<tr><th>Years</th><th>Housing Loan Disbursements of HFCs [in Trillion]</th><td colspan="3" rowspan="8">
</td></tr>
<tr><td>2011-12</td><td>1.04</td></tr>
<tr><td>2012-13</td><td>1.18</td></tr>
<tr><td>2013-14</td><td>1.33</td></tr>
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<tr><td>2016-17</td><td>2.29</td></tr>
<tr><td>2017-18</td><td>3.02</td></tr>
<tr><td>2018-19</td><td>3.20</td><td>CAGR</td><td>0.14</td><td rowspan="4">CAGR would be a better measure for forecasting with regard to Housing Loan Disbursements of HFCs [in Trillion] predicting INR 11.12 trillion of loan disbursements till 2029-30. Further, the seasonal trend and linear trend would also be a better estimate of Housing Loan Disbursements of HFCs [in Trillion] with adjusted R^2 of 79 percent each.</td></tr>
<tr><td>2019-20</td><td>2.22</td><td>Y-o-Y GR</td><td>2.14</td></tr>
<tr><td>2020-21</td><td>3.42</td><td>Std. Dev.</td><td>5.55</td></tr>
<tr><td>2029-30*</td><td>11.12</td><td>Variance</td><td>30.79</td></tr>
</table>

The calculated P-value is less than 0.05 (0.0004). That is, we accept the hypothesis 1 [H_1], that is, the trend in Housing Loan disbursement of HFC is seasonal. Therefore, it can be concluded that; "There is a seasonality effect in Housing Loan disbursement of housing finance companies". Further, it could be observed that, the trend in Housing Loan disbursements of HFCs between the years 2011-12 and 2020-21 is upward sloping depicting a positive growth over the period of time.

There was a need for dedicated financial institution in the form of HFC to achieve the Government's economic objectives in the housing sector. The growth in loan disbursements

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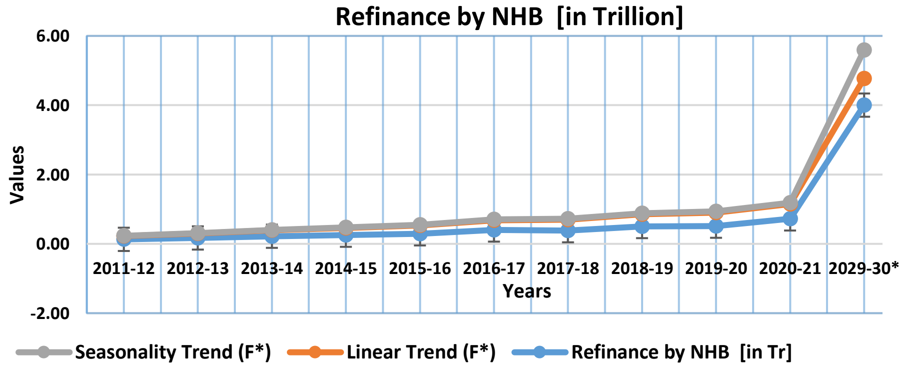
HFCs is expected to continue due to rise in demand for home ownership coupled with increased economic activity.

3.3. REFINANCE DISBURSEMENTS OF NATIONAL HOUSING BANK TO HOUSING FINANCE COMPANIES.

National Housing Bank (NHB), since its establishment in 1988 is playing a key role in the development of sound and sustainable housing finance system in the country through a multipronged approach of refinance of housing loans to Primary Lending Institutions, policy intervention and promotion of institutional framework (NHB T&P 2021). Housing Finance Companies provide finance to individual borrowers, builders and corporate houses for purchase/construction of houses. With the objective of providing long-term funds to these institutions, NHB extends refinance in respect of the loans extended by them under various schemes to prime lending institutions at a concessional rates to cater to all segments of people living in both urban and rural areas. Besides, it provides direct financial assistance for state and public authorities for undertaking various housing and allied projects in the country. Under new initiative of NHB, refinance is extended to rural housing and affordable housing segments with special focus on Tier II and Tier III cities.

Under Liberalised Refinance Scheme (February 2003) of NHB, banks and HFCs have an option to either choose fixed or floating interest rate. Repayment period of loan shall be between 2 to 15 years. In case of HFCs, the interest rate of NHB depends on internal credit rating of respective HFC. The borrowing institution have an option to convert from fixed rate to floating rate or vice versa and for pre-payment of loan on payment of a fee.

H3: There is a seasonality effect in refinance disbursement by NHB to housing finance companies.



Years	Refinance by NHB [in Tr.]			
2011-12	0.13			
2012-13	0.17			
2013-14	0.22			
2014-15	0.25			
2015-16	0.29			
2016-17	0.40			
2017-18	0.38			
2018-19	0.50	**CAGR**	0.21	CAGR would be a better measure for forecasting with regard to refinance disbursement by NHB [in Trillion] predicting INR 4 trillion disbursements to
2019-20	0.51	**Y-o-Y GR.**	0.36	

2020-21	0.72	**Std. Dev.**	0.18	HFCs in 2029-30. Further, the seasonal trend and linear trend would also be a better estimate of refinance disbursement by NHB with adjusted $\mathbf{R^2}$ of 92 percent each.
2029-30*	**4.00**	**Variance**	0.03	

The calculated P-value is less than 0.05 (0.000006). That is, we accept the hypothesis 2 [H_2], that the trend in refinance disbursements by NHB to HFC is seasonal. Therefore, it can be concluded that "There is a seasonality effect in refinance disbursement by NHB to housing finance companies". Further, it could be observed that the trend in refinance disbursement by NHB to HFCs between the years 2011-12 and 2019-20 is upward sloping depicting a positive growth over the period of time.

3.4. MARKET SHARE OF HOUSING FINANCE COMPANIES

During 20th century, the organized housing finance industry was dominated by Housing Finance Companies then regulated by NHB; the role of other financial institutions in the total market was very minimal. Introduction of Economic policy 1991 by Government of India during the early nineties, led to enormous changes in Indian housing finance market. With the instructions of RBI, all commercial banks started financing to the housing needs of the customers under a separate portfolio apart from providing other financial services. This led commercial banks enter the housing finance market more actively, posing threat to specialized financial institutions viz. HFCs. With government considering lending to housing needs of customers by banks under priority sector lending during early 21st century and banks experiencing that the retail credit to housing as a highly lucrative business coupled with other retail credit segments taking a backseat, the SCBs outpaced HFCs in lending to the housing needs of the market during 2003. Less than a couple of years, around 80% of incremental retail credit exposure of banks were towards housing finance segment.

The Indian housing finance industry grew to 21.5 lakh crore as on 31st march 2021, with banks claiming larger proportion of around 14 lakh crore and NBFC-HFC at 7.5 lakh crore. Continued funding constraints, low rate of loan disbursement have impacted the business of HFCs significantly. Of total 102 HFCs, 77 HFCs holds around 83% share in total loan disbursed and 91% of total Housing Loan. HFCs have shown positive growth in total assets over a past decade. HFCs had went through a sea change due to various structural and cyclical changes impacting the sector, vis-à-vis. IL&FS default, GST Reforms, Demonetization, fallout of 2008 financial crisis, shift in regulatory norms from NHB to RBI, the severe impact of Covid-19 and so on. Individual Home Loan (IHL) of HFCs has grown at the same pace in the same period.

(i) HOUSING FINANCE MARKET IN INDIA – HOUSING FINANCE COMPANIES

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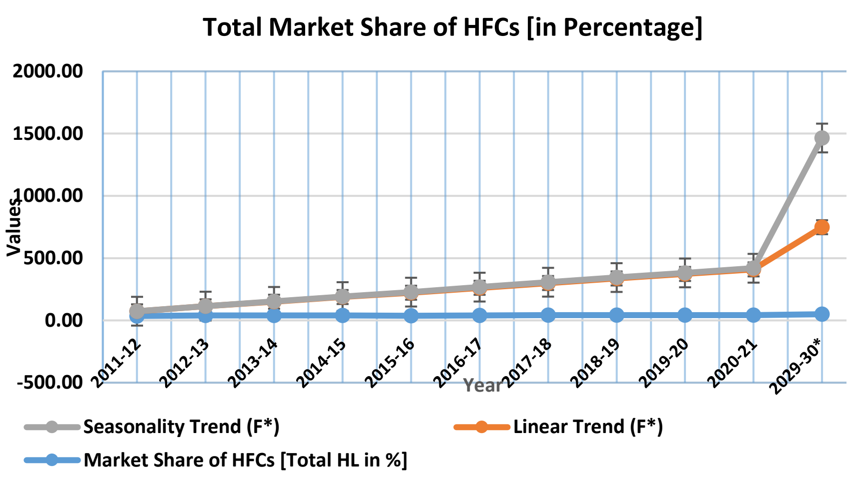
Market size (Housing) being enormous, the product differentiation has become very insignificant to many players who recently entered into housing finance foray, thus increasing the competition among the players. Banks continued to grow with much higher pace with that of HFCs, partly supported by portfolio buyouts, healthy liability franchise which resulted on the overall market growth since 2003. As mentioned earlier, there was a major shift in market share of HFC post 2003 with share of banks outpacing that of HFC to more than 58% as on 31st march 2021, with HFCs sharing around 41 percent of the total housing loans outstanding in the market. Affordable housing segment of HFCs have seen a steadfast growth during past decade and is expected to revive faster being effected from covid 19 crises.

H4: There is a seasonality effect in total market share of housing finance companies [in percentage]

<table>
<tr><th>Years</th><th>Total Market Share of HFCs [in Percentage]</th><td colspan="3" rowspan="8">
</td></tr>
<tr><td>2011-12</td><td>35.50</td></tr>
<tr><td>2012-13</td><td>38.90</td></tr>
<tr><td>2013-14</td><td>39.20</td></tr>
<tr><td>2014-15</td><td>40.10</td></tr>
<tr><td>2015-16</td><td>38.00</td></tr>
<tr><td>2016-17</td><td>40.60</td></tr>
<tr><td>2017-18</td><td>42.30</td></tr>
<tr><td>2018-19</td><td>42.20</td><td>CAGR</td><td>0.02</td><td rowspan="4">CAGR would be a better measure for forecasting with regard to Market Share of HFCs [in percentage] predicting 49.56 percent growth in 2029-30. Further, seasonal trend and linear trend would also be a better estimate of Total Market Share of HFCs [in percentage] to some extent, with adjusted R² of 65.3 percent each.</td></tr>
<tr><td>2019-20</td><td>41.70</td><td>Y-o-Y GR</td><td>40.00</td></tr>
<tr><td>2020-21</td><td>41.47</td><td>Std. Dev.</td><td>2.15</td></tr>
<tr><td>2029-30*</td><td>49.56</td><td>Variance</td><td>4.63</td></tr>
</table>

The calculated P-value is less than 0.05 (0.003). That is, we accept the hypothesis 3 [H3], that the trend in Total Market Share of HFCs [in percentage] is seasonal. Therefore, it can be concluded that "There is a seasonality effect in Total Market Share of housing finance companies [in percentage]". Further, it could be observed that the trend in Total Market Share of housing finance companies [in percentage] between the years 2011-12 and 2020-21 is upward sloping depicting a positive growth over the period of time.

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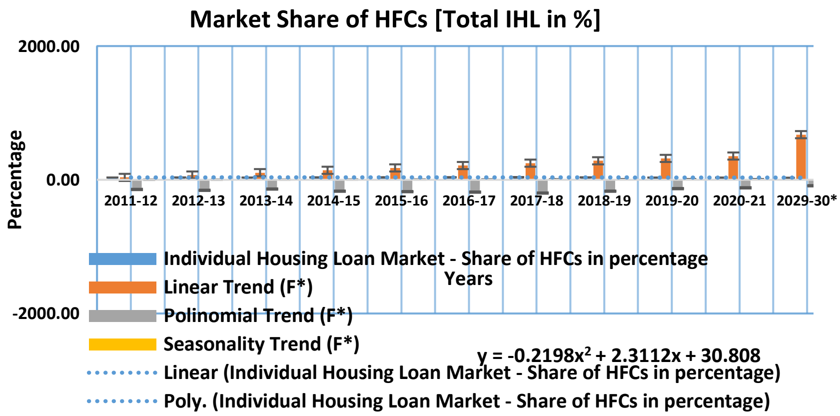
(ii) INDIVIDUAL HOUSING FINANCE MARKET IN INDIA

Housing loan rate is low in India when compared with developing economies, presenting opportunities for the growth of home loan market in the country. Moreover, government push towards affordable housing coupled with acute shortage of housing is further expected to drive India home loan over the next five years. Home loan market is anticipated to grow at a brisk rate of around 22% during 2021 - 2026 on account of increasing urbanization, affordable mortgage rates and housing as an investment avenue.

The financial institutions to be registered under Section 29A of NHB Act, 1987 as a "housing financial company" and must carry on with the '**principal business**' of lending housing finance. The 'principle business' here is defined similar to that of NBFCs, then proposed by RBI on April 08, 1999. However, another concept of '**Qualifying Assets**' was introduced referring to '**providing housing finance**' and having at least 75% of qualifying assets made towards individual housing loans, which is more than 50% of net assets. Individual housing loans may be towards; purchase/ construction/ reconstruction/ renovation/ repairs of residential dwelling units (New/old), Loans to individuals or group of individuals including co-operative societies for construction/ purchase of new dwelling units (NBFC-HFC (Reserve Bank) Directions 2021).

H5: There is a polynomial effect in Market Share of housing finance companies [in Total share of Individual Housing Loan by HFIs]

<table>
<tr><th>Years</th><th>Individual Housing Loan Market - Share of HFCs in percentage</th><th colspan="3" rowspan="8">
</th></tr>
<tr><td>2011-12</td><td>34.00</td></tr>
<tr><td>2012-13</td><td>35.00</td></tr>
<tr><td>2013-14</td><td>33.50</td></tr>
<tr><td>2014-15</td><td>36.00</td></tr>
<tr><td>2015-16</td><td>36.50</td></tr>
<tr><td>2016-17</td><td>37.00</td></tr>
<tr><td>2017-18</td><td>38.00</td></tr>
<tr><td>2018-19</td><td>36.00</td><td>CAGR</td><td>-0.01</td><td rowspan="2">Seasonal trend and linear trend gives an abnormal forecast of Individual Housing Loan Market - Share of HFCs in percentage and is</td></tr>
<tr><td>2019-20</td><td>33.00</td><td>Y-o-Y</td><td>35.1</td></tr>
</table>

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		GR.		inappropriate measure in predicting Market Share of HFCs since the trend in polynomial in nature (with adjusted R^2 of 99 percent. Though, CAGR is found to be a better measure in this case, indicating 29.23 percent Growth in 2029-30.
2020-21	32.00	**Std. Dev.**	1.93	
2029-30*	**29.23**	**Variance**	3.71	

The calculated P-value is less than 0.05 (0.0000). Therefore, we accept hypothesis 4 [H_4], that the trend in Market Share of HFCs [in Total share of Individual Housing Loan by HFIs] is having a polynomial effect. Thus, it can be concluded that "There is a polynomial effect in Market Share of housing finance companies [in Total share of Individual Housing Loan by HFIs]". Further, it could be observed that the trend in Market Share of housing finance companies [in Total share of Individual Housing Loan by HFIs] between the years 2011-12 and 2020-21 is downward sloping depicting a negative trend over the period of time.

3.5. NON-PERFORMING ASSETS POSITION OF HOUSING FINANCE COMPANIES

Non-performing assets (NPA) are loans given by a banks or a financial institution wherein the borrower defaults or delays interest or principal payment. According to the RBI norms, any interest or loan repayment delayed beyond 90 days has to be identified as a non-performing asset. Quality of assets held financial institutions is a critical indicator of the health of the financial system. A quality asset reflects the level of institutions credit risk and efficiency in allocation of resources to productive resources to productive sectors**.** According to a report by ratings firm ICRA, HFCs could see non-performing assets (NPAs) soar to 3.4 - 4.8 per cent by March 2021, however this estimation have been surpassed due to the impact of covid-19.

NPAs growth have a direct-negative relationship with the profitability of housing finance companies. NPAs reflect the financial performance of financial companies. The high-level of NPA possess threat on asset quality and sustainability of FIs, further, the net-worth also gets eroded. Every HFC, should take into cognizance the well-defined credit weaknesses of such HFC's and should examine the extent of dependence on the underlying collateral security for realisation of loan assets, to classify its lease/ hire purchasing assets, loans and advances of any other forms into the following classes of assets, namely; (a) Standard assets, (b) Sub-standard assets, (c) Doubtful assets and (d) Loss assets, as provided by the RBI, time-to-time. The class of assets herein referred as above shall not be upgraded as a result of rescheduling, until and unless it satisfies the pre-defined conditions for up gradation.

(i) GROSS NON-PERFORMING ASSETS OF HOUSING FINANCE COMPANIES.

Gross NPA is the total of the principal and interest to be paid on principal amount. The obtained amount is considered as at a potential risk of being a due. In other words, GNPA is the total of all Non-Performing Assets. The formula for calculating Gross NPA is;

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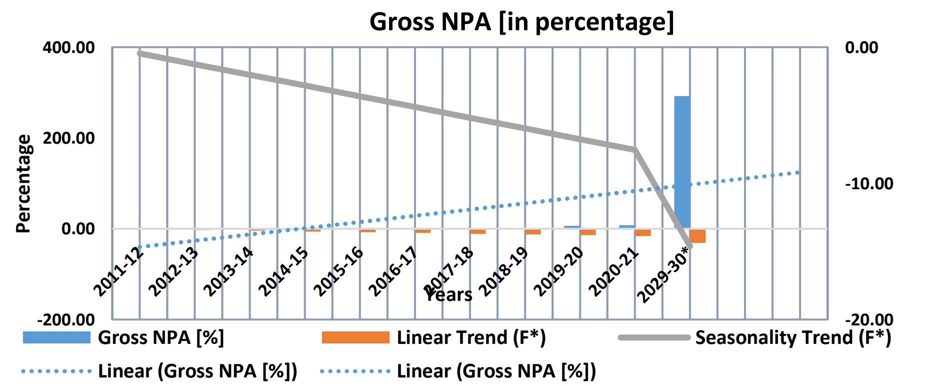
Gross NPA= (A1+A2+A3+ ……………..+An) / Gross Advances

Here, A1 through An represents the total amount of loan for a person 1 through n. The financial institution provide a grace period of ninety days to a person, to repay the loan dues, if at all the instalment/EMI is unpaid on such loan asset, the unpaid loan asset will be classified as Gross NPA. However, such ascertained value is not an actual loss to a financial institution, but is a loss of both principal and the interest. The ratio depicts the asset quality of the financial institution. Higher the ratio, lower the asset quality. The ratio of Gross NPA is calculated as;

$$\text{GNPA Ratio} = \frac{\text{Total GNPA}}{\text{Total Advances}}$$

The major reason for Gross NPA is; industrial sickness, poor implementation of policies by the government, natural calamities, market failure, inflation, etc. Gross NPA affects the goodwill or image of an institution and lowers the value of the company.

H6: There is a seasonality effect in Gross NPA of housing finance companies

<table>
<tr><th>Years</th><th>Gross NPA [%]</th><th colspan="3" rowspan="8">
</th></tr>
<tr><td>2011-12</td><td>0.20</td></tr>
<tr><td>2012-13</td><td>0.55</td></tr>
<tr><td>2013-14</td><td>0.70</td></tr>
<tr><td>2014-15</td><td>0.85</td></tr>
<tr><td>2015-16</td><td>0.90</td></tr>
<tr><td>2016-17</td><td>1.10</td></tr>
<tr><td>2017-18</td><td>1.30</td></tr>
<tr><td>2018-19</td><td>1.51</td><td>CAGR</td><td>0.50</td><td rowspan="4">CAGR is giving the abnormal forecast with regard to Gross NPA [in percentage] of HFCs due to increase in GNPA since 2019-20 due to unprecedented issues impacting almost all the sectors of the economy. Further, seasonal trend and linear trend would also be a better estimate of GNPA of HFCs [in percentage] to some extent, with adjusted R^2 of 58.2 percent each.</td></tr>
<tr><td>2019-20</td><td>6.45</td><td>Y-o-Y GR.</td><td>2.12</td></tr>
<tr><td>2020-21</td><td>7.60</td><td>Std. Dev.</td><td>2.63</td></tr>
<tr><td>2029-30*</td><td>292.17</td><td>Variance</td><td>6.90</td></tr>
</table>

The calculated P-value is less than 0.05 (0.0006), thereby we accept hypothesis 6 [H6]. That is, the trend in Gross NPA of HFC is seasonal in nature. Thus, it can be concluded that “There is a seasonality effect in Gross NPA of housing finance companies”. Further, it

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could be observed that the trend in Gross NPA of HFCs between the years 2011-12 and 2020-21 is upward sloping depicting a positive growth in GNPA. However, it projects a negative trend in asset quality performance of HFCs.

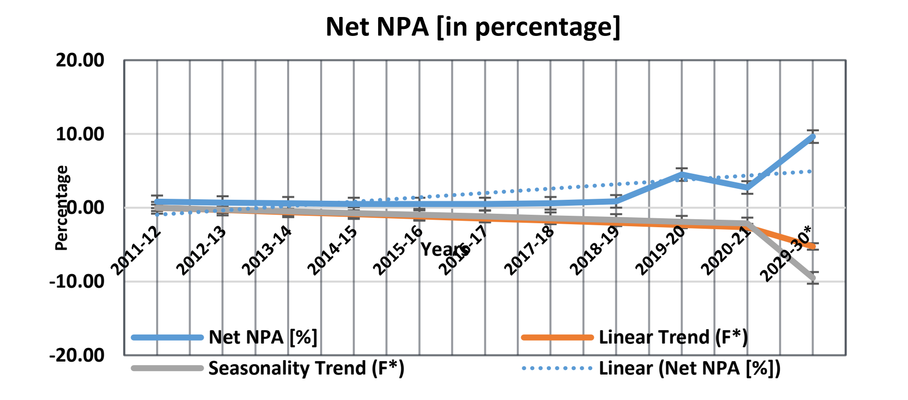
(ii) NET NON-PERFORMING ASSETS OF HOUSING FINANCE COMPANIES.

Net Non-Performing Assets is the difference between gross NPA and provisions for doubtful and bad debt. It is the value obtained when, principal amount is deducted from payments received from a person, who was lent the amount. Net Non-Performing Assets is calculated by the formula-

$$\text{NNPA Ratio} = \frac{\text{Total NNPA}}{\text{Total Advances}}$$

Net NPA does not provide any grace period. This is when the loan become Net Non-Performing Assets immediately. Net NPA is the actual loss incurred by a lending institution. The financial institution makes provisions for the unpaid loan and thereafter the amount received is deducted from the opening amount which leads to an actual loss for the company. It is a measure of asset quality of the institution and the measure of financial health of such loan. Insufficient provisions by financial institution for unpaid debts is the main cause of increase in Net NPA. The higher Net NPA affects the liquidity position and profitability position of the financial institution. It shows, whether the financial institution is going in suffer from a loss in near term.

H7: There is a seasonality effect in Net NPA of housing finance companies.

<table>
<tr><th>Years</th><th>Net NPA [%]</th><td colspan="3" rowspan="8">
</td></tr>
<tr><td>2011-12</td><td>0.80</td></tr>
<tr><td>2012-13</td><td>0.70</td></tr>
<tr><td>2013-14</td><td>0.60</td></tr>
<tr><td>2014-15</td><td>0.50</td></tr>
<tr><td>2015-16</td><td>0.50</td></tr>
<tr><td>2016-17</td><td>0.50</td></tr>
<tr><td>2017-18</td><td>0.60</td></tr>
<tr><td>2018-19</td><td>0.86</td><td>CAGR</td><td>0.15</td><td rowspan="4">CAGR gives a forecast of 9.54 percent, of Net NPA for the year 2029-30 due to consequential rise (4.60%) of NNPA in F.Y. 2019-20 due to unprecedented crises. Further, the Seasonal trend and linear trend would be a better measure for forecasting to some extent with regard to Net</td></tr>
<tr><td>2019-20</td><td>4.49</td><td>Y-o-Y GR</td><td>1.23</td></tr>
<tr><td>2020-21</td><td>2.74</td><td>Std. Dev.</td><td>1.33</td></tr>
<tr><td>2029-</td><td>9.64</td><td>Variance</td><td>1.77</td></tr>
</table>

30*				NPA with adjusted R^2 of 32 percent.

The calculated P-value is equal to 0.05 (0.05). That is, we accept the hypothesis 7 [H_7], that the trend in Net NPA of HFC is seasonal. It can be concluded that "There is a seasonality effect in Net NPA of housing finance companies". However, the results do not provide sufficient confidence for accepting or rejecting the hypothesis. Due to impact of covid virus across the world, most specifically in India had effected almost all the sectors of the economy, including housing finance sector, during 4th quarter of 2019-20, 1st, 2nd and 3rd quarter of 2020-21. The growth in housing finance sector had a 'V' shaped recovery from the crises and is currently at a pre-covid level. Therefore it wouldn't be prudent enough to say the Net NPA of HFCs would raise further if sufficient measures are taken to reduce the level increase in NPA. Further, it could be observed that the trend in Net NPA of HFCs between the years 2011-12 and 2019-20 is upward sloping depicting a negative trend in asset quality performance.

3.6. RETURN ON ASSETS OF HOUSING FINANCE COMPANIES

'Return on Asset' is one among most popular and useful financial ratios since 1919. ROA is a functional measure of company's profitability. Most of the studies (Beaver 1966, Altman 1968) have used ROA, most often in business failure prediction studies. There are eleven versions of computing ROA both economically and mathematically. The most common version of them is where the ROA is calculated as Net Income over Total Assets (ROA = Net Income / Total Assets). Earlier the ratio was termed return on investment, which was calculated as ROI = Profit / Total Assets. However, in the current study, return on asset is calculated as;

$$\mathrm{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

ROA offers an idea as to how efficiently the management had deployed its assets for generation of income. Recently RBI and Government had announced various monetary and non-monetary measures during 2019-21, viz. Special Liquidity Scheme (SLS), increase in the net owned fund requirement to Rs. 20 crore, extension of regulations (Liquidity risk management framework) applicable for NBFCs, exemption of HFCs from provisions of Sec 45 IA, 45 IB and 45 IC of RBI Act, 1934, introduction of co-lending model (CLM) and so on, for revival of housing finance market, non-banking financial companies and for housing finance companies in particular. Apart from macro-economic factors, there are various internal factors that impact the return on assets of a company, viz. gross non-performing assets ratio, provisioning, operating efficiency ratio, investment to deposit ratio, return on investment, operating profits to total assets, burden to total assets ratios, provisions and contingences to total assets and so on. The ROA of HFCs altogether were in the range of 2 percent between 2011 and 2018. However, the ROA plummeted to a negative zone during F.Y. 2019-20, gradually recovering in the preceding financial year due timely policy measures of RBI and Government.

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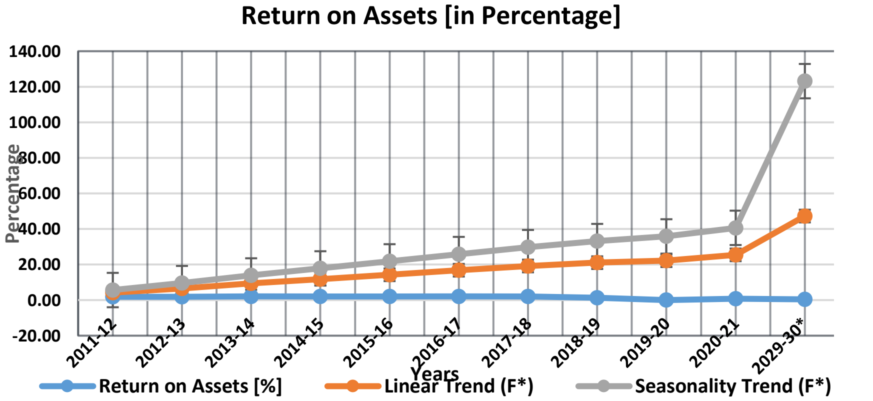
H8: There is a seasonality effect in return on assets of housing finance companies

<table>
<tr><th>Years</th><th>Return on Assets [%]</th><td colspan="3" rowspan="8">
</td></tr>
<tr><td>2011-12</td><td>1.90</td></tr>
<tr><td>2012-13</td><td>1.80</td></tr>
<tr><td>2013-14</td><td>2.10</td></tr>
<tr><td>2014-15</td><td>2.05</td></tr>
<tr><td>2015-16</td><td>2.00</td></tr>
<tr><td>2016-17</td><td>2.10</td></tr>
<tr><td>2017-18</td><td>2.00</td></tr>
<tr><td>2018-19</td><td>1.40</td><td>CAGR</td><td>-0.09</td><td rowspan="4">CAGR would be a better measure for forecasting with regard to Return on Assets of HFCs in percentage, predicting 0.35% of ROA 2029-30. Further, the Seasonality trend and Linear trend would be a better measure for forecasting to some extent with regard to return on assets with adjusted R^2 of 40 percent each.</td></tr>
<tr><td>2019-20</td><td>0.01</td><td>Y-o-Y Gr.</td><td>1.62</td></tr>
<tr><td>2020-21</td><td>0.82</td><td>Std. Dev.</td><td>0.69</td></tr>
<tr><td>2029-30*</td><td>0.35</td><td>Variance</td><td>0.48</td></tr>
</table>

The calculated P-value is less than 0.05 (0.03). That is, we accept hypothesis 8 [H8]. Therefore, it can be concluded that "There is a seasonality effect in return on assets of housing finance companies". Further, it could be observed that the trend in return on assets of HFCs between the years 2011-12 and 2020-21 is upward sloping depicting a positive trend in financial performance of HFCs.

Findings of the Study

i. Total Housing Finance Market of India increased from 6 trillion INR during 2011-12 to 22 trillion INR as on 2020-21 due to consistent rise in demand for housing loan due to rise in population, increase in nuclear families, and more affordability and so on, thus making the industry more attractive for new players. The major players in the housing finance market includes commercial banks, housing finance companies, cooperative housing societies and others.

ii. The housing loan disbursements of HFCs, which comprises of loan to individuals, corporates and real estate customers and so on, had seen a surge since F.Y. 2011-12 to F.Y. 2020-21. However, there was a decline in loan disbursements by HFCs due to unstable market conditions.

iii. Major proportion of NHB refinance (i.e. around 80 percent) is directed to HFCs under various schemes of NHB. The refinance of NHB to HFCs grew from 0.13 trillion in 2011-12 to 0.72 trillion in 2020-21, i.e. the increase more than 5 time in span of 10 years.

iv. The market share of HFCs to that of total housing finance market in India on an average had a slight difference of 4 to 5 percent in the span of 10 years. The HFCs were having a lion share in the housing finance market prior to 2003 when commercial banks over took the top position due to surge in loan disbursement in due to huge demand, high network, portfolio buyout and support by the government.

v. Loans are provided to individuals for construction of New House, For purchase of New house or Flat, For purchase of Old house, For renovation or repairs of house, For extension of house and For Purchase of plot for residential purpose. As per RBI mandate, FIs to be registered as HFCs must have at least 75% of its qualifying assets made towards individual housing loans. The total of individual housing loans of HFCs to that of the overall individual housing finance market declined by 2 percent during 2011-21. The decline in share of HFCs is alarming, and the policy makers must take appropriate measures to attract the prospective borrowers towards specialised HFCs.

vi. Gross NPA of HFCs is depicting a surge from 0.20 percent in 2011-12 to 7.60 percent in 2020-21. Which represent the deterioration in the quality of loan assets and stands to be the major cause of concern for the decline in profitability of HFCs. The rise in GNPA ratio has a negative impact on operations of the HFCs

vii. Net NPA is the value obtained after the provisions to bad debts is deducted from the Gross NPA. Net NPA ratios for the past 10 years displays the inefficiency of provisions made by the company for covering the bad debts. i.e. the recovery performance of the HFCs.

viii. Return on Assets is the widely used indicator of profitability of financial institutions. The ROA of HFCs on an average remain the same during F.Y. 2011 to 2018. However, the HFC displayed a lacklustre performance during 2018-20 due o weak economic condition or due to recession across the globe. During F.Y. 2020-21, the ROA picked its pace from the early decline and gives a positive hope of reaching a pre-covid level in the near term.

ix. The forecasting of growth trends using CAGR, with the use of linear trend or seasonal trend or polynomial trend, and so on is highly difficult due to sudden plunge in operational and financial performance of HFCs due to unprecedented health, economy and social crises affecting almost all the countries across the globe.

CONCLUSION

Housing is among the basic needs of all mankind in terms of safety. Sufficient housing provides security, social status, cultural identity, satisfaction and achievement. Growth in housing sector is observed as one of the economic indicator of economic health of any economy. Since Indian independence, the growth in population has expanded the problem of housing shortage in the country. The housing sector which was already under stress due to various structural and cyclical issues, was effected by the impact of Covid 19 pandemic during early 2020. The unprecedented lockdowns, employee layoffs, decline in household income, social distancing norms and work from home arrangements was imposed by the government and industry to mitigate the distresses of the pandemic.

Effective distribution of vaccine, robust policy support by Indian Government, and reopening of economic activity gradually across economies have facilitated resurgence of housing sector and housing finance growth in the country and which further helped growth surpass the pre-pandemic level. Growth in affordability was observed during the period. The house price inflation in the country continued to remain moderate with on-going reduction of interest rates by the RBI which brought in stability in residential property prices (NHB T&P 2021). The demand of housing finance was found to be high in suburban and rural areas more than in larger and metro-Politian cities due to reverse migration. The growth of housing finance companies, the specialised housing providers in the country observed a "V" shape recovery during F.Y 2019-20 and F.Y 2020-21. The HFCs growth are at the pre-pandemic level though facing a severe competition from the commercial banks. The transfer of regulation of HFCs from NHB to RBI had further provided an impetus to the growth of HFCs in line with the commercial banks and NBFCs. The RBI and the Government must thereby support the specialised housing finance companies through more investment, fiscal and monetary support to make the institutions more attractive to the borrowers.

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