

# LIC Housing Finance: An Evaluation

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**H**ousing is one of the basic necessities of human being. In India, there is an acute shortage of dwelling units. Therefore, both Central and State governments are putting their maximum efforts to promote the cause of housing. Construction of house is one of the important economic activities of a country. It is estimated that in India about 41 million people are without a dwelling units by the turn of the century. It is true that the financial assistance and plan for higher allocation of funds by the Union and State Governments will not fully solve the housing crisis in the country. Therefore, participation of private and corporate sectors in the housing finance will be inevitable.

In order to organise, control and regulate the housing finance, National Housing Bank (NHB), an apex body was established in the country. All the financial institutions which follow and fulfill the various norms prescribed by the NHB are called Organised Sector or Public Finance where as others are called unorganised sector or private finance. The NHB provides loan to all institutions which extend financial assistance for housing. The LIC housing Finance Ltd. (HFL) is one of the approved financial institution which plays dominant role in housing finance.

Life Insurance Corporation of India is a statutory corporation formed under the LIC of Indian Act 1956. Prior to 1956, large number of small and large insurance companies were operating in the private sector. The Government of India nationalised the business of Life Insurance in 1956; the newly formed Life Insurance Corporation of India took over the assets and liabilities of all the existing insurance companies. LIC of India has been the sole provider of life

insurance in India after 1956. LIC's life insurance business expanded rapidly since 1956 onwards.

Life Insurance Corporation of India, a pioneer in the field of housing finance had started the property mortgage

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scheme in 1956 itself. Since its inception, the LIC has been providing financial assistance for housing to individuals, cooperative housing societies and private undertakings through its various mortgage schemes.

As sanctioning of loan for housing was not the main business of LIC, due importance was not given to it. However, a separate department under the control of the Managing Director, LIC was created to look after the housing finance. The major beneficiaries of the then housing department of LIC are individuals particularly the employees of LIC and public sector undertakings. No separate annual report on housing finance was prepared and presented. All income and expenditure, loan sanctioned etc., were included in the LIC's balance sheet and revenue and expenditure account. The contribution made by LIC towards housing development is shown in Table-1.

Housing finance occupies an important prime place in corporations' investment. In the year 1989 (on June 1989) with a view to accelerate individual housing activities further, which fall under national priority, the corporation decided to promote a new housing finance company - "LIC Housing Finance Limited (LIC HFL)". The main aim of establishing this company is to

take over the individual housing in association with the UTI, IFCI, ICICI, with an authorised capital of Rs. 100 crore.

Among all the housing finance companies, LICHFL has the widest network of offices thereby offering housing finance extensively. The operations of LICHFL are extensively decentralised and about 95 per cent of the loans to individuals are sanctioned at the area offices. The significant point is that the agents of LIC are also involved in the services of housing finance. So that people living in the remote area of the country are aware of the loan facilities available with LICHFL.

**Housing Loan Schemes:** The individual housing loan schemes/facilities offered by the company are: Griha Prakash, Griha Tara, Griha Lakshmi, Griha Jyothi, Griha Sudhar, loan for purchase of plot/site, green channel facility for professionals, loans individuals with subsidy etc.,

The company also offers many loan schemes to co-operative housing societies, public sector undertakings, public limited companies, builders and developers and line of credit and other corporate bodies.

## Performance of LICHFL

Table-2 shows the operational performance of LICHFL for the period from 1989-90 to 1997-98. It is clear from the table that the applications received and loan amount sanctioned was steadily increased from 1989-90 to 1992-93. Later from the year 1993-94, there was a decrease and fluctuation both in the amount sanctioned and disbursed. This decline with fluctuation from the year 1993-94 is due to the changes in the policy of LICHFL that it stopped sanctioning of housing loan to the individuals like farmers based on their income which is non-permanent in nature. Further, LIC is not considering agricultural income as permanent sources of income. Therefore, LICHFL does

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Table-1 — LIC's Contribution Towards Housing Development

Year	(Before incorporation of LICHFL)			
	Sanction of Loans		Disbursement of Loans	
	No. of persons	Amount (crore)	No. of persons	Amount (crore)
1985-86	2574	18.66	2099	14.22
1986-87	3203	25.80	2569	18.93
1987-88	5796	48.63	3495	28.15
1988-89	20622	107.59	10554	73.51

Source: Computed from the annual report from 1985 to 1989 and other records of LIC

Table-2 — Operational performance of LICHFL

Year	Individual Housing Loan			Housing Construction of Project Finance		
	Applications received in No.	Sanctions Amount (in crore)	Applications received No.	Amount in crore	Disbursement Sanction (in crore)	Disbursement (In crore)
1989-90	1157	10.85	1157	10.85	-	-
1990-91	18245	169.13	11784	96.38	-	-
1991-92	42240	420.02	26478	242.60	91.44	22.13
1992-93	52129	525.00	45916	430.07	81.57	45.54
1993-94	40818	473.97	39560	440.41	89.54	60.62
1994-95	37297	514.06	35790	467.81	104.31	68.72
1995-96	37798	622.60	36206	552.78	127.96	104.51
1996-97	39467	738.38	37766	668.43	50.03	71.24
1997-98	38195	837.73	36406	769.31	34.81	32.79

Source: Books & Records of LICHFL

not extend its service to farmers who form the larger segment of the population of the country.

In the case of disbursement of housing loans, the number of applicants have been increased from 1157 in 1989-90 to 45916 in 1992-93. From the year 1993-94 there has been wide fluctuations in the applicants who enjoyed housing loan from LICHFL. In spite of changes in the quantum of loan sanctioned and policy of LICHFL as above, the amount of loan disbursement has been steadily increased from Rs. 10.85 crore in 1989-90 to Rs. 769.31 crore in 1997-98 which indicates that LICHFL has been providing financial services to the individuals in a better way.

With reference to project finance for house construction, there was a steady increase both in the sanction and disbursement of loan till 1995-96. Later

the quantum of loan was decreased significantly as LICHFL did not encourage project finance.

The overall analysis of the Table shows that operational performance of LICHFL is progressive and number of persons enjoying the financial assistance from LICHFL is increasing with fluctuation. It is no doubt that in future more people will get benefited from LICHFL.

The Table-2 reveals that there is a linear relationship between the amount sanctioned(x) and the amount disbursed(y). The amount of disbursement depends on the amount sanctioned. The co-efficient of correlation between x and y is +0.9826. This tells that an increase in the amount sanctioned will result an increase in the amount of disbursement. Further, the y on x linear regression is obtained as  $y = 0.9556x -$

49.4484. Suppose, the amount sanctioned in 1998-99 is Rs.950.00 crore, then the expected amount of disbursement will be Rs.858.42 crore.

Conclusion: LICHFL has established as a leading institution in the field of housing finance. With the help of catered area and unit offices and regional offices, LICHFL has been providing housing finance to the individual living in remote area of the country. It has widened marketing network. We can hope that LICHFL has already won the confidence, goodwill of borrowers by its service. No single institution can solve the entire problem of housing shortage of our country. Therefore, Governments at national, state and local level shall have to ensure adequate supply of housing services. The public sectors like HDFC, LICHFL etc., should help the people to resolve the housing problems. □