

Emerging Trends In Housing Finance



SUJAN SINHA

M.D. & C.E.O.,
Shriram Housing
Finance Ltd.

« GUEST COLUMN

The year 2015 was, in a sense, a watershed year for the housing as well as the housing finance industry. Coming on the back of the new government's pet project of "Housing for All - 2022", we saw a major initiative being taken up, that of "smart cities". Extremely ambitious, the success of this initiative would be changing the virtual topography of the country. The best thing about this initiative would be that it would generate immense logistic and infrastructural improvement for all these proposed cities and their catchment areas.

The "Housing for All" initiative, on the other hand, seeks to provide all the segments of the population of one of their basic requirement, that of a roof over their heads. As per industry estimates, this would entail additional investments to the tune of US Dollar 3 trillion or so, a mind-boggling amount. Even if the project is successful, say to the extent of 60%, the positive ramifications in terms of the improvement of the living conditions of the mem-



bers of the population living below the poverty line or the economically weaker sections, would be humongous. The whole country, or maybe the whole world, is waiting for the impact of these initiatives to bear fruit. This focus of affordable housing, expected to bring in concerted development projects in 300 plus towns and cities, would, forever, change the shape and structure of the so-called socio-economic pyramid.

The fog end of the calendar year 2016

also saw the tabling of the Real Estate Regulatory Bill. The passage of this bill would, actually, change the way the game is played in the real estate development industry. Seen to be ushering in accountability for developers, builders, etc., home buyers would, in effect, be getting a lot of protection from unscrupulous land developers and act as a major deterrent for those wanting to make a quick buck from unethical business practices.

However, whichever way we look, one of

the most critical requirements of the success of all these plans is the ability of the decision makers is to bring about a healthy and trusting relationship between the three fundamental stake-holders, i.e. the home-buyer, the builder and the financier. Easier said than done, challenges arising out of urbanisation of the large tracts of rural and semi-rural India would, necessarily, entail a major drive in rural education and consciousness, encouraging a proactive culture of "Public Private Partnership (PPP)" and, of course, reducing corruption drastically. Recent history of the natural calamities in various parts of the country reminds us of the importance of ensuring that the housing industry, especially the construction industry, adopts "green" building processes and also ensures adherence to NDMA guidelines, so as to reduce the impact of natural disasters on the residential structures. A very strong self-regulation for builders must be encouraged, and, at the same time, the developer community must be encouraged to contribute time and effort to adopt efficient construction technologies, reduce delivery time, spread to Tier II, III & IV centres and, thereby, make the national dream and policy objectives come true.

Another method of encouraging housing is by fostering an encouraging climate for rental housing in the country. As of now, rental housing is essentially a private and bilateral transaction, where there is a complete lack of transparency and security for all the parties. Maybe the government, especially at the local city/town level, could look at devising policies which could pave the way for a large scale rental housing market developing in the medium term. As

it is, with the giant strides made in the telecommunication field, the hitherto rural areas are getting urbanised rapidly, cheap and budget-friendly solutions for meeting the housing shortage would go a long way in reversing the urban migration and improving the contribution of the smaller towns and cities to the GDP.

On the flip side, the market conditions at the start of the new calendar year are fraught with uncertainties. On the global canvas, the issues arising out of the recent China market movements leading to predictions of a currency devaluation there, the apprehended slowdown in the US etc. are leading to a major fear factor coming in our minds. Coupled with this, at home, the latest economic indicators like industrial output, falling rupee, creeping inflation is leading to a sense of discomfort and disquiet. However, hopefully, none of these would be long-lasting events and the markets would rebound strongly soon. In the meantime though, the government has its work cut out to provide an encouraging and morale-boosting budget.

All in all, for the retail mortgage space, the next few years would be an extremely interesting and challenging period. The issue is not only of building up volumes, ROA and ROE, but also, along-with all that, striving to make the masses self-sufficient insofar as their requirement of a 'makaan' is concerned.

(The views expressed in this article are purely the personal views of the author and do not, in any way, reflect the views of Shriram Housing Finance Ltd., the Shriram Group or any of the other related entities)