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To Study about How the Pandemic is Affect the Customer Preferences for Housing Finance (December 2020)

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Abstract: *The Indian financial industry has recently shown a promising trend in terms of growth and maturity. Over the last five fiscal years, the total amount of mortgage loans that are still outstanding has grown by a respectable 16%. The primary forces behind this development have been a rise in new rivals entering the market, robust demand, and rising disposable income. Over the next five years, it is projected that the home financing industry would expand even further. Increased accessibility, better openness, growing urbanisation, and government incentives will cause the industry to grow. Due to shifting cultural norms, lifestyles, and levels of labour mobility, there is a greater need for housing nationwide. Forecasts for the future indicate that similar tendencies will continue. As income increases, moving into larger homes is more common. Increased desire for independent houses, younger borrowers of housing loans, government initiatives to offer affordable housing, and rate reductions under the Pradhan Mantri Awas Yojana should all help to drive up housing finance demand. This study focuses on consumer perceptions about housing finance throughout this epidemic..*

Keywords: Indian financial industry.

I. INTRODUCTION

The most essential requirement in every economy is housing, which also acts as a key indicator of progress and social well-being. Housing development is not only essential to economic progress, but also one of the instruments for it since it has an accelerator impact on many businesses, including the building and infrastructure sector, and because it generates demand for supporting industries and job possibilities. The housing market in a nation is a good indicator of its economic health.

Housing is a basic necessity and desire for all people, and it is especially prevalent in developing nations like India. Housing is one of our most basic necessities, just after the need for food and clothing. Progressive governments have therefore made housing a top concern when formulating policies.It wasn't until the National house Bank (NHB) was established in 1988 that India saw the emergence of a formal institutional framework for house lending.

Successive Union administrations have since given housing a high priority. This is evident from the government's various policies, which include a number of financial and monetary incentives for promoting housing investment, higher budgetary allocations for housing, tax advantages for those who acquire mortgage financing, etc. The purpose of this study is to learn more about the home financing industry and pendamic's effects on it.

Objective

- Overview of housing finance sector in India
- Study on housing loan evolution
- A study on factors affecting customer preferences in pandemic on housing finance
- Pandemic impact of housing finance sector.

II. DISCUSSION

Data collection

Surveys are the main tool used to collect data. For the questionnaire, a special collection of structured questions will be created and distributed by email along with a link to Google Forms.

The current study employed a sample of 60 respondents who were chosen at random using the convenience sampling method. The sample includes both men and women, as well as respondents from a variety of age brackets, educational levels, places of residence, jobs, and socioeconomic positions

From internal sources, we assemble secondary data. Secondary data was acquired via company files, government documents, newspapers, journals, management books, and internet.

Housing Finance Market Overview

In terms of both goods and services, Indian banking is rapidly evolving. Keeping, managing, and dealing with records is a widespread issue that poses continual challenges. Changes in the fiscal sector, including cash management, insurance, budgetary markets, commerce, tax assessment, and other sectors, have maintained the foundation of the Indian economy. Significant gains in this vital area of the Indian economy have been seen as a result of the modification actions.

In India, house financing may be obtained from both banks and housing finance companies. Housing Finance Companies (HFCs) have dominated the Indian housing market; Dewan Housing is the only substantial private sector player. The bulk of these HFCs are publicly held companies. By the turn of the century, the Indian home finance market had expanded quickly, with compounded annual growth rates in the sector topping 30%. Banks' market share has dramatically expanded throughout this time, reaching more than 80% by the beginning of 2008. Less than 30% of housing finance in India still comes from structured sources, despite the industry's tremendous growth. The overall increase of home credit in FY 2018 was the same at 16%. Due to the weak growth of banks, HFCs/NBFCs were able to increase their market share from 37% in FY 2017 to 39% in FY 2018.

Types of Housing Finance

Property loans are available from lenders for a number of other reasons in addition to purchasing a property. Here are some of the most common home loan kinds that are offered on the financial market.

Loans for Purchasing Land: Many banks provide loans for purchasing land. Purchasing land is an adaptable option; the purchaser can choose to maintain the property as an investment or elect to save money and build a house whenever his finances allow. Up to 85% of the cost of the land may be borrowed from lenders like ICICI Bank and Axis Bank. Loans for Buying a HomeLoans for House Construction

This financing is particularly designed for people who would rather build their own home from the ground up than buy one that has already been constructed. Due to the fact that the plot cost is taken into account, this type of loan has a unique approval process. The most important criteria when applying for a home building loan is that the plot must be acquired within a year in order for the plot cost to be included in the loan amount. The loan amount is determined using a rough estimation of the building expenses. The funds may be distributed in one lump sum or in successive increments. Canara Bank, UCO Bank, and Bank of Baroda are a few well-known providers of home building finance programmes.Loans for home extensions or enlargement

Loans for home conversion

For those who have already obtained a mortgage and utilised it to purchase a property but desire to move, home conversion loans are a possibility. By transferring their present debt to the new property, borrowers can fund the acquisition of a new house while avoiding paying off their current mortgage. Despite its ease of use, this kind of mortgage is nevertheless rather expensive. Home improvement loans

Home loans with balance transfers

This option may be used by a person who wishes to switch their mortgage from one bank to another owing to aspects like cheaper interest rates or better services offered by the other bank. The goal of doing this is to enable repayment of the remaining loan balance at the new, lower interest rates that the other lender is providing. NRI Mortgages.

Bridging Loans

Existing homeowners can qualify for bridge loans, which are quick loans, if they want to buy a new property. While trying to find a buyer for their previous property, it aids borrowers in financing the purchase of a new one. This type of financing necessitates the bank holding a mortgage on a new property and frequently has a term less than two years. Several institutions, notably Vijaya Bank and HDFC, offer bridge loans.

Stamp Duty Loans from Bank

To cover the stamp duty costs incurred during the purchase of a property, stamp duty loans, a less popular form of house loan, are made available

When it comes to purchasing a house, property loans are becoming more and more common, so it's important to assess your needs and submit an application for the best possible loan. You can benefit from a loan with cheaper interest rates, fewer red tape, and an easier loan approval procedure. To establish your amortisation schedule and strengthen your financial planning, use a house loan EMI calculator.

The Pandemic impact on Housing Finance

Housing sector growth will be highly constrained, and it is doubtful that it will resume until the economy begins to improve. There will be more financial stress, particularly for loans for affordable housing.

Unknown is when the coronavirus crisis will end. Nations are frantically looking for methods to limit the spread of the disease and find a cure as economists and decision-makers struggle to assess the damage from the virus, whose effect on the global economy is thought to be greater than that of the 2008 global crisis.

It is now impossible to estimate the impact of the coronavirus epidemic. Even if India is able to manage the illness within 15–20 days after the closure, the economy will still face difficulties during the following two quarters: According to estimates, GDP growth would slow by 1 to 1.50 percentage points during the next two quarters. In these situations, it is prudent to exercise caution. The two Indian businesses most severely damaged by the epidemic and subsequent closure are real estate and housing finance. Before looking at how the crisis affected the industry, let's first take a look at how it performed before the epidemic.

The real estate and home financing recession began in the aftermath of the IL&FS crisis in September. The lack of cash in NBFCs and home financing companies hindered construction activity. Things began to improve once the government and central bank stepped in. However, despite the economy slowing after the FY20 Budget, demand was weak, which prevented home financing from rising as expected. A substantial inventory of unsold homes has amassed over the previous four years in nine major cities, totalling 6 lakh crore, according to the online realty portal Property Tiger.

The government created the AIF (Alternate Investment Fund) with a budget of Rs. 25,000 crore to give around 1,600 projects that were at different degrees of inaction last-mile support. Along with other steps to balance supply and demand, the income tax exemption on housing loans between 2.5 lakh and 3.50 lakh for affordable homes was also enhanced.

Any observable progress that the measures may have brought about has been destroyed by the coronavirus outbreak. The domestic service sectors of the economy, such as tourism, aviation, hospitality, automobile services, small companies, retail, food, and drinks, are particularly hard hit. However, all parts of the economy are adversely affected.There have been several events since the worldwide Coronavirus epidemic in December 2019. As countries made significant attempts to contain the virus, businesses everywhere came to a standstill. As a result, monetary authorities revised their growth projections for the global economy, including India.

In its World Economic Outlook October 2020 report titled, "A Long and Difficult Ascent," the International Monetary Fund (IMF) forecast that the Indian economy will expand at a pace of -10.3% in 2020, down from the organization's June forecast by -5.8 percentage points.As of November 25, 2020, India reported a total of 92,21,998 COVID-19 illnesses.The Indian economy is expected to contract by 11.5% and 10.5% in the current fiscal, according to global rating agencies S&P, Moody's, and Fitch, after the first quarter of FY21's GDP numbers showed a loss of 23.9% over the same quarter the previous fiscal earlier.

S&P Global Ratings cut its FY21 growth prediction for India to -9% from -5% on September 14, 2020, after the country's sickness rate hit historic highs. According to S&P Global Ratings Asia-Pacific analyst Vishrut Rana, one problem limiting private sector development is the continued COVID-19 escalation.

Conflicting opinions are beginning to surface on COVID-19's effects on the real estate business, despite the fact that the pandemic's detrimental effects are already being felt all across the world. The significance of workplaces in a post-Coronavirus world has been questioned as a result of this global health calamity.

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The situation in India, Asia's third-largest economy, worsened as a result of a protracted lockdown that started on March 25, 2020, and was ultimately extended until June 7, 2020, amid a sharp increase in the number of infections. Here, the economic contraction suggests that the long, arduous road to recovery will start later than expected.

It is evident that research institutions think India's real estate industry will eventually collapse. In India's eight major cities, property sales decreased by 66% between July and September 2020, according to statistics from PropTiger.com.

"The Coronavirus contagion's impacts have been devastating the Chinese economy since December 2019, but the situation in India didn't start to get out of hand until March 2020. The shutdown, which basically froze most economic activity in the country, has hurt every industry, including the real estate sector. According to Dhruv Agarwala, group CEO of Housing.com, the coronavirus's negative impacts can be observed in the fourth quarter of the preceding fiscal year because March is normally one of the busiest months for sales.

PropTiger.com and Makaan.com. The next festival season will be crucial in deciding the development trajectory in the sector over the coming twelve months, the author continues, since "several macro-economic indicators showed a positive trend in September."

Despite an all-time high of over 60 million square feet in deal volumes for office space in India in 2019, the virus attack is also anticipated to impede the growing momentum in the country's commercial sector.

Any positive projections regarding the worldwide catastrophe's expansion were withdrawn before to its abrupt commencement. In light of mounting worries that the rupee would drop to a low of Rs 78 versus the US dollar, the government is now developing methods to stop the economy in general and enterprises in particular from going further into a downturn.

Housing market in India’s top 8 cities (April-June 2020)

Sales	Down 79%
Project launches	Down 81%
Inventory	738,335 units

The Pandemic impact on Indian Housing Market

Even if it doesn't seem like prices would drop immediately soon, the coronavirus's introduction has further hampered a recovery that may have been possible thanks to several government programmes to increase demand. "Salvaging Indian real estate, the second-largest employer, is critical, not only from the perspective of GDP growth but also for employment generation, since the sector has a multiplier effect on more than 250 allied industries," states Niranjan Hiranandani, national president of NAREDCO

To make buying a house more appealing, the ministry has announced further tax advantages, lower mortgage interest rates, and the establishment of a stress fund for delayed projects worth Rs 25,000 crore.The slowdown in demand in the residential segment has already slowed down home sales, project launches, and price growth in India's residential real estate industry, which has been struggling under the weight of major regulatory changes like the Real Estate Regulatory Authority (RERA), the Goods and Services Tax (GST), demonetisation, and the benami property law.

According to rating agency ICRA, the epidemic will not only have a substantial impact on the economy but also negatively affect developers' cash flows and ability to complete projects. The three-month lending moratorium issued by the RBI on March 28 would provide some solace to builders, according to a recent report from ICRA. It did, however, warn that a lengthier epidemic would probably have a more profound and lasting effect on total economic activity, which would have a greater impact on developer cash flows and project execution capabilities. On May 22, 2020, the RBI subsequently extended this restriction, making it last until August 31, 2020. It can be prolonged once again since it is believed that the economy is becoming worse

Concerns over short-term liquidity will be allayed by the RBI's injection of Rs 3.74 lakh crore in liquidity and the banking institutions' prohibition on all term loans, which would be advantageous to both developers and homebuyers. According to Ramesh Nair, CEO & Country Head of JLL India, helping them to lessen the issues they are now encountering is a tremendous comfort for developers and buyers.

The government has also declared that developers may ask for a six-month extension of the project deadline under the RERA by using the force majeure clause. This is done to prevent delays in project completion and to demonstrate support for the builder community.

The COVID-19 outbreak-related closure has entirely halted all construction and sales activities throughout the entire real estate sector. In a handful of sites, construction employees have also gone back to their hometowns. According to Sharad Mittal, CEO and head of Motilal Oswal Real Estate Funds, business would only begin to pick up gradually even after the lockout, which will result in project delays of at least 4 to 6 months.

Delivery of ongoing projects may be delayed, depending on how fast the personnel and input supply chain are reestablished. According to Mani Rangarajan, Group COO of Elara Technologies, the reduction in new supply may continue for the ensuing quarters as developers wait for a rebound in demand.

Pandemic impact on Home Buyers in India

If low interest rates (home loan interest rates are currently below 7%) and high tax exemptions (rebate against home loan interest payment is as high as Rs 3.50 lakhs per year) were going to change consumer behaviour, the coronavirus outbreak is likely to halt this shift, at least in the short to medium term.

If potential buyers are unable or unwilling to visit the property, purchase decisions may be put off.The issues for India's real estate market, which has been dealing with a "difficult scenario" ever since the introduction of economic and regulatory changes, have become worse as the coronavirus outbreak has spread to all economic sectors. According to Hiranandani, the decision-making process has been severely slowed down since the end of February.

Many prospective purchasers would need to postpone making a final decision on buying real estate due to businesses cutting back on staff until their job status was established.

Even though the RBI has repeatedly reduced interest rates, bringing the repo rate down to 4%, any positive benefits on buyer sentiment won't be seen for at least a few months. The change would, however, be of great assistance to present customers who, in the short- or medium-term, due to the shutdown or in the case of a job loss, would find it challenging to make EMI payments.

However, the epidemic has also helped purchasers understand the value of house ownership, which has improved the market sentiment for residential real estate.

A survey conducted by Housing.com and NARECCO revealed that 53% of respondents had only put off their plans to buy a property for six months, after which they would put their names back on the market. In the research, roughly 33% of participants said they would need to make renovations to their houses in order to be able to work from home. A poll of renters revealed that 47% of them said they would think about buying real estate if the cost was acceptable. "As developers and consumers adopt goods like virtual tours, drone shooting, video conversations, and online booking platforms, we are witnessing a huge increase in the digitalization of the real estate industry. The rental and purchase of real estate may change as a result of technology, and some states may transfer their real estate registration processes online. Although physical site visits will still be vital, Rangarajan predicts that purchasers will visit fewer homes than in the past since they would research new properties using technology and book some of them online.

Indian real estate outlook for 2021

Even if the pandemic significantly hurt the sector in 2020, things might go better in 2021. Given the rising importance of house ownership among buyers and investors, residential real estate would be in high demand in the future years.

"In these exceptional conditions, stakeholders from all sectors have the potential to substantially re- imagine their approach to achieve sustained recovery. According to Anshuman Magazine, chairman and CEO of CBRE's India, South East Asia, Middle East, and Africa area, traditional methods would have to be forsaken in favour of innovative, disruptive methods to accomplish this. Widespread tech adoption, constant legislative support, and growing investment interest in India would all hasten this trend.

III. DATA INTERPRETATION FROM PRIMARY DATA COLLECTION

Age group responses

Age group	Responses
20-30	52
30-40	3
40-50	4
50-60	1

60 and above	0
Total	60

Occupation responses

Occupation	Responses
Salaried	38
Self Employed	7
Professionals	6
Students	9
Total	60

Is responder ready to buy a property in coming 6 months?

Particular	Responses
Yes	15
No	45
Total	60

Reasons to stopping you buying a new house in pandemic situation.

Particular	Responses
Job Insecurity	17
Property Price	21
Economic Situation	32
Total	60

Is the moratorium for home loan is right step that government take?

Particulars	Responses
Yes	35
No	25
Total	60

This pandemic period is right time to buy a house propertys

Particulars	Responses
Yes	28
No	32
Total	60

If you think this is right time to buy a property then justify within given options.

Particulars	Responses
Home Loan Interest Rate At Record Low	25
Better Government Support As A Fast Recovery In Cities	25
Slashing Stamp Duty	10
Total	60

At the time of pandemic if Responder wants to purchase a house then what facilities he looking for?

Particular	Responses
Spacious project to maintain social distance	8
Adequate Health Facilities in The Location	10
Affordable prices	40
Employment opportunity	2

Total	60

I may infer from this primary data that the majority of survey respondents are in the 20–30 age range. According to the primary data I gathered, I discovered that the corona epidemic has discouraged individuals from purchasing real estate in the next months. People are more worried about their portfolios and financial security. The majority of individuals are afraid of rising and falling house prices and the economy. These issues prevent individuals from purchasing a home in a pandemic situation. People find it extremely difficult to make on-time EMI payments in this epidemic condition. They can live in this circumstance thanks to the moratorium decisionBased on the results, I have come to this conclusion since more respondents are choosing the yes option. The majority of respondents believe that now is not the best time to buy a home. Some respondents, however, feel that now is a good time to buy a house because of the low interest rates. In addition, we can add that people are pleased with government assistance (moretorium decision), of which the reduction in stamp duty is one aspect. Most of them mention inexpensive pricing when I ask them about amenities for buying a property.

IV. CONCLUSION

Moratorium: Two sides of the same coin

The Reserve Bank of India (RBI) issued guidelines on moratoria on March 27, 2020. Customers from all businesses were compelled to swiftly increase their vocabulary due to the intense focus. According to RBI, every financial institution's board of directors is entitled to select its own moratorium scheme. Since the end user's revenue streams are impacted and he is unable to finish his EMI payment, HFCs are compelled to grant him a moratorium. Lenders, however, anticipate that HFCs will complete their obligations to make repayments. HFCs will also need the lenders' approval for a moratorium if the RBI gives directions for one that have a prolonged effect on consumer cash flows. Asset liability management policies have not been put through stress testing for situations where inflows fully stop. Indian consumers' understanding of the matter has substantially improved since the moratorium was implemented, and the media has also done its part to make it apparent that the word "moratorium" does not mean "waiver." Long term, it just denotes a delay and causes more interest to be lost. Many shoppers are returning to end their moratoria as the lockdown is lifted in their areas.

Liquidity: RBI even threw in the kitchen sink

The three instruments that central banks throughout the world frequently use are interest rates, reserve requirements, and open market operations. Additionally, the Reserve Bank of India arrived forcefully. TLTRO 1.0 and 2.0, also known as Targeted Long Term Repo Operations, were also introduced. The reverse repo rate was reduced to 3.75 percent while the repo rate was lowered to 4.4 percent, its lowest level in twenty years. Huge AAA-rated HFCs benefitted from TLTRO 1.0 despite the strong response to it. TLTRO 2.0 concentrated on smaller NBFCS, HFCs, and MFIs, although this move only received a tepid reaction. Adversity always makes the strong stronger.

The real estate sector, which makes a sizable contribution to India's GDP, has faced a number of challenges during the past 10 years. The low-income population may be impacted by the lockout, which would lower demand for affordable homes. The high-income group may be impacted by a restriction on discretionary spending, increasing demand in the medium and lower sectors. It's concerning that the labour isn't always available, and new projects might take longer. The COVID-19 pandemic has disrupted the residential market, resulting in adjustments in consumer preferences, alterations in laws and regulations, and problems with liquidity.

Buyers of homes are currently reevaluating their decisions in light of necessity, cost, and time. More than 50% of potential buyers want to acquire their perfect house within the next six months, according to JLL's Homebuyer Preference Survey. The market's recovery will occur in line with rising employment and a strengthening global economy. The creation of jobs and economic growth are both significantly influenced by the real estate sector. These days, the real estate industry's primary focus is on end consumers who want financial security and confidence for the future.

According to a survey of customers, 67% still have ambitions to buy a home, while 73% want to make budget cuts and put off their purchases for another three to six months. The degree to which this sentiment is exacerbated by anticipated price volatility and employment instability will determine how consumers behave. The age bracket of 36 to 45 is more significant, and stable markets like Bengaluru and Pune are seeing the least loss in consumer confidence. In the past month of lockdown, prices have decreased by 2-9% throughout cities, and the market is shifting towards ready-to-move in apartments in gated complexes. Large buyers are considering modifications to better manage their new surroundings, such as buying residences in less congested neighbourhoods or bigger homes with more room for work.Labour, liquidity, and decreased sales are the top three issues that might cause havoc on the industry in the near future. The Pradhan Mantri Awas Yojana (PMAY) - Urban in India has offered tax incentives for affordable housing in order to give customers more cheap housing alternatives.

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