

Success of India's Housing Development Finance Corporation

THE Housing Development Finance Corporation in India is widely regarded as one of the most successful, if not the most successful, of the housing finance institutions in developing countries. The Corporation was established as a private sector institution in 1977. The impetus for its establishment came from a development bank, The Industrial Credit and Investment Corporation of India, and it has been supported by the International Finance Corporation, a World Bank affiliate. The Corporation's 11th annual report for the year ending 30 June 1988 not only describes the activities of the Corporation in detail but also provides valuable information on the development of housing policy and housing finance in India.

The Corporation continued its impressive performance in expanding its business in difficult circumstances. The number of loan approvals was a record 55,156 totalling 3,050 million rupees (\$206 million). Housing loans outstanding increased to 6,549 million rupees (\$443 million) and total assets increased by 30% during the year to stand at 8,003 million rupees (\$542 million) at 30 June 1988.

As the balance sheet for HDFC shows, its main source of funds is certificates of deposit. It also raises a modest amount of funds from individuals through loan-linked deposits, a cumulative interest scheme and a home savings plan. The home savings plan was introduced two years previously and provides that after a minimum period of two years sav-

ings, loan allocations at a preferential rate of interest are made to participants. During the year 2,922 new accounts were opened and in June 1988 there were 5,498 account holders.

The Corporation also obtains funds through loans and bond issues. At 30 June 1988 loans outstanding under the Housing Guarantee Programme of the United States Agency for International Development totalled 1,020 million rupees (\$69 million). Other

'HDFC has taken the initiative'

major sources of loan finance are banks, the Life Insurance Corporation of India and the Army Group Insurance Fund.

In April 1988 the World Bank approved a loan of \$250 million to HDFC. The loan is guaranteed by the government of India: it is for 20 years, including a five-year moratorium on principal repayments. The loan will be drawn over a period of three years

and will finance up to 30% of HDFC's disbursements for housing projects.

On loans approved during the year 77% were for individual homeowners, while 23% were routed through the corporate, institutional and other sectors. Households with family incomes below 1,000 rupees per month (\$68) accounted for 45% of the number of dwelling units financed during the year.

HDFC has played a major role in promoting the establishment of housing finance institutions in India and in other countries. Within India it has taken the initiative to co-promote four new companies. Training and development are regarded as very important and HDFC staff have both visited other countries and hosted individuals from housing finance institutions abroad. A senior executive visited Indonesia as a member of a World Bank mission to supervise the housing sector loan in that country and to prepare a resource mobilisation strategy for the government-owned Housing Finance Bank.

Another senior executive visited Bhutan on behalf of UNCHS (Habitat)

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HDFC Progress

Year	Loan Approvals			Housing Loan Outstanding	
	No	Value Rupees m	\$ m	Rupees m	\$ m
1983-84	27,379	1,029	70	1,611	109
1984-85	27,645	1,396	95	2,347	159
1985-86	40,848	1,864	126	3,618	238
1986-87	46,023	2,375	161	4,842	328
1987-88	55,156	3,050	206	6,549	443

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to undertake a report on housing sector development in that country and to help synchronise the activities of Habitat in the housing sector and the Asian Development Bank in the housing finance sector. A team of HDFC senior executives visited Nepal in connection with proposals to establish a housing finance corporation.

The chairman of HDFC, H.T. Parekh, in his chairman's statement, makes the following points:

(a) The government's national housing policy document acknowledges the need to recognise and rely on a multiplicity of factors including the gov-

ernment for the production and implementation of housing on the scale required. The National Housing Bank, an Apex body to ensure the organised growth and functioning of the housing finance system,

will be a positive step to implement this policy.

- (b) HDFC now has 18 branches spread over the country and has plans for steady growth. It is also actively co-operating in the promotion of new institutions for housing finance.
- (c) Mobilisation of more resources has to proceed simultaneously with the process of lending.
- (d) Loan recovery is by no means an easy task, but HDFC's record is enviable.
- (e) Without fiscal reliefs in the form of tax concessions and incentives, the inducement to save additionally for housing together with repayments of loan and interest would not be possible.
- (f) Affordability is becoming more and more difficult because of the non-availability or non-release of land, its excessive price and some of the counter-productive legislation. One of the hurdles in regard to affordability is the high price of land resulting from its artificial scarcity due to the failure of the Urban Land Ceiling Act. ■

HDFC Balance Sheet, 30 June 1988

Liabilities			Assets		
	Rupees m	%		Rupees m	%
Loans	2,379	29.7	Housing loans	6,549	81.8
Bonds	850	10.6	Investments	779	9.7
Certificates of Deposit	3,759	47.0	Net current assets	473	5.9
Other deposits	485	6.1	Fixed assets	166	2.1
Reserves and surplus	330	4.1	Other assets	36	0.4
Share capital	200	2.5			
Total	8,003	100.0	Total	8,003	100.0



Modern flats in New Delhi.

The 11th annual report 1987-88 of the Housing Development Finance Corporation Ltd is published by the Corporation, Ramon House, 169 Backbay Reclamation, Bombay 4000 020, India.

Figures have been converted into dollars at the rate of 14.77 rupees to the dollar.