

**WORKSHOP ON
HOUSING FINANCE IN SOUTH ASIA**

HOUSING FINANCE MARKET IN SRI LANKA.



HOUSING FINANCE MARKET IN SRI LANKA.

SRI LANKA

- **POPULATION** 20.2 M
- **POPULATION GROWTH** 1%
- **PER CAPITA INCOME** US\$2000 PER ANNUM.
- **LITERACY RATE** OVER 90%
- **LIFE EXPECTAN** 70 YEARS
- **CRUDE BIRTH RATE** 18.8

HOUSING FINANCE MARKET IN SRI LANKA

- **REQUIREMENT OF HOUSING UNITS** **4.1 M**
- **ESTIMATED GAP BY 2010** **1.5 M**
- **BASIC AMENITIES FOR EXISTING STOCK**
- **HOUSEHOLDS SERVED WITH ELECTRICITY** **74.9 %**
- **HOUSEHOLDS WITH WATER SEALED TOILETS** **76.5%**
- **OWNER OCCUPANT HOUSES** **80%**

HOUSING FINANCE MARKET IN SRI LANKA

HOUSING FINANCE OUTSTANDINGS AS A % OF GDP 3.7%

- **BANGLADESH 2.5%**
- **INDIA 4.0%**
- **PAKISTAN 0.6 %**
- **MALAYSIA 22.0%**
- **THAILAND 16.0%**
- **CANADA 40.0%**
- **WORLD AVERAGE 14.0%**

HOUSING FINANCE MARKET IN SRI LANKA.

WELCOME TRANSITION

FROM

DIRECTED CREDIT TO MARKET DRIVEN CREDIT

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**NOW-MARKET NEEDS MET BY COMMERCIAL
BANKS & SAVINGS BANK.**

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ROLE OF STATE OWNED SPECIALIZED BANKS?

HOUSING FINANCE MARKET IN SRI LANKA

WHY FOCUS ON HOUSING FINANCE?

- STIMULATES REST OF THE ECONOMY
- ENCOURAGES HOUSEHOLD SAVINGS
- EMPLOYMENT CREATION
- CREATES ASSETS WITH THE POOR
- MAKES THEM MORE RESILIENT TO ECONOMIC SHOCKS

HOUSING FINANCE MARKET IN SRI LANKA

CONSTRAINTS IN DEVELOPING THE MARKET

1. MACRO ECONOMIC ENVIRONMENT

CLOSE LINKAGE TO SAVINGS.

LOW SAVINGS RATE IN SRI LANKA. - 18.6% OF GDP
- INDIA 37.7% OF GDP

WHY LOW SAVINGS RATE?

DISPOSABLE INCOMES

INFLATION

NEGATIVE RETURN ON SAVINGS.

HOUSING FINANCE MARKET IN SRI LANKA.

- **FINANCE FOR HOUSING- LONG TERM FUNDS NEEDED**
- **LIMITED AVAILABILITY WITH COMMERCIAL BANKS.**
- **MOBILIZERS OF LONG TERM FUNDS;**
- **CONTRACTUAL SAVINGS INSTITUTIONS**
- **INSURANCE COMPANIES.**

HOUSING FINANCE MARKET IN SRI LANKA

SITUATION IN SRI LANKA.



EMPLOYEES TRUST FUND EMPLOYEES PROVIDEND FUND

YEARLY NET COLLECTIONS RS 25 BILLION.

FUND BALANCES AS AT END DEC 2008 RS 650 BILLION.

TOTAL HOUSING FINANCE LOANS OUTSTANDING
AS AT END DEC 2008- RS 177 BILLION.

HOUSING FINANCE MARKET IN SRI LANKA.

- EPF & EPF FUNDS CAPTIVE IN HANDS OF GOVERNMENT.
- MORE THAN 90% INVESTED IN GOVERNMENT PAPER – BALANCING THE BUDGET.
- CROSS TRANSFORMATION OF TENOR.
- INSURANCE FUNDS – SIMILARLY USED.
- CROWDING OUT THE PRIVATE SECTOR NEEDS

HOUSING FINANCE MARKET IN SRI LANKA

2.POLICY FRAMEWORK

ABANDONING OF DIRECTED CREDIT
CHANGED ROLE FOR STATE OWNED BANKS.
AVOID MARKET DISTORTIONS
ADDRESS SEGMENTS THAT MARKET CANNOT SERVE.
INSTITUTIONAL DEVELOPMENT

HOUSING FINANCE MARKET IN SRI LANKA.

3.LEGAL, FISCAL AND REGULATORY
FRAMEWORK

ABSENCE OF TITLE REGISTRATION

REALIZATION OF SECURITY

AD VALORUM STAMP DUTY

INDEX FOR LAND PRICES.

THANK YOU