

**India Housing Loan Market By Type (Home Purchase, Land/ Plot Purchase, Home Construction, Home Improvement, Home Extension, Others), By Customer Type (Salaried, Self-Employed), By Source (Bank, Housing Finance Companies (HFCs)), By Interest Rate (Below 10%, Above 10%), By Tenure (Below 5 Years, 5 to below 10 Years, 10 to 20 Years, Above 20 Years), By Region, Competition, Forecast & Opportunities, 2020-2030F**

Market Report | 2024-10-10 | 81 pages | TechSci Research

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**Report description:**

India Housing Loan Market was valued at USD 329.88 billion in 2024 and is anticipated to grow USD 561.47 billion by 2029 with a CAGR of 9.33% through 2030. The India Housing Loan Market has seen remarkable growth over recent years, driven by multiple factors such as increasing urbanization, government initiatives, rising disposable incomes, and a growing middle class. The demand for housing has surged, particularly in urban areas, as individuals aspire to own homes, leading to an uptick in housing loan disbursements.

However, exist in the form of rising property prices in key cities and increased non-performing assets (NPAs) in the sector, particularly among low-income borrowers. Despite this, the outlook remains positive due to ongoing government efforts, rising housing demand, and the emergence of smart cities, making the housing loan market a key contributor to India's financial ecosystem and real estate development.

**Key Market Drivers**

**Government Initiatives**

The Indian government has implemented several schemes and regulations to boost the housing sector, with a specific focus on affordable housing. These initiatives have been a cornerstone for the growth of the housing loan market, particularly for low and

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middle-income groups.

One of the most impactful programs is the Pradhan Mantri Awas Yojana (PMAY), launched in 2015, which aims to provide affordable housing to all by 2022. The scheme offers credit-linked subsidies on home loans for low and middle-income segments, significantly reducing the overall loan burden for borrowers. This initiative has been crucial in driving home loan disbursements, especially in rural and semi-urban areas. The credit-linked subsidy under PMAY has made home loans more affordable, encouraging first-time buyers to enter the market. For instance, In October, 2023, the Finance Ministry approved a new home loan subsidy scheme amounting to USD 716.15 crore to bolster government housing initiatives. The Expenditure Finance Committee, a pivotal division of the Finance Ministry, has endorsed the Housing Ministry's proposal, marking a significant advancement in promoting affordable housing in urban areas across the country. This initiative is expected to drive market growth by enhancing accessibility to housing finance for low- and middle-income groups.

#### Rising Urbanization and Housing Demand

India's rapid urbanization is a critical driver of the housing loan market. The country's urban population has grown substantially over the past few decades, and this trend is expected to continue. According to World Bank data, around 35% of India's population lives in urban areas, and this figure is projected to reach 40% by 2030. This shift from rural to urban living has created an enormous demand for residential properties, particularly in metropolitan and Tier 1 cities such as Mumbai, Delhi, Bengaluru, and Hyderabad.

With the influx of people into cities, there is increasing demand for housing infrastructure. Urban residents, particularly young professionals and nuclear families are increasingly looking to buy homes rather than rent. The surge in nuclear families and the aspiration for homeownership have been significant drivers of housing loans. This urban housing demand has resulted in a significant rise in home loan applications, with financial institutions catering to this growing need through various loan products tailored to urban homebuyers.

The development of smart cities under the Smart Cities Mission has also contributed to housing demand in urban areas. As infrastructure improves and new employment opportunities emerge in these cities, the demand for residential properties increases, leading to a rise in housing loan disbursements.

#### Growth of Housing Finance Companies

While traditional banks continue to dominate the housing loan market, the rise of housing finance companies (HFCs) has significantly contributed to the sector's growth. HFCs, such as LIC Housing Finance and Indiabulls Housing Finance, have carved out a niche by catering to underserved segments of the market, particularly low-income and informal sector borrowers. HFCs typically offer more flexible loan terms compared to traditional banks, allowing individuals with non-salaried incomes or poor credit histories to access home loans. Many HFCs also specialize in offering smaller loan amounts for affordable housing projects, which banks might not prioritize. This focus on niche markets has allowed HFCs to grow rapidly and increase their share in the overall housing loan market.

#### Key Market Challenges

##### Rising Property Prices

One of the most pressing challenges in the India housing loan market is the continuous rise in property prices, particularly in metropolitan cities and urban centers. Cities like Mumbai, Delhi, Bengaluru, and Hyderabad have seen property prices soar, making homeownership increasingly unaffordable for the middle class and lower-income segments. The mismatch between rising real estate prices and stagnant or slowly growing incomes has made it difficult for potential homebuyers to afford down payments or qualify for housing loans.

The high cost of land acquisition, coupled with delays in project approvals and construction, contributes to escalating property prices. This trend disproportionately affects first-time homebuyers and those in the affordable housing segment, where the majority of demand lies. For many potential buyers, the high property prices result in either postponing their purchase or opting for smaller homes in less desirable locations.

##### Increasing Non-Performing Assets (NPAs)

The rise in non-performing assets (NPAs), particularly in the affordable housing loan segment, is another major challenge for the India housing loan market. NPAs refer to loans where the borrower has stopped making payments, resulting in defaults. Over the years, several banks and HFCs have experienced rising NPAs, especially among low-income borrowers and in semi-urban and rural

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areas.

The rise in NPAs can be attributed to various factors, including job losses, reduced incomes, and economic slowdowns, particularly following events like the COVID-19 pandemic. Many low and middle-income households that had taken loans during favorable economic conditions found themselves unable to meet repayment obligations when faced with unexpected financial hardships. Affordable housing projects, which cater primarily to low-income households, have been particularly affected by rising NPAs. These borrowers often have less financial security and are more vulnerable to economic shocks, leading to a higher risk of default. Moreover, some HFCs and NBFCs that focus on lending to informal sector workers or those with irregular

#### Key Market Trends

##### Growth of Green Home Loans

As environmental sustainability becomes a more prominent global concern, the India housing loan market is witnessing the rise of green home loans. These are specialized loans designed to encourage the purchase or construction of environmentally sustainable homes that are energy-efficient and eco-friendly. Banks and financial institutions are increasingly offering green home loans at lower interest rates, recognizing the importance of promoting sustainable living.

Green homes are designed with features such as energy-efficient lighting, solar panels, rainwater harvesting systems, and sustainable building materials, which reduce the overall carbon footprint of the property. Homebuyers are becoming more conscious of environmental impact, and green home loans provide an incentive to invest in sustainable housing.

Banks such as State Bank of India (SBI) and HDFC Ltd. have introduced green home loan schemes that cater to eco-conscious buyers. These loans typically come with benefits such as lower interest rates, faster approvals, and longer tenures for properties that meet specific green building certifications, such as LEED (Leadership in Energy and Environmental Design) or the Indian Green Building Council (IGBC) standards. As sustainability gains traction in India, the demand for green homes and corresponding green home loans is expected to rise, marking a growing trend in the housing finance landscape.

##### Expansion of Co-Living and Shared Housing Financing

A newer trend emerging in the India housing loan market is the expansion of financing options for co-living and shared housing spaces. With urbanization, the influx of young professionals into cities, and the rising cost of property ownership in metropolitan areas, there has been a surge in demand for co-living spaces. These are shared living arrangements that offer affordable housing options, especially for millennials and young professionals who may not be ready to purchase a home.

Financial institutions are beginning to offer financing options for developers and operators of co-living spaces, recognizing this as a growing segment within the broader real estate market. Co-living spaces provide an alternative to traditional homeownership, where residents rent furnished rooms in shared housing complexes with amenities like communal kitchens, recreational areas, and coworking spaces. This model is particularly popular in cities like Bengaluru, Mumbai, and Delhi, where property prices are high.

Some NBFCs and fintech companies are also offering personal loans or rental deposit loans to individuals seeking to rent in co-living spaces, making it easier for tenants to afford the upfront costs of moving into shared housing.

#### Segmental Insights

##### Type Insights

The home purchase segment was the dominated in the India housing loan market, driven by increasing urbanization, rising disposable incomes, and the aspiration for homeownership among India's growing middle class. The demand for home loans has surged, particularly in metropolitan areas and Tier 2 and Tier 3 cities, where real estate development is booming. Home purchase loans constitute a major share of the housing loan market, as they are essential for both first-time buyers and those looking to upgrade to larger or more modern homes.

Government initiatives like Pradhan Mantri Awas Yojana (PMAY), which provide subsidies for affordable housing, have also boosted the demand for home purchase loans, especially among low and middle-income households. Additionally, banks and Housing Finance Companies (HFCs) have made the loan process more accessible with attractive interest rates and digital lending platforms. As a result, home purchase loans continue to dominate the Indian housing finance market.

##### Regional Insights

The North region was the dominated in the housing loan market, accounting for a significant share of overall housing finance. Key cities like Delhi, Gurugram, Noida, and Chandigarh drive this growth, fueled by robust real estate development, urbanization, and

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a rising middle class. The North region benefits from various government initiatives, including the Pradhan Mantri Awas Yojana (PMAY), aimed at promoting affordable housing and making home loans more accessible.

In addition, favorable employment opportunities in industries and IT sectors attract a steady influx of migrants, further enhancing housing demand. The presence of established banks and Housing Finance Companies (HFCs) offering competitive interest rates and diverse loan products also supports this trend. As consumer preferences shift towards homeownership, the North region remains at the forefront of the housing loan market, solidifying its position as the dominant segment in India.

#### Key Market Players

- HDFC Bank Ltd
- LIC Housing Finance Limited
- L&T Finance Limited
- Tata Capital Limited
- PNB Housing Finance Limited
- State Bank of India
- Bajaj Housing Finance Limited
- IIFL Home Finance Limited
- Sammaan Capital Limited
- Can Fin Homes Limited

#### Report Scope:

In this report, the India Housing Loan Market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

##### □□India Housing Loan Market, By Type:

- o Home Purchase
- o Land/ Plot Purchase
- o Home Construction
- o Home Improvement
- o Home Extension
- o Others

##### □□India Housing Loan Market, By Customer Type:

- o Salaried
- o Self-Employed

##### □□India Housing Loan Market, By Source:

- o Bank
- o Housing Finance Companies (HFCs)

##### □□India Housing Loan Market, By Interest Rate:

- o Below 10%
- o Above 10%

##### □□India Housing Loan Market, By Tenure:

- o Below 5 Years
- o 5 to below 10 Years
- o 10 to 20 Years
- o Above 20 Years

##### □□India Housing Loan Market, By Region:

- o North
- o South
- o East
- o West

#### Competitive Landscape

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Company Profiles: Detailed analysis of the major companies presents in the India Housing Loan Market.

Available Customizations:

India Housing Loan Market report with the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

Company Information

□□ Detailed analysis and profiling of additional market players (up to five).

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