

Issues of Low Income Housing: Lenders' Perspective

Technical Session II: Low Income Housing Finance

Conference on Affordable Housing and Housing Finance &

Formal Launch of e-Platform "South Asia Housing Finance Forum" (SAHF) Site

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Good afternoon ladies and gentlemen:

It is indeed a pleasure to be here and I would like to thank the organisers for inviting me to talk to you today. The National Housing Bank's initiative of launching an e-platform to serve as a knowledge sharing and networking medium on housing finance for South Asia is a commendable effort and I am certain many housing finance providers will benefit from such a forum.

Housing is not just a basic necessity. For most people, owning a home is a big achievement and provides a tremendous sense of security to an individual. If there is one learning that housing finance lenders should remember in the aftermath of the global financial crisis, it is that irreparable damage has been done to the lives of several ordinary people who were not just de-housed, but who also lost their dreams and the aspirations of their families. So irrespective of the income strata, I sincerely believe that lenders have an obligation that goes beyond just providing housing finance to customers. Lenders have a moral responsibility of ensuring that housing finance products are not mis-sold to individuals. It is equally important for lenders to ensure that customers also fully understand the housing finance products they opt for.

Despite India being the second fastest growing economy, the chink in its armour has always been the state of its infrastructure and the acute shortage of housing. To the discerning eye of a visitor to India, the rapid economic growth is not reflected in the quality of urban infrastructure or civic life. India is urbanising at a pace that is higher than the world average. Its cities today are unable to cope with the burgeoning population. Projections indicate that by 2030, more than 40% of the country's population will be residing in urban areas compared to the present 28%. Economic development and urbanisation are inextricably linked. Cities have created employment opportunities and are generators of wealth, with 55% of the country's GDP being contributed from cities. But as the housing stock is unable to keep pace with the demand, the result has been an environment of mushrooming unauthorised constructions, congestion and proliferation of slums and degradation of the urban living experience. Adding to these woes is the severe shortage of basic amenities, with scores of citizens continuing to be without power, water and sanitation.

In India, there are huge disparities in income levels. When we talk about the target segment for affordable housing, it includes both, the middle-income group and the low income or economically weaker sections of society. So far, the formal housing finance market has been reasonably effective in being able to serve the middle-income group. The housing finance industry in India has been growing rapidly as a combined result of improved affordability brought about by higher disposable incomes, lower interest rates and fiscal benefits. Developers have also recognised the strong demand for homes in the

