

A Study on the Distribution of Housing Loan of Federal Bank for the Last Five Financial Years in Kottayam District of Kerala

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ABSTRACT

Housing is one of the basic needs to be satisfied along with food and clothing. A minimum standard of housing is needed to be kept for a healthy and civilized living. The development of housing is important for a country. The census records of India exhibits that there was no deficit-housing problem in India till the first half of the century. In 1901, there were 55.8 million houses for 54 million households showing a surplus of 1.8 million houses. This surplus situation continued till 1941. It was only after 1951, the deficit trend has started and is continuing with an escalating magnitude. In 1971, total number of households was 100.4 million and the number of houses was 90.7 million, showing a deficit of 9.7 million. The housing shortage during 2001 was 41 million. The estimated housing stock requirement in the country by 2021 is about 77 million in urban areas and 63 million in rural areas. Thus there is a huge requirement of housing loans in order to meet the deficit housing requirement in our country. This paper helps in analyzing the distribution of housing loans by federal bank especially in the Kottayam district of Kerala. The data collection was done using secondary data through banks annual financial statements and reports for the last five financial years.

KEY WORDS: Interest rates, Distribution of housing loans, performance of the bank, non-performing assets

I. INTRODUCTION

Federal Bank Limited is a major Indian commercial bank in the private sector headquartered at Aluva, Kerala having more than thousand branches and ATM spread across different States in India. The Bank is a pioneer among traditional banks in

India in the area of using technology to leverage its operations and was among the first banks in India to computerize all its branches in India. The increasing number of houses and arising trend in the size of the household has contributed to the shortage of housing stock in the urban areas. Only 20% of the Indian population lived in urban areas in 1970 (UNDP 1998). This resulted in an estimation of 36% of the population to live in urban areas by 2015. In India, there is a very widening gap between the supply and demand for housing. There is an urgent need to modify the policy on one hand and look for an innovative approach for construction of houses on the other to reduce the deficit.

The Housing Finance Company is regulated by the National Housing Bank. Any non-banking finance company can operate as a housing finance company, subject to the fulfillment of basic requirements as specified in the Companies Act, 1956. The Housing Finance Company is yet another form of non-banking financial company which is engaged in the principal business of financing of acquisition or construction of houses that includes the development of plots of lands for the construction of new houses.

II. REVIEW OF LITERATURE

According to **J.P. Sah (2011)**, "housing is not a static but a growing problem and it was cited in **Manorama Year Book (1997)** as the modern concept of housing does not limit the idea of housing merely to the provision of shelter and it is an integral part of overall policy improvements of human settlements and economic development.

Goyal and Joshi (2011) have deduced in their study on Social and Ethical Aspects of Banking

Industry that banks can extend themselves as a social and moral oriented association by just dispensing credits to those social, moral and ecological concern associations.

III. RESEARCH GAP

Performance analysis of the subject bank had only been taken specifically in terms of housing loan has not yet been taken so an area of opportunity is there in this case to analyze the distribution of housing loans with significance to the last five financial years.

IV. STATEMENT OF THE PROBLEM

The aim of the study is to find out the distribution of housing loans by federal bank in Kottayam district of Kerala. In India, there is a very widening gap between the supply and demand for housing. The demand for housing loans is increasing year by year as the population increases accordingly and also the housing standards are also changing globally.

V. OBJECTIVES OF THE STUDY

- 1) To know the growth of the housing loan for the last five financial years.
- 2) To get an overall idea about financial position as well as to know the performance of federal bank
- 3) To know about the variations in interest rates for housing loans for the last five financial years
- 4) To analyze the rate of Non-Performing Assets (NPAs) created by housing loans

VI. RESEARCH METHODOLOGY

Under this project study the research design used is Descriptive Research; Descriptive study is a fact-finding investigation with adequate interpretation. It's the simplest type of research. It includes fact finding enquiries of different kinds. Data collection is done using secondary data from banks annual financial statements and reports; Secondary data are those which are already being collected by someone else and which have already been passed through the statistical process. Following tools are used in the course of the research study: Ratio Analysis Which Includes, Current ratio, Net Profit Margin, Accounts receivable turnover ratio, Debt equity ratio.

DATA ANALYSIS

1) Current ratio

Current ratio = Current assets / Current liabilities

Table 1 Current ratio from the year 2014-2018

Year	2014	2015	2016	2017	2018
Current ratio	0.03	0.03	0.06	0.05	0.05

2) Net profit margin:

(Total Revenue – Total Expenses) / Total Revenue = Net Profit / Total Revenue = Net Profit Margin.

Table 2: Net profit income

Year	2014	2015	2016	2017	2018
Net Profit income	12.1	14.1	6.2	9.9	9.4

3) Debt Equity Ratio

Debt / Equity ratio = Total debt / Total equity

Table 3 : Deby Equity Ratio

Year	2014	2015	2016	2017	2018
Debt Equity Ratio	9.5	9.5	10.5	11.6	10.1

4) Receivables Turnover

Receivables Turnover = Net Sales

Table 4 : Receivables Turnover

Year	2014	2015	2016	2017	2018
Receivables Turnover	6946	7479	7744	8677	9752

VII. FINDINGS

- The company has a current ratio below 1.5 in all the five years, which is considered not a good ratio value in most industries. While the value of acceptable current ratios varies from industry, a good ratio would often be between 1.5 and 2.
- Net profit margin is defined as a percentage of revenue. For a high volume, high competition business a profit margin of 4% may be good. While for a business that is niche and/or requires a long-term investment before generating returns, margins as high as 55% are not unusual. Here, the bank has net profit margin above 6% in all the cases which is considered good. In the beginning, the net profit margin was excellent (12% and 14%) and then it decreased.
- From a pure risk perspective, lower ratios (0.4 or lower) are considered better debt ratios. The bank has a high debt equity ratio (above 1%) in all the years which is not good. At the same time, the ratio is almost constant for all the years.
- The ratio is intended to evaluate the ability of a company to efficiently issue credit to its customers and collect funds from them in a timely manner. Here it is clear that the Receivable turnover ratio of the bank is increasing year by year.

anyone who wanted to take a housing loan had to pay high interest rates i.e. 12.5-16 per cent, which came down to 8.75-11 Percentage.

The development in this sector is mainly due to attractive interest rates tax incentives by government, up gradation in the income of middle class, nuclear families, decline in real estate prices, urbanisation, growth in population, economic environment etc.

The banks should have to look after on non-performing assets. Compared to other sectors, the housing finance has very low non-performing assets. The customer should also take into consideration the loan amount, interest rates, repayment period, cost of housing finance i.e. processing fees, administrative charges etc. for obtaining housing loans. The repayment capacity of the borrowers have depended on their liabilities, depended family members, loan from other sources, individual age, spouse income, increase in future income etc.

REFERECE

- [1]. Goyal and Joshi (2011) Social and Ethical Aspects of Banking Industry
- [2]. Manorama Year Book (1997)

IX. CONCLUSION

Today, housing finance is easily available and cheaper than ever before. The housing sector has undergone a radical change, become more competitive and is progressing towards global standards during the last few years. In the past,