

"A Study on Trends of Housing Loan Disbursement in India"

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Abstract:

This study examined the impact of the economic policies on housing financing growth and accessibility in India during the period 2013–14 to 2022–23. This study examines trends in the rates of interest, PMAY beneficiaries, non-performing assets and overall housing loan disbursement using secondary data on the National Housing Bank (NHB), Reserve Bank of India (RBI) and government publications. Borrowers' actions surrounding the home financing process & affordability have been highly impacted by economic measures such as interest rate changes, affordable housing applications for low-income individuals and regulations, the findings reveal. Even with the increase in loan repayment and borrower participation, problems persist - particularly with the accessibility and control of non-performing assets (NPAs). The paper argues that the housing finance sector needs to be modified in policy and the regulatory framework to allow for continuing evolution.

1. Introduction

Housing finance is a visualizer of economic establishment, gifting individuals with access to property ownership and also aiding in the growth of the real estate and banking sector. In India, housing finance growth is heavily impacted by government policies and economic reforms. Over the last decade, policy initiatives like the Pradhan Mantri Awas Yojana (PMAY), interest rate changes (by the Reserve Bank of India) and regulatory interventions (by the National Housing Bank) have shaped the housing finance landscape. This paper examines the role of economic policies in expanding and ensuring affordable housing finance in India.

1.1 Background of the Study

Economic reforms and policy interventions have transformed India's housing finance landscape. In the last decade, the government and regulators have brought several measures to improve housing finance access, promote affordability of housing and regulate the financial institutions. As the world continues to march towards urbanization and population growth, and housing demand increases, it is essential to understand how the discipline of economic policies creates informal and policy housing systems.

2. Literature Review

- **(Joshi & Vyas, R., 2018)** Researchers examined the role of government policies in housing finance in India. Policy measures, including interest rate subsidies, tax benefits, and credit-linked subsidies for programs such as Pradhan Mantri Awas Yojana (PMAY), have had a major impact on making housing loans accessible, their study said. They found that these

policies have increased home loan disbursement, but bureaucratic delays and gaps in financial inclusion continue.

- **(Kumar & Sharma, M., 2019)** Researchers examined the relationship between home loan demand and interest rate fluctuations in India. The study examines how fluctuations in interest rates affect the affordability and capacity of borrowers to assume more debt. Loans taken across all draws were found to be higher when interest rates were lower and lower when it was higher, as a larger rate burden (in the form of EMIs) discouraged borrowing during the higher rate regime, the authors found. It noted that "middle-income" groups are the most sensitive to the increase in interest rates as their financial planning is very reliant on loan affordability. The study was based on a quantitative research methodology that used econometric modelling and time-series analysis using home loan disbursement data available from major banks and housing finance companies. Stable and Predictable Interest Rates Improve Borrower Confidence and Growth of Housing Finance Sector
- **(Mehta, 2020)** Researchers examined the role the National Housing Bank (NHB) played in regulating them. The study mentioned the regulatory framework by NHB that ensured financial soundness, transparency and consumer protection in housing finance. NHB policies are critical for monitoring HFCs, including liquidity risk, interest rate rules and loan needs. Based on the study, stricter regulatory oversight has resulted in better governance in the sector, but the implementation challenges among smaller HFCs persist. The study used a qualitative research methodology, employing content analysis of NHB reports, policy documents, and case studies of specific housing finance companies. The findings should be interpreted given NHB's tried, albeit overly risk-averse role in shaping stability but which needs to be better formulated in terms of 'better risk-based policy rules for enhancing borrower protection and encouraging sustainable growth of the housing finance market'
- **(Banerjee & Singh, 2021)** Researchers examined the effects of the COVID-19 pandemic on the housing finance industry, underscoring both obstacles and new opportunities. Research shows that slowdown in economy, job losses and uncertainty show a negative impact on taking long-term decisions, which in this case is a home loan, as borrowers turned cautious about financial planning. Housing finance companies and banks had liquidity constraints as well, hampering new loan disbursements. Meanwhile, the research also found

opportunities, including the broadening embrace of digital loan processing, government relief and lower rates that spurred homebuyers after a pandemic pause. The research methodology involved mixed-method approaches where the quantitative data analysis studied housing loan trends during the pandemic, and qualitative anthropological evaluations from subject matter experts from the housing sector and policy reports. While the pandemic necessitated short-term disruptions, the findings indicate that, in many cases, it has also accelerated digital transformation and policy innovations that could potentially benefit the housing finance sector in the long term as well.

- **(Patel & Reddy, 2022)** Researchers examined the impact of transformative technology on the processes of housing finance in India, covering loan application, approval, and disbursement. According to the report, the adoption of digital platforms, artificial intelligence and blockchain has made housing finance in India more efficient, faster and transparent. Digital lending especially helps urban borrowers as they get loans faster, they added, unlike rural borrowers, who still face problems because of lack of digital literacy and internet access. Methodology: The study utilised a mixed-methods approach, integrating quantitative analysis of digital loan transaction data with qualitative interviews with industry experts and borrowers. Key findings suggest that though digitalization has immensely facilitated the customer experience and operational efficiency, financial institutions still need to work on awareness programs and infrastructure to fill the digital gap in housing finance.
- **(Verma, 2023)** The researcher examined the inflation rate and its correlation with the housing market and housing affordability, the subsequent impact of inflation rate on people paying home loans and housing market as a whole. Inflation results in increased costs for construction, property prices, and interest rates, contributing to homeownership being less affordable for middle- and lower-income groups, the study observed. The writer noted that inflation decreases the value of cash but also affects the risk assessment by lenders, hence making loan eligibility stricter. They also examined how specific government policies to incentivize certain types of financing (for example, interest rate subsidies) or housing types (for instance, tax incentives) can reduce the negative effect of inflation on housing affordability. Over the last decade, macroeconomic data, varying inflation periods, and housing loan interests were analysed with a quantitative research methodology. Inflation

control measures and flexible loan policies must remain in place to maintain housing affordability, according to the findings.

- **(Iyer & Gupta, 2023)** Researchers examined the long-term impacts of economic policies on home loan access, discussing how regulatory frameworks, interest rate policies, and government interventions shape borrowers' access to housing finance. According to the study, financial inclusion-oriented policies, for example, credit-linked subsidies and below-lending rates, have made housing loans more affordable and accessible for first-time homebuyers. But the authors also noted that tougher lending standards and economic slumps can pose obstacles for low- and middle- income borrowers. Balanced policies that secure both financial stability and a more inclusive housing finance system are key, the research highlighted. The study adopted a mixed-method research design, combining quantitative analysis of the trends in home loan disbursements with qualitative interviews of policymakers and financial industry stakeholders. Well-structured economic policies also have a significant impact on the long-term accessibility of home loans, as these factors are largely affected by economic policies that change over time.

➤ **2.1 Research Gap**

The research gaps in the existing literature that this study attempts to fill by analysing the comprehensive impact of key economic policies on housing finance growth, accessibility, and financial stability in India from the year 2013- 14 to 2022-23 using secondary data sources ranging from RBI, NHB and Union Budget Reports.

3. Research Objective

- 1) To study the relationship between housing loan disbursement, interest rates, PMAY beneficiaries, and NPAs using correlation analysis.
- 2) To study the determinants of housing loan disbursement using regression analysis.

4. Significance of the Study

The significance of this study is for policymakers, financial institutions and borrowers with home loans. It sheds light on how economic policy in general can structure housing finance growth, which in turn can help policymakers design financial inclusion strategies that are more effective.

5. Scope of Future Study

- The impact of post-2023 policies on housing finance, including the latest government initiatives.
- Primary research on borrower satisfaction and financial inclusion measures. The role of fintech innovations in expanding housing finance accessibility.
- Comparative study of the housing finance policies in India and other emerging economies to identify the global best practices.

6. Limitations of the Study

- This study is based on secondary sources of data from NHB, RBI, the Ministry of Housing and Urban Affairs, and other financial statements.
- This study analysis is based on a data period from 2013-14 to 2022-23, which restricts our ability to identify very recent policy changes.
- This study does not include primary data from borrowers; therefore, it might limit the depth of analysis of consumer perception.

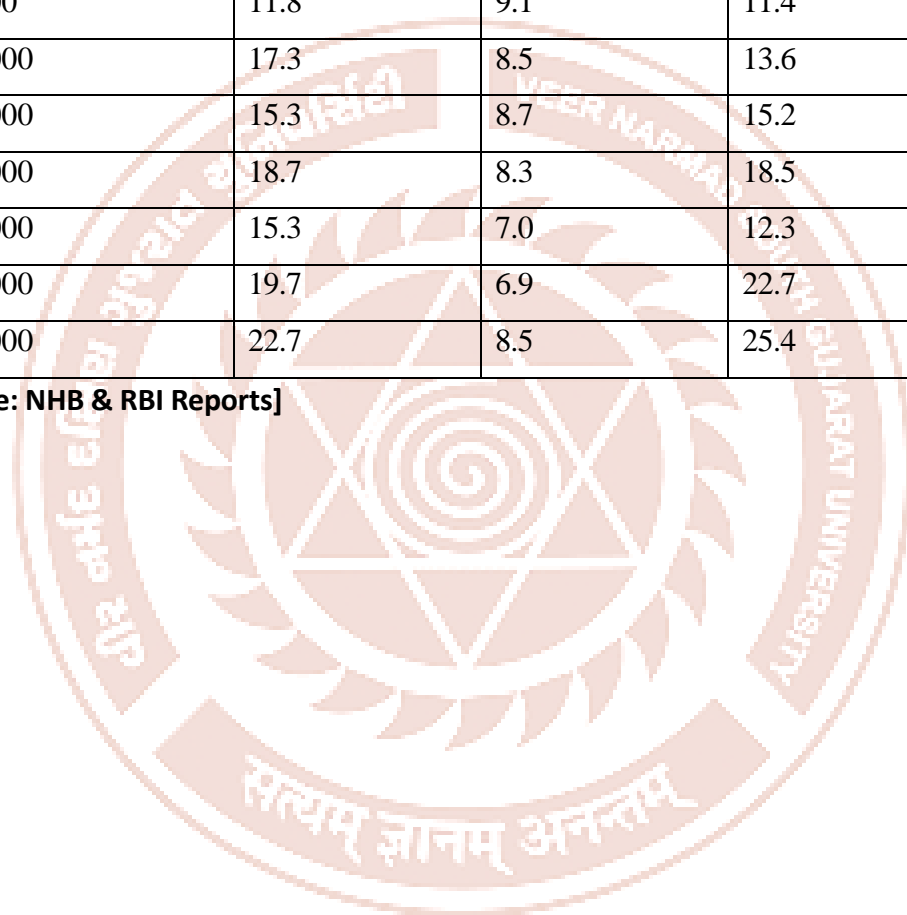
7. Research Methodology

Sr.No	Component	Details
1	Type of Research Design	Descriptive and Analytical Research Design
2	Independent Variable	Year (2013-14 to 2022-23)
3	Dependent Variables	Housing Loan Disbursement (INR Crore) - Housing Loan Growth (%) - Average Interest Rate (%) - PMAY Beneficiaries (Lakh Households) - Housing Loan NPA Ratio (%)
4	Data Collection Methods	Secondary Data
5	Data Sources	Reserve Bank of India (RBI) (www.rbi.org.in) National Housing Bank (NHB) (www.nhb.org.in) Ministry of Housing and Urban Affairs (MoHUA) (www.mohua.gov.in)
		Economic Survey of India (www.indiabudget.gov.in/economics) Union Budget Reports (www.indiabudget.gov.in)
6	Data Analysis Techniques	Correlation Analysis Regression Analysis

8. Results

Year	Housing Loan Disbursement (INR Crore)	Housing Loan Growth (%)	Average Interest Rate (%)	PMAY Beneficiaries (Lakh Households)	Housing Loan NPA Ratio (%)
2013-14	8,20,000	12.5	10.2	5.8	3.5
2014-15	9,10,000	11.0	9.8	7.2	3.2
2015-16	10,30,000	13.2	9.3	9.5	2.9
2016-17	9,80,000	11.8	9.1	11.4	3.7
2017-18	11,50,000	17.3	8.5	13.6	2.8
2018-19	12,50,000	15.3	8.7	15.2	2.1
2019-20	14,20,000	18.7	8.3	18.5	2.4
2020-21	10,80,000	15.3	7.0	12.3	3.9
2021-22	13,50,000	19.7	6.9	22.7	3.2
2022-23	15,20,000	22.7	8.5	25.4	2.9

[Source: NHB & RBI Reports]



8.1 Correlation Results

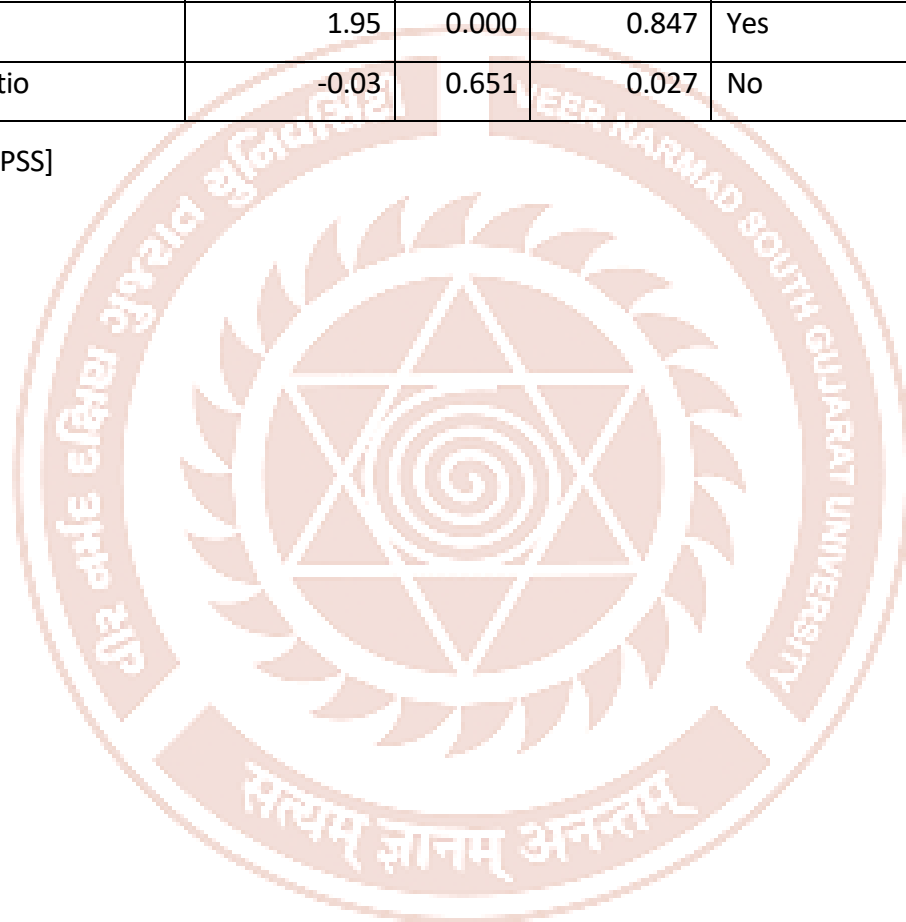
Correlations Results						
		Housing Loan Disbursement (INR Crore)	Housing Loan Growth (%)	Average Interest Rate (%)	PMAY Beneficiaries (Lakh Households)	Housing Loan NPA Ratio (%)
Housing Loan Disbursement (INR Crore)	Pearson Correlation	1	.932**	-0.610	.960**	-0.546
	Sig. (2-tailed)		0.000	0.061	0.000	0.102
	N	10	10	10	10	10
Housing Loan Growth (%)	Pearson Correlation	.932**	1	-0.622	.941**	-0.368
	Sig. (2-tailed)	0.000		0.055	0.000	0.295
	N	10	10	10	10	10
Average Interest Rate (%)	Pearson Correlation	-0.610	-0.622	1	-.664*	-0.052
	Sig. (2-tailed)	0.061	0.055		0.036	0.887
	N	10	10	10	10	10
PMAY Beneficiaries (Lakh Households)	Pearson Correlation	.960**	.941**	-.664*	1	-0.357
	Sig. (2-tailed)	0.000	0.000	0.036		0.311
	N	10	10	10	10	10
Housing Loan NPA Ratio (%)	Pearson Correlation	-0.546	-0.368	-0.052	-0.357	1
	Sig. (2-tailed)	0.102	0.295	0.887	0.311	
	N	10	10	10	10	10
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

[Source: SPSS]

8.2 Regression results

Regression results					
Indicator	Slope (Beta)	P-Value	R-Squared	Significant Trend	Nature
Housing Loan Disbursement	66969.70	0.001	0.780	Yes	Upward
Housing Loan Growth	1.10	0.001	0.767	Yes	Upward
Average Interest Rate	-0.30	0.002	0.723	Yes	Downward
PMAY Beneficiaries	1.95	0.000	0.847	Yes	Upward
Housing Loan NPA Ratio	-0.03	0.651	0.027	No	---

[Source: SPSS]



9. Interpretation and Key Findings

9.1 Interpretation and Key Finding of Correlation

Variables	Pearson Correlation (r)	p- value (Sig.)	Strength of Correlation	Direction of Relationship	Hypothesis (H ₀)	Hypothesis (H ₁)	H ₀ Decision (Accept/ Reject)	H ₁ Decision (Accept/ Reject)	Key Finding
Housing Loan Disbursement & Housing Loan Growth	0.932	<0.001	Strong	Positive	There is a no correlation between disbursement & growth	There is a significant correlation	Reject H ₀	Accept H ₁	Loan disbursement and growth are strongly correlated, showing a direct impact.
Housing Loan Disbursement & Average Interest Rate	-0.610	0.061	Moderate	Negative	There is a no correlation between disbursement & interest rate	There is a significant correlation	Accept H ₀	Reject H ₁	Interest rates moderately impact disbursement but not at a significant level.
Housing Loan Disbursement & PMAY Beneficiaries	0.960	<0.001	Strong	Positive	There is a no correlation between disbursement & PMAY	There is a significant correlation	Reject H ₀	Accept H ₁	PMAY has a major role in boosting loan disbursement
Housing Loan	-0.546	0.102	Moderate	Negative	There is a no correlation	There is a significant correlation	Accept H ₀	Reject H ₁	Higher loan

Disbursement & Housing Loan NPA Ratio					correlation between disbursement & NPA ratio	significant correlation			disbursement may reduce NPAs, but the effect is weak.
Housing Loan Growth & Average	-0.622	0.055	Moderate	Negative	There is a no correlation between	There is a significant	Accept H_0	Reject H_1	Rising interest rates may slow loan
Interest Rate					loan growth & interest rate	correlation			growth, but not significantly.
Housing Loan Growth & PMAY Beneficiaries	0.941	<0.001	Strong	Positive	There is a no correlation between loan growth & PMAY	There is a significant correlation	Reject H_0	Accept H_1	PMAY is a key driver of loan growth.
Housing Loan Growth & Housing Loan NPA Ratio	-0.368	0.295	Weak	Negative	There is a no correlation between loan growth & NPA ratio	There is a significant correlation	Accept H_0	Reject H_1	Loan growth does not significantly impact NPAs.
Average Interest Rate & PMAY Beneficiaries	-0.664	0.036	Moderate	Negative	There is a no correlation between interest rate &	There is a significant correlation	Reject H_0	Accept H_1	Higher interest rates discourage PMAY participati

					PMAY				on.
Average Interest Rate & Housing Loan NPA Ratio	-0.052	0.887	Very Weak	Negative	There is a no correlation between interest rate & NPA ratio	There is a significant correlation	Accept H_0	Reject H_1	Interest rates do not influence NPAs.
PMAY Beneficiaries & Housing	-0.357	0.311	Weak	Negative	There is a no correlation between	There is a significant	Accept H_0	Reject H_1	PMAY does not impact loan NPAs

Loan NPA Ratio					PMAY & NPA ratio	correlation			significantly.
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9.2 Interpretation and Key Findings of Regression

Variables	Slope (Beta)	p-value (Sig.)	R-Squared	Strength of Relation	Direction of Relation	Hypothesis (H_0)	Hypothesis (H_1)	H_0 Decision (Accept/Reject)	H_1 Decision (Accept/Reject)	Key Finding
Housing Loan Disbursement	66969.70	0.001	0.780	Strong	Upward	There is no significant trend in disbursement	There is a significant trend in disbursement	Reject H_0	Accept H_1	Housing loan disbursement has been

						ment	ment			rising signifi ca ntly over time.
Housi ng Loan Grow th (%)	1.10	0.0 01	0.767	Strong	Upwar d	There is a no signif ica nt trend in loan growth	There is a Signifi ca nt trend in loan growth	Reject Ho	Accept Hi	Loan growth shows a strong increasi n g trend.
Avera ge Interes t Rate (%)	-0.30	0.00 2	0.723	Strong	Down wa rd	There is a no signif ica nt trend in intere st rate	There is a Signif ica nt trend in intere st rate	Reject Ho	Accept Hi	Interest rates are signific a ntly declinin g .

PMAY Beneficiaries (Lakh)	1.95	0.000	0.847	Strong	Upward	There is a no significant trend	There is a Significant trend in PMAY	Reject H_0	Accept H_1	PMAY beneficiary numbers
\House holds)						in PMAY beneficiary	beneficiaries			are increasing significantly.
Housing Loan NPA Ratio (%)	-0.031	0.651	0.027	Weak	No trend	There is a no significant trend in NPA ratio	There is a Significant trend in the NPA ratio	Accept H_0	Reject H_1	NPA ratio remains stable without any major trend.

10. Conclusion

This study concludes that Economic Policies had a remarkable influence on the housing finance of India. Insisting the overall Financing and loan disbursement and the accessibility in housing space has tremendously grown due to initiatives like PMAY and alterations in monetary policies by the government. But, the segment is still impacted by interest rate volatility,

regulatory hurdles and increasing NPAs. To ensure long-term stability and financial inclusion, policymakers must focus on balanced regulatory frameworks, risk mitigation strategies, and technological advancements in housing finance services.

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