
Review of National Housing Bank as Apex Housing Finance

Institution in India

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ABSTRACT

National Housing Bank was created as apex housing finance institution to regulate, promote and finance the housing finance in the country. Being nodal agency plays an important role in channelising the funds to housing sector, it implement the support measures of the RBI and the government of India to help housing finance sector. It's nodal agency for Credit Linked Subsidy Scheme under Pradhan Mantri Awas Yojana. NHB provides long term credit to registered Housing Finance Companies, Scheduled Commercial Banks and lending agencies.

The present paper reviews the working of this institution covering Net Resources Mobilised, Resources outstanding, Refinance disbursement, Refinance disbursement scheme wise, loan slab-wise, Housing fund disbursement for affordable housing, urban housing, rural housing and the NPA. The present analysis is based on the annual report of bank for 2019-2020 year. The findings of the research revealed that it has mobilised good amount of resources through various sources like taxable bonds, commercial papers, short term loan etc. It has cumulative refinance disbursement of Rs 267962 crore of which major share is given to the housing finance companies. Bank has supported the affordable housing schemes of the government. Considering present housing problem there is an urgent need to expand operations of NHB.

KEY WORDS: HFCs, Financing, RBI, Affordable Housing, Profitability

INTRODUCTION:

The first National Housing Policy recommended the setting up of National Housing Bank as an apex institution for housing finance. Hence National Housing Bank was set up in 1988. The bank operates as main body for promoting housing finance. It regulates housing finance companies by granting licence but now this role is taken by RBI.

Role / Functions of NHB:

Establishment and promotion of housing finance companies

Makes policies with respect to housing of Economically Weaker Section

Integrate housing finance with the overall financial system

Promote cost effective housing finance

Methods of Raising Funds:

Borrowing from Central Bank, Mutual Funds and Other financial institutions

Issue of Bonds, Debentures and Fixed Deposits

Loans and advances from RBI under Housing Credit Fund

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Borrowing in Foreign currency

OBJECTIVES OF THE RESEARCH:

To review the working of National Housing bank as an apex financial institution.

To assess the trends in housing finance by scheduled commercial banks and that of housing finance companies.

To assess the refinance disbursement of NHB to housing companies / scheduled commercial banks and scheme wise disbursement.

To find out the profitability and NPA of the apex institution.

REVIEW OF LITERATURE

Economic Survey (2020) of government of Maharashtra elucidated the sustainable Development Goal of providing access to all adequate, affordable housing by 2030. Government has initiated various schemes of providing housing to people through Pradhan Mantri Awaas Yojana, Slum Rehabilitation Scheme, Rajiv Gandhi Grameen Niwara Yojana, Ramai Awaas Yojan, etc. In urban areas Maharashtra government established MHADA, CIDCO and SRA. MHADA has constructed 479439 houses, CIDCO has constructed 183110 houses, SRA given free housing to 205892 families.

Gopika Gopakumar (2020) focused on new rules proposes by RBI for housing finance companies. RBI imposed certain restrictions on housing finance companies. In order to qualify as housing finance company, 50 percent of net assets should be to housing funding and of that 75 percent should be to individual buyers. Otherwise the finance company will be treated as Non Banking Financial Companies.

ICRA (2020) evaluated credit rating of NHB its asset quality parameters are good with a gross NPA of 0.01 percent and net NPA Zero at end of June 2019. ICRA has noted decline in asset quality and rise in gross NPA to 3.8 percent in December 2019. NHB has made necessary provisions of 35 percent against this. However NHB has higher credit concentration as 20 Housing finance companies account for 89 percent of financing through these companies are financially strong to maintain reasonable earnings and financial stability.

Advait Rao (2019) elaborated that NHB which was subsidiary of RBI is no longer as RBI has sold the entire stake to the government. Thus NHB has become a government owned bank. The housing regulatory functions of NHB is also taken over by the RBI hence the main functions of NHB will be financing, refinancing and acting as a nodal agency for the disbursement of loan under credit linked subsidy as part of Pradhan Mantri Awaas Yojana.

Subrata Panda (2019) highlighted tighter norms adopted by NHB for housing finance companies. Capital Adequacy Ratio (CAR) raised to 13 percent by March 2020, then 14 percent by March 2021 and 15 percent by March 2022. The cap on borrowing by these companies will be 14 times of their net owned fund by the end of March 2020 and 12 times by March 2022. Even the public deposits offered by these companies should be three times of the net worth.

Prasanta Sahu (2019) elaborated on role of government in ailing real estate sector and pushing affordable housing government plans to allow NHB to take up equity stake in housing finance companies. Will help to improve liquidity position and financing of housing companies.

Jeevanandam and Veerappan (2019) analysed role of NHB in housing finance in country in providing finance and refinancing for housing projects. Refinance disbursement in 2017-18 was Rs. 24921 crore of which 53 percent was extended to housing finance companies and 46 percent to schedule commercial banks.

Shilpy Sinha (2018) analysed sales of affordable housing and real estate section as reflected in NHB price indices, NHB-RESIDEX provides two housing price indices namely HPI Assessment prices and HPI Market prices. Based on data provided by lending institutions and market survey. There is an increase in HPI Assessment prices by 150 percent during July-September 2020.

Sanjay Singh (2014) elaborated major controversy against the NHB top management in providing higher subsidies to private housing finance companies than public housing companies despite good track record of public housing finance companies.

RESEARCH METHODOLOGY:

Type of Research Design: The present research design is purely descriptive research. It describes present status of the working of National Housing Bank and its impact on the housing finance sector.

Data Sources: The research is based on the available published secondary data and the annual report of 2019-2021.

Tools of Data Analysis: The secondary data is analysed with simple statistical tools like growth rate, percentage terms.

Limitation of the Research: are:-

Focused on quantitative research and not qualitative research.

Not considered primary data.

The financial status of the housing finance sector is not covered at micro level.

DATA ANALYSIS:

Below sections give overview of housing finance with special reference to NHB:-

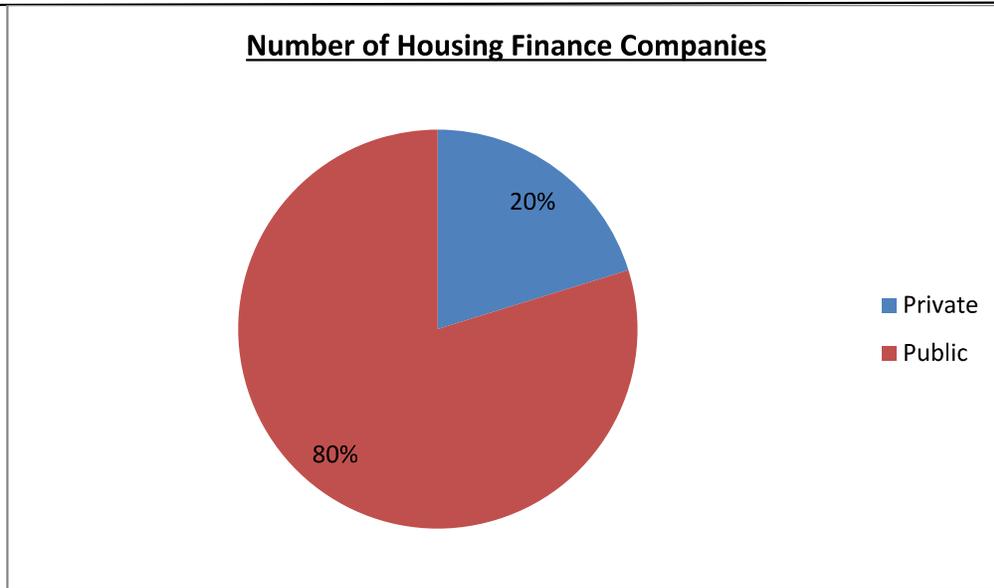
Number of Housing Finance Companies: Number of housing finance companies in India can seen from following table-

Table No. 1

Number of Housing Finance Companies

Year	Public	Private	Total
2016-17	66	17	83
2017-18	73	18	91
2018-19	79	20	99

Source: National Housing Bank



The number of housing finance companies increased from 83 in 2016-17 to 99 in 2018-19. The number of public sector housing finance companies rose from 66 in 2016-17 to 79 in 2018-19 and private sector housing finance companies from 17 to 20. Public sector housing finance accounts for 79.79 percent, private sector accounts for 20.21 percent.

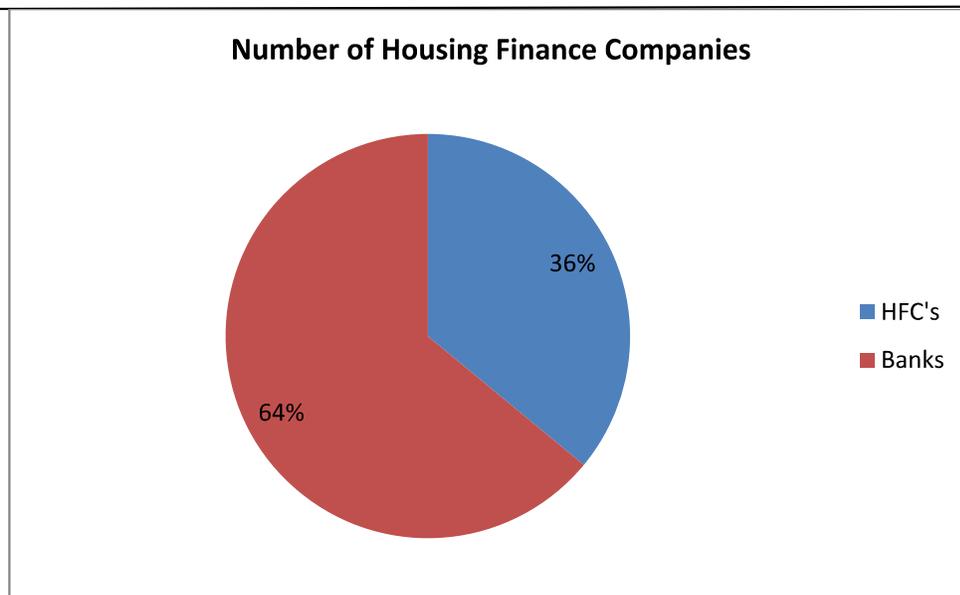
Share of outstanding Housing Loan by Banks and HFC's: Share of housing finance by banks and housing finance companies can be seen in below table-

Table No. 2

Share of Housing Finance By Banks and Housing Finance Cos.

Year	Banks	HFC's
1986-87	77	23
1990-91	63	37
2001-02	44	56
2004-05	64	36
2009-10	69	31
2015-16	62	38
2018-19	64	36

Source: RBI and NHB



Banks contribute higher percentage share of housing loan than Housing finance companies. The numbers of housing finance companies are more than number of banks but because of wider branches network of banks provide higher fund for housing than housing finance companies.

Net Resources Mobilised by NHB: Details regarding net resources mobilised by NHB during 2019-20 can be seen from following table-

Table No. 3

Net Resources Mobilised

No.	Instrument	Rs / Crore
1.	Taxable Bond	10670
2.	Commercial Paper	5456
3.	Short Term Loan	1000
4.	Deposits Under AHF	7453
5.	SLF from RBI	9537
Total		34116

Source: NHB Annual Report 2019-20

Net resources mobilised during 2019-20 were Rs. 34116 crore. Major components were taxable bond and SLF from RBI.

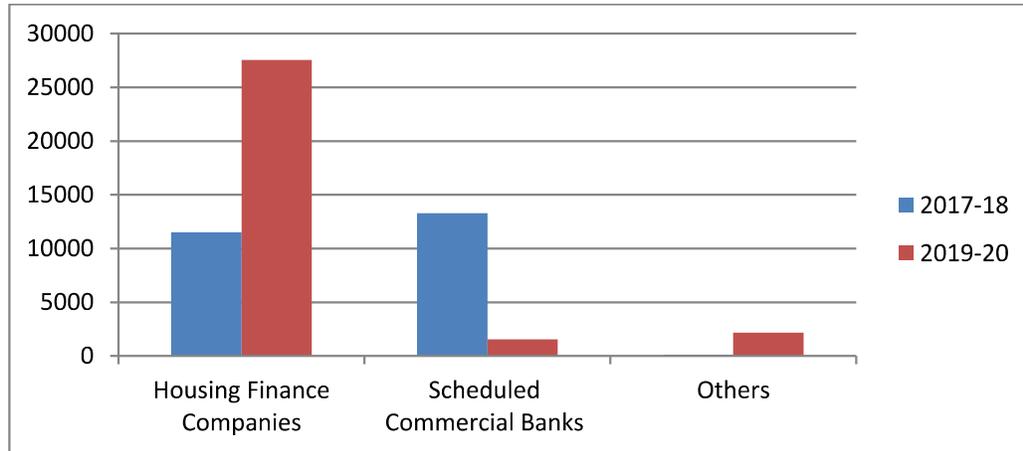
Refinance Disbursement: Details regarding refinance disbursement can be seen below:-

Table No. 4

Refinance Disbursement Institution Wise

No.	Institution	2017-18	2019-20
1.	Housing Finance Companies	11508	27551
2.	Scheduled Commercial Banks	13283	1550

3.	Others	130	2157
	Total	24921	31258



Source: NHB Annual Report 2019-2020

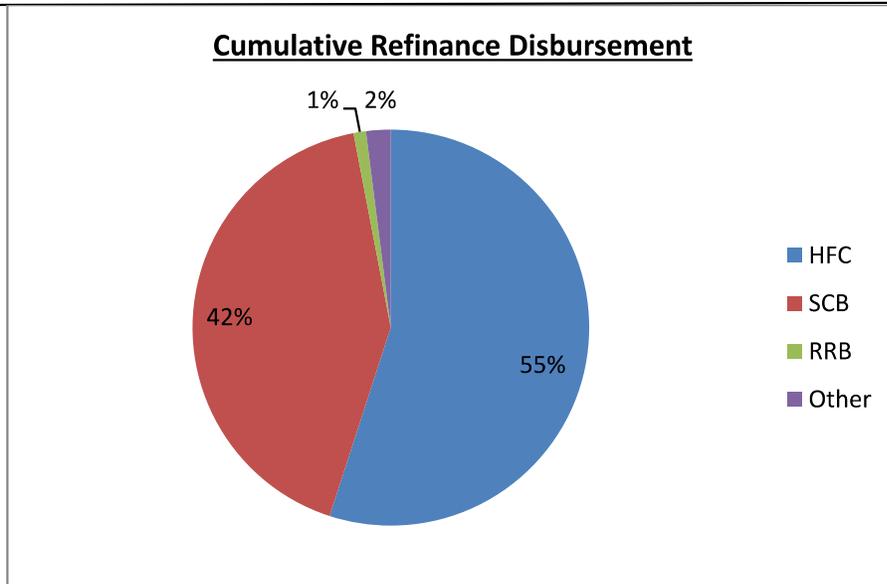
It can be seen that refinance disbursed increased from Rs. 24921 crore in 2017-18 to Rs. 31258 crore in 2019-20. Growth rate is 25.42 percent during 2017-2020. In year 2017-18 major share was given to commercial banks while in year 2019-20 major refinance was provided to Housing finance companies
Cumulative Refinance Disbursement: Details regarding cumulative refinance disbursement can be seen below:-

Table No. 5

Cumulative Refinance Disbursement

Sr. No.	Institutions	Rs /Crore	%
1.	Housing Finance Companies	147385	55
2.	Scheduled Commercial Banks	113186	40
3.	R R Banks	2466	01
4.	Others	4925	02
	Total	267962	100

Source: NHB Annual Report 2019-20



It can be seen from above table that cumulative disbursement of NHB is Rs. 267962 crore. Housing finance companies get major share of it at 55% followed by SCB at 42%. Thus NHB has become major source of finance to housing companies in the country.

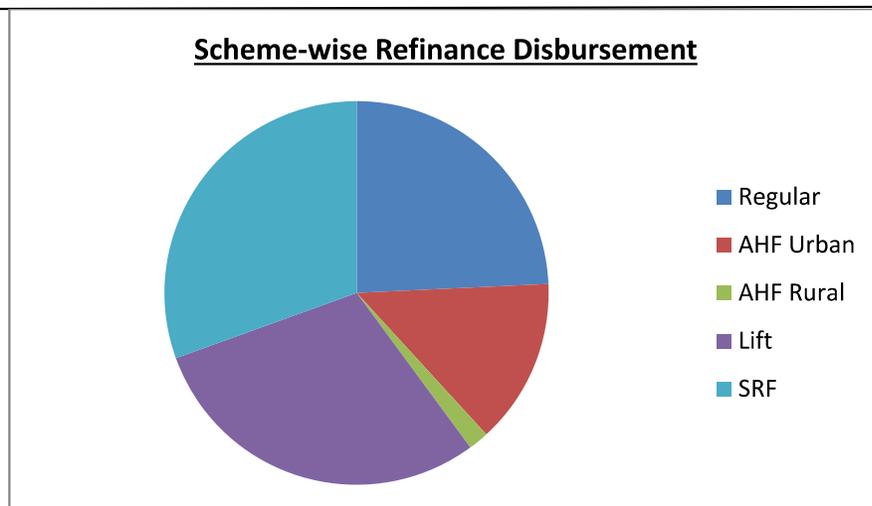
Scheme-wise Refinance Disbursement: Details on refinance disbursement scheme wise can be seen below:-

Table No. 6

Scheme-wise Refinance Disbursement

Scheme	Rs / Crore	%
Regular	7589	24.27
AHF Urban	4353	13.93
AHF Rural	535	1.71
LIFT	9244	29.57
SRF	9537	30.52
Total	31258	100

Source: NHB Annual Report 2019.20



It can be seen that major portion is for SRF (Special Reference Facility Scheme) accounting for 30.52 percent followed by LIFT (Revised liquidity infusion facility scheme for housing finance companies) accounting for 29.57 percent of the total. It is followed by Regular housing finance at 24.27 percent of the total.

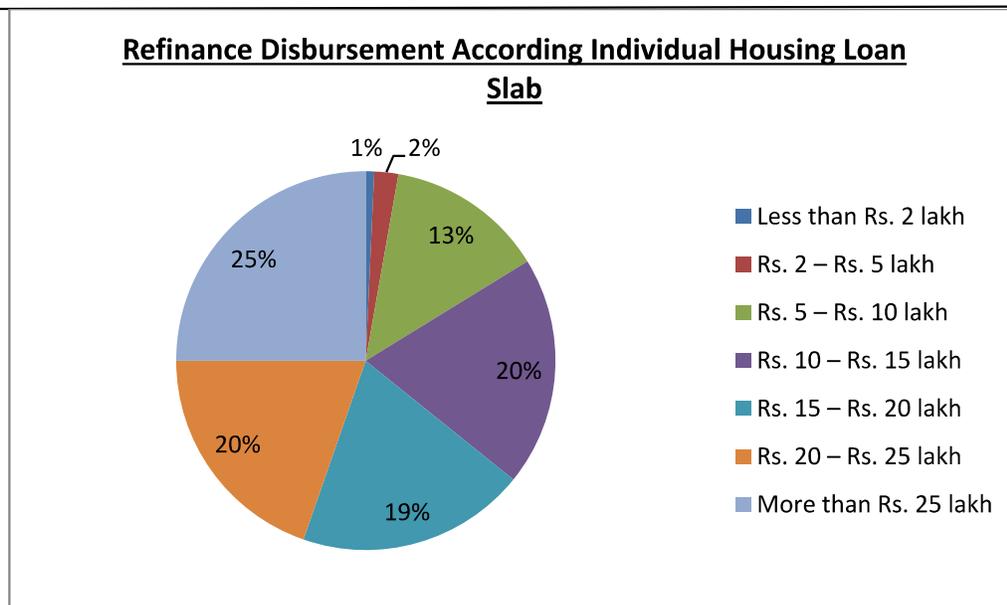
Refinance Disbursement According Individual Housing Loan Slab: The details regarding refinance disbursement according to individual housing loan slab can be seen from the following table-

Table No. 7

Refinance Disbursement According Individual Housing Loan Slab

Sr. No.	Loan Slab	Rs /Crore	%
1	Less than Rs. 2 lakh	224	0.72
2	Rs. 2 – Rs. 5 lakh	642	2.05
3	Rs. 5 – Rs. 10 lakh	4203	13.45
4	Rs. 10 – Rs. 15 lakh	6125	19.59
5	Rs. 15 – Rs. 20 lakh	6098	19.51
6	Rs. 20 – Rs. 25 lakh	6144	19.66
7	More than Rs. 25 lakh	7822	25.02
	Total	31258	100

Source: NHB Annual Report 2019-20



It can be seen from the above table that maximum individual loan slab is Rs. 25 lakh and more with disbursement of Rs. 7822 crore accounting for 25.02 percent of the total disbursement. Followed by loan slab Rs. 20 to Rs. 25 lakh with disbursement of Rs. 6144 crore accounting for 19.66 percent of the total. The next one is loan slab between Rs. 10 – Rs. 15 lakh with disbursement of Rs. 6125 crore accounting for 19.59 percent of the total. The next is loan slab Rs. 15 – Rs. 20 lakh with disbursement of Rs. 6098 crore accounting for 19.51 percent of the total. Thus major loan slab above Rs. 10 lakh which is 83.78 percent of the total disbursement.

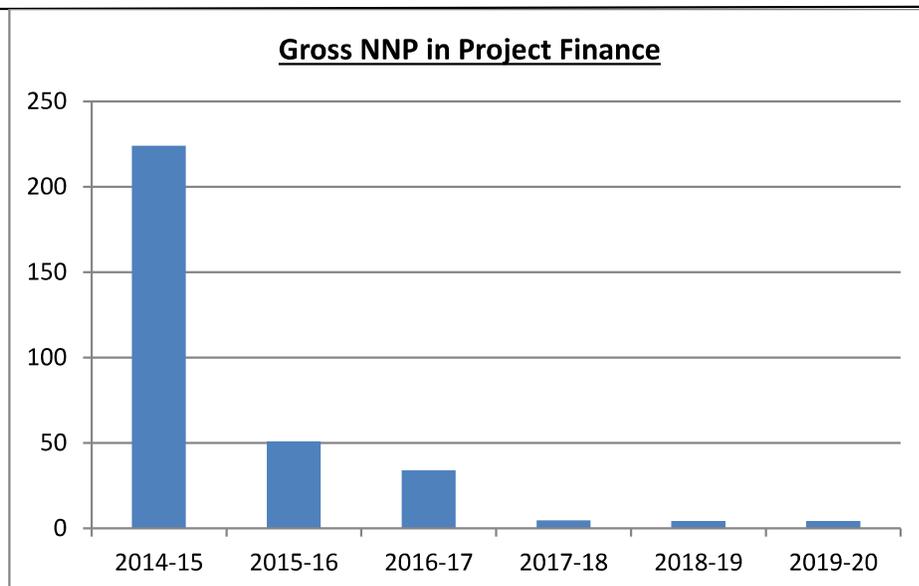
Gross NNP in Project Finance: The details regarding the gross NPA in project finance can be seen below-

Table No. 8

Gross NNP in Project Finance

Year	Rs / Crore
2014-15	223.96
2015-16	50.93
2016-17	33.90
2017-18	4.61
2018-19	4.18
2019-20	4.18

Source: NHB Annual Report 2019-20



It can be seen from the above that Gross NPA of NHB was Rs. 223.96 crore in 2014-15 declined to Rs. 4.18 crore in 2019-20. The higher gross NPA was due to the exposure of Mutual fund investment companies and financial irregularities in DHFL and other. However the overall financial rating of NHB is excellent.

Profit After Tax: The trends regarding profit after tax can be seen below:-

Table No. 9

Profit After Tax

Year	Profit After Tax Rs /Crore	Profit Per Employee Rs / Crore
2015-16	792	7.47
2016-17	848	7.25
2017-18	751	6.48
2018-19	733	6.72
2019-20	196	1.53

Source: NHB Annual Report 2019-20

It can be seen from the above that profit after tax was Rs. 792 crore in 2015-16 increased to Rs. 848 crore in 2016-17 then declined to Rs. 751 crore and Rs. 733 crore in 2018-19. In year 2019-20 it declined to Rs. 196 crore. Profit per employee also gradually declined from Rs. 7.47 crore in 2015-16 to Rs. 1.53 crore in 2019-20. NHB professionally managed organisation by only 128 employees.

SUMMARY AND CONCLUSION:

National Housing Bank is apex financial institution in housing sector to regulate, promote and financing the housing finance companies. Earlier it was owned by RBI but now it is fully owned by the Central Government. Recently the regulatory role of NHB has been taken over by RBI.

NHB is authorised to raise fund through debentures, bonds, fixed deposits, borrowing from RBI, Loan and advances from RBI under Housing Credit Fund.

Banks are the major contributor to the housing finance accounting for 64 percent of the total and remaining 36 percent contributed by housing finance companies.

The overall net resources mobilised by NHB at end of 2019-20 were Rs. 34116 crore and total refinance disbursed was Rs. 31258 crore. Cumulative refinance disbursement is Rs. 267962 crore till the end of 2019-20 financial year.

Gross NPA of NHB shot up in the year 2014-15 to Rs. 223.96 crore which subsequently reduced to Rs. 4.18 crore in 2019-20.

Thus NHB plays an important role by providing long term credit to registered housing finance lending institutions. It's a nodal agency for Credit Linked Subsidy Scheme under 'Pradhan Mantri Awaas Yojana'. Need to expand its role for affordable housing.

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