



# An Initiative of the National Housing Investment: A Reivew

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## Abstract

Housing Investment is an initiative of the National Housing Bank to provide an index of residential prices in India across cities and over time. At the behest of the ministry of finance, Government of India, began this initiative in the year 2005-06 and further undertook a pilot study to examine the feasibility of preparing such an index at the national level. NHB launched RESIDEX for tracking prices of residential properties in India, in July 2007, covering data up to 2005 with 2001 as the base year. The pilot study covered 5 cities viz. Bangalore, Bhopal, Delhi, Kolkata and Mumbai. They are Surat (24 per cent), Mumbai (19 per cent), Lucknow (19 per cent), Ahmedabad (16 per cent), Chennai (12 per cent), Pune (8 per cent), Kolkata (6 per cent), Bangalore (6 per cent), Kochi (4 per cent), Delhi (3 per cent) and Hyderabad (1 per cent). Surat (24 per cent) has shown the maximum increase followed by Mumbai and Lucknow (19 per cent). There are 4 cities which have shown correction in prices over the previous quarter which are namely Jaipur (-9 per cent), Bhopal (-4 per cent), Patna (-3 per cent) and Faridabad (-1 per cent). Jaipur (-9 per cent) has shown the maximum price correction in residential property prices.

## Keywords

Housing Investment, NABARD, SIDBI, Value, RESIDEX

## 1. Introduction

Two types of banks are working in the world as well as in India; these banks are “governance and development sector banks” and “commercial banks.” Governance and development sector banks are those banks that provide governance and some other services to the commercial banks but these banks do not provide financial services directly to the general people. Governance sector banks provide services to the commercial banks and commercial banks provide services to the general public. Five governance sector banks are working in India; these banks are Reserve Bank of India, NABARD, EXIM Bank, National Housing Finance, and SIDBI. All banks working in India are commercial banks except the five governance and development sector banks in India. In the context of banks in India, a Commercial bank is an institution accepting deposit and making advance or investment and repayable deposits on-demand or as per terms. Eight types of commercial banks are working in India, these banks are Public sector banks, Private sector Banks, Regional Rural Banks, Cooperative Banks, Foreign Banks, Payments Banks, Local Area Banks, Small Finance Banks. All these provide general banking services (Mentioned in the Banking Regulation Act, 1949) to the general public.

## 2. Objective of the Study

1. To study an initiative of the National Housing banking nhb RESIDEX is an initiative of the National Housing Bank to provide an index of residential prices in India across cities and over time. At the behest of the ministry of finance, Government of India, began this initiative in the year 2005-06 and further undertook a pilot study to examine the feasibility of preparing such an index at the national level. NHB launched RESIDEX for tracking prices of residential properties in India, in July 2007, covering data up to 2005 with 2001 as the base year. The pilot study covered 5 cities viz. Bangalore, Bhopal, Delhi, Kolkata and Mumbai. As a pilot, 5 cities were studied and thereafter NHB RESIDEX has now been expanded to ten more cities namely Ahmedabad, Faridabad, Chennai, Kochi, Hyderabad, Jaipur, Patna, Lucknow, Pune and Surat. NHB RESIDEX now covers 15 cities and has been updated up to December, 2009. NHB RESIDEX is now being updated on a half yearly basis with 2007 as the base year. The movement in prices of residential houses has shown a mixed trend in the 15 cities covered under NHB RESIDEX till June, 2009. Residential housing prices in 9 cities has shown an increasing trend over the previous period namely Mumbai (6%), Kolkata (14%), Faridabad (12%), Patna (7%), Ahmedabad (17%), Chennai (26%), Lucknow (2%),

Pune (6%) and Surat (13%). Ahmedabad (27%) and Chennai (26%) showed the maximum increase. There are 6 cities which have shown correction in prices over the previous period namely Delhi (-7%), Bangalore (-24%), Bhopal (-8%), Hyderabad (-30%), Jaipur (-38%) and Kochi (-5%) among which Jaipur (-38%) showed the maximum price correction followed by Hyderabad (-30%) and Bangalore (-24%) in residential housing transaction prices. The Index has been constructed for 15 cities and updated up to the quarter ended June-2011. Residential housing prices in 12 cities have shown rise in prices in this quarter ended June, 2011 (Apr-Jun, 2011) over the previous quarter ended March, 2011 (Jan-Mar, 2011). The cities which have shown the maximum increase are Bhopal (33.73%) and Faridabad (33.38%) followed by Kochi (24.30%), Surat (16.60%), Delhi (16.29%), Chennai (13.93%), Hyderabad (9.93%), Bangalore (5.07%), Mumbai (3.33%), Ahmedabad (2.45%), Lucknow (2.16%) and Pune (1.10%). There are 2 cities which have shown decline in prices over the previous quarter namely Kolkata (-8.21%) and Jaipur (-4.70%). Patna has not shown any change over the previous quarter.

The movement in prices of residential properties has shown a mixed trend in the 15 cities covered under NHB RESIDEX in April –June, 2010. Residential housing prices in 11 cities have shown an increasing trend in this quarter (April June, 2010) over the previous quarter (Jan-March, 2010). They are Surat (24 per cent), Mumbai (19 per cent), Lucknow (19 per cent), Ahmedabad (16 per cent), Chennai (12 per cent), Pune (8 per cent), Kolkata (6 per cent), Bangalore (6 per cent), Kochi (4 per cent), Delhi (3 per cent) and Hyderabad (1 per cent). Surat (24 per cent) has shown the maximum increase followed by Mumbai and Lucknow (19 per cent). There are 4 cities which have shown correction in prices over the previous quarter which are namely Jaipur (-9 per cent), Bhopal (-4 per cent), Patna (-3 per cent) and Faridabad (-1 per cent). Jaipur (-9 per cent) has shown the maximum price correction in residential property prices. Movement in prices of real estate particularly residential housing is of vital importance to the macro economy as well as to various stakeholders including the lender, borrowers and all those who aspire to own a house. It has acquired added importance in the light of sustained increase in property prices, in recent past. Besides the obvious wealth effect and its implications on macro economy, housing prices have emerged as good indicators of output, inflation, etc. which is useful inputs for developing regulatory and financial policies. A broad representative housing price index serves as a useful indicator for macro economic analysis. NHB RESIDEX seeks to track the movement in prices of residential properties over a period of time by size and location of dwelling units. Granular information on movement of prices of residential properties are relevant indicators for various policy formulations at the local and state level. The complex nature of markets for real estate is one of the major challenges towards construction of a representative price index for residential properties in India. With heterogeneous attributes in terms of qualitative and quantitative aspects like locality, covered area, community facilities, individual layouts, infrastructure, local demand and supply etc. captured in the RESIDEX, it provides a widely representative index based on a set of correlated factors. NHB RESIDEX is covering only the residential properties. NHB RESIDEX is a step in the direction of building up a large and reliable database of housing prices and related information on housing and housing finance. The initiative, as it evolves will seek to bring greater transparency in the property market.

### 3. Conclusion

The index will also aid the home buyers in their purchase decisions by enabling comparison between cities, between the localities in the same city and comparison of a price rise in a particular city and localities, over time. One of the major considerations in housing finance is the proper assessment of the value of property which is being financed. This information has a critical bearing on the credit evaluation and assessment of the quality of the security against the loan. NHB RESIDEX can be a useful indicator to estimate the value of property to be financed and also assess the adequacy of security cover on the outstanding loan. Observers can also identify the potential markets from the movements of the NHB RESIDEX at the city level. Builders and developers may also benefit from the index by assessing the demand scenario in a locality, and mapping the housing needs in different parts of the country. NHB RESIDEX may be useful to policy makers, banks, housing finance and individuals.

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