

Role of National Housing Bank in the Project Finance and Re-financing Primary Lending Institutions

Mr. Sachin D. Bansode

Ph. D. Scholar, Department of Commerce, University of Mumbai,

Assistant Professor, P. D. Lions College of Com. & Eco, Malad- W.

ABSTRACT:

National Housing Bank is a Development Financial Institution working for the housing sector and a subsidiary of the Reserve Bank of India. The National Housing Bank came into existence after passing National Housing Bank Act, 1987 in Parliament to promote, regulate, financial, knowledge and research support to housing finance institutions to develop effective and inclusive housing finance system and to take care the interest of all sections of society and to integrate the housing finance system with the overall finance system of India.

Keywords: NHB, HFC, SCB, RRB, Role, Project Finance, Re-finance, Disbursements, etc.

1 – AN OVERVIEW OF THE HOUSING FINANCE SYSTEM IN INDIA:

The Housing Finance System comprises with various active participants in formal and informal sector such as Government and its Housing Institutions, General Financial Institutions, Insurance Companies, Banks and Non-Banks Institutions and specialized Housing Finance Companies, Private Corporates financing to housing sector and Staff Quarter facilities provided by employers to employees are participated in formal housing finance market. Whereas informal housing finance market in India covers over two-third of the housing finance sector such as Self-Help Resources for housing financing which includes money-lenders, extended family members, relatives, friends, employers, business associates, community based organisations, individual resources obtained by sale of property. In addition to Specialised Housing Finance Institutions there is Co-operative Housing Finance Societies.

2 - INTRODUCTION TO THE NHB:

On 9th July 1988 National Housing Bank (NHB) was established under the Parliament act known as National Housing Bank Act, 1987. NHB came into existence as a fully owned and subsidiary of Reserve Bank of India (RBI) to function as an apex housing financial institution and principal agency to promote housing finance institutions. NHB has target to promote housing sector by facilitating housing finance to individuals belongs all sections of society by focusing on Lower Income Group (LIG), Economic Weaker Section (EWS) and Middle Income Group (MIG) and to bring inclusive growth with stability in housing finance. NHB has developed On-site & Off-site mechanism for registration, regulations and supervision of Housing Finance Company (HFC) and also co-ordinate with other regulators. NHB has major objectives such as to promote cost effective and affordable housing finance, to integrate housing finance with overall Indian financial system, to serve various regions and income groups, to expand resources for housing, to encourage public agencies to facilitate and supply serviced land and material to upgrade housing stock inclusively for all by 2022.

3 – OBJECTIVES OF THE STUDY:

NHB being apex housing finance institution and Principle agency to promote and regulate housing finance institutions in India it is very prominent to study its financial role with following objectives:

1. To understand the role of NHB in Project finance disbursements.
2. To study the Re-finance operation of NHB for the Primary Lending Institutions.

4 – RESEARCH METHODOLOGY:

Data for the research are collected from the secondary sources like websites, newspapers, reports, journals, magazines, etc. Data then analysed in order to understand the financial role of NHB in Re-financing various Primary Lending Institutions during period 2001 to 2016.

5 – ROLE OF NHB IN THE PROJECT FINANCE DISBURSEMENTS:

NHB has direct lending operations in form of the Project Finance under Section 14 of National Housing Act 1988. The main objective is to facilitate increase the housing stock with special focus on the housing programs for the economically weaker sections of society in the country in both urban and rural areas. In order to achieve these objectives NHB has undertaken both fund-based and non-fund based activities and operates along with different institutions in the public and private sectors. NHB functions to meet the financial need of various agencies working housing sectors to up-gradation sub-standard dwelling units, to facilitate hostel accommodation for woman and night shelters in urban and rural areas, to fulfill the housing need of informal

sector, to expand the existing infrastructure facilities, to encourage cost effective housing, to assist reconstruction activities in disaster affected areas, to help implementing agencies by many technical assistance measures like interest free loan. Any private corporates who develop employees' rental/ownership housing project and Public agencies like MHADA, SRA, and CIDCO, etc. who develops housing and infrastructural projects for several segments of society is eligible for 'Project Finance' assistance from NHB.

Role of NHB in Project Finance we studied for five year duration from period 2012 to 2016.

NHB's Project Finance Disbursements during last five years

(Amt. in Crore)

Year	Sanction Amt.	Disbursed Amt.	% to Sanction Amt.
2011-12	314	64	20.4
2012-13	154	93	60.4
2013-14	125	34	27.2
2014-15	100	00	00
2015-16	200	97	48.5
Total	893	288	32.25

The above table is prepared on the basis of information gather from the five years' Reports on Trends and Progress of Housing in India i.e. 2012 to 2016. From the aforesaid information we understand that for year 2011-12 sanction amount for project finance by NHB is Rs. 314 out of this only 20.4% amount i.e. Rs. 64 crore are disbursed. It means that approximately 80% funds are not disbursed due to one or more reasons.

During the next year 2012-13, total amount sanction for project finance is Rs. 154 crore which is actually 160 crore less than the last year 2012, it has gap of around 78.5% in sanctioned amount between year 2012 and 2013 whereas Rs. 29 crores is more disbursed during year 2013 compare with year 2012.

On the third year of study 2013-14, total sanctioned amount for project finance is Rs. 125 crore out of this only Rs. 34 crore is disbursed which is the lowest disbursed amount of study period except year 2015. There is less fund of Rs. 29 crore i.e. 81.2% gap between year 2014 and 2013 in the Sanction amount. With less sanctioning amount disbursement amount gap is Rs. 59% crore which is around 36.6% less than the last year disbursement comparison.

In the fourth year of study 2014-15, total sanctioned amounts for project finance is around Rs. 100 crore but not a single amount is disbursed during this year whatever may be the reason is not a good practise on part

of NHB as a apex housing finance institution of country is a serious matter to be considered at policy formulation and implementation levels.

In the last fifth year of study 2015-16, total amount sanctioned for project finance is around Rs. 200 crore which is double the amount sanction in last year 2015. But as usual only Rs. 97 crore i.e. roughly 48.5% amount are disbursed. It means more than half of the sanctioned amount are not utilised or disbursed is shown us the level of intervention and conviction on the part of the project finance department of NHB in the light of its objectives.

During the past five years the NHB is in its efforts to support Economic Weaker Sections (EWS), Lower Income Group (LEG) and Middle Income Group (MIG) projects facilitated construction of about 24,000 housing units, through funding public agencies. Upto 30th June 2016, 448 housing projects was sanctioned by NHB's Project Finance Department.

6 – RE-FINANCE OPERATIONS OF NHB FOR THE PRIMARY LENDING INSTITUTIONS (PLIS):

As an apex re-finance institution NHB focus on large scale involvement of Primary Lending Institutions to promote housing sector. There are number of Primary Lending Institutions (PLIs) are active in housing finance sector in India. These institutions provide finance to individual borrowers, builders, corporate houses, etc. for purchase or construction of houses and for repair or upgradation of existing house. Refinance assistance objective is to provide long-term funds to these institutions. Refinance assistance are in respect of the loans extended by HFC, SCB, RRB are the institutions eligible to take refinance scheme of NHB.

Sustainable housing finance system through Refinance which includes General Refinance Scheme available at nominal interest rate as well as Special Refinance Schemes available at concessional interest rate through funds established at NHB. Financial role of NHB in refinancing the Primary Lending Institutions we studied during period 2012 to 2016.

NHB Refinance Disbursements to Primary Lending Institution (PLIs) for last five Years

(Amt. in Crore)

PLIs	2011-12		2012-13		2013-14		2014-15		2015-16	
	Amt. Disbursed	%	Amt. Disbursed	%	Amt. Disbursed	%	Amt. Disbursed	%	Amt. Disbursed	%
HFCs	5302	36.8	7694	44	9633	54	7390	33.6	10,852	50

SCBs	8851	61.6	9459	54	7943	44	14,114	65	10,275	48
RRBs	143	0.9	389	2	280	2	253	1	463	2
Co.Op. Sector	93	0.7	000	0	000	0	90	0.4	00	0
Total	14,389	100	17,542	100	17,856	100	21,847	100	21,320	100

The above table is prepared from the information of five years Reports on Trends and Progress of Housing in India i.e. 2012 to 2016. It shows that in 2011-12 total amount disbursed on Refinance Scheme is Rs. 14,389, among this majority share i.e. 61.6% is given to scheduled Commercial Banks (SCBs) second share followed by Housing Finance Companies (HFCs) i.e. 36.8%, Whereas Regional Rural Banks (RRBs) and Co-Operative Sector get very meagre share i.e. 0.9% and 0.7% respectively. In means that in 2011-12 only over 1% of refinance amount get to the rural area based housing financial institutions i.e. RRBs and Co-Operative Sectors whereas near about 99% of refinance amount is disbursed to the urban based housing financial institutions i.e. HFCs and SCBs. Therefore there will be a scope for developing schemes of refinance focusing more on rural areas in inclusive manner.

In year 2012-13 total disbursement amount on Refinance Scheme is Rs. 17,542 which is 21.91% more than the previous year's allotment. Out of total disbursed amount majority of share around 54% are given to SCBs thereafter second larger share approximately 44% are provided to HFCs and the smallest share only 2% is allocated to RRBs. During 2012-13 no refinance provision and allocation were made for housing finance through Co-operative sector channels. It means around half of the share of the refinance disbursement is provided only to SCBs and HFCs each and on the other hand by making very less provision for RRBs and no allocation as well as no allotment is made for Co-operative sector based on rural area. This clearly shows the urbanised approach of policy making by neglecting rural area's needs.

In third year 2013-14 total amount of disbursement on Refinance scheme of NHB is Rs.17,856 which is just 1.8% increase as compare with previous year's allotment. Among total refinance allocation majority of share is allocated to HFCs i.e. 54%, and second larger share i.e. 44% is given to SCBs and again in consequently in second year Co-operative sector did not get any amount of share to refinance their housing loan provided to rural population. Whereas RRBs get lower amounts by 109 crore that was get during last year 2012-13. It means continuously NHB are not adequately provided amount under Refinance scheme for RRBs and Co-operative sector institutions particularly and neglecting rural area development.

In the fourth year 2014-15 total disbursement amount on the Refinance Scheme by NHB is Rs. 21,847 which is around 22.35% more than the previous year's allotment. Out of total Refinance amount allocation to various categories of Primary Lending Institutions, majority of the share i.e. 65% approximately is provided to SCBs alone and second priority in allocation is given to HFCs i.e. 33.6% but this is also less by Rs. 2243 crore

compare with the last year's allotment. Third preference in refinance allotment is given to the RRBs i.e. hardly around 1% only which is also less by Rs. 27 crore as compare with last year's allocation. Whereas Co-operative Sector Institutions get only .4% share in total allocation which cones only Rs. 90 crore even this amount is also get after the gap of two years i.e. 2012-13 and 2013-14 were no provision for co-operative sector was made at all. This means SCBs and HFCs are dominant and mainly get larger share in allocation and disbursement of refinance amount by ignoring the rural based institutions such as RRBs, Co-operative sectors by NHB.

In the last fifth year 2015-16 total amount of Refinance Disbursements is Rs.21,320 which is around 2.5% less than that of the last year's total disbursement. Among this total allotted amount for refinance major share i.e. 50% is given to the HFCs and on second priority share is given to the SCBs i.e.48% and as usual RRBs get very negligible share i.e. around 2% by increasing just 1% share in the refinance allocation as compare to its last year's allocation. Whereas Co-operative sector is again neglected by NHB while making provision for refinancing Zero, for the housing loan provided by this sector which is rural area based. It means that NHB need to be more rational while performing its financial operations in the Project Finance and Refinance Disbursements to PLIs for housing needs of urban-rural areas.

7 – CONCLUSIONS:

In view of the present study undertaken, we find that as a apex housing finance institution of country NHB did meagre contribution in light of their specified objectives. There is huge scope to make housing sector in India more affordable and inclusive to all sections of society especially focus on the EWS, LEG, MIG and marginalised communities such as SC, ST, Physically handicapped, Destitute Women, Informal sector employees and labourers in urban and rural areas by more inclusive policy reforms for the interest of all homeless people in India. Therefore NHB needs to shift its present 'Market' oriented approach towards 'Welfare' approach, as 'Housing Right' is a part of fundamental right enshrined under Art. 21 of the Constitution of India in year 1950 itself.

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