

The growth of affordable housing in India



This article is authored by Gaurav Seth, Chief Financial Officer, IIFL Home Finance Pvt Ltd

The affordable housing sector in India is well rooted, nurtured by technological innovation, and reaching for the sky with the aspiration of “Housing for All”. With moving time, India’s affordable housing landscape is undergoing a gradual change, fuelled by a perfect storm of government impetus, technological advancements, and rising customer demands for affordable home space. With all the essential growth factors in place, the sector is demonstrating impressive growth potential in years to come. At IIFL Home Finance, we are privileged to witness first-hand the industry’s evolution from a nasal stage to a robust, dynamic and much greener and sustainable ecosystem.

Government Support and Expanded Offerings

The Government has been regularly encouraging housing for the weaker section. The PMAY 1.0 was announced way back in June 2015 and now with PMAY 2.0, the push has been re-cast, infusing the sector with revived benefits. We at IIFL Home Finance, have a full set of housing loans, loan against property solutions and construction finance, with a key focus on the affordable housing segment. We aim to empower the Economically Weaker Sections (EWS) and Low-Income Groups (LIG) and first-time home buyers with the financial tools they need to realize their dream of homeownership.

Digital Transformation as a Cornerstone

Digital transformation has been the cornerstone of much-required evolution within the housing market. Online mortgage applications and approvals have streamlined the once cumbersome loan process. Potential homeowners can now apply for loans, check eligibility, and receive

approvals faster than ever before. This efficiency is particularly appealing to first-time homebuyers in the new age demographic.

The Fintech Revolution in Home Finance

Fintech is revolutionizing home finance. Online platforms are democratizing access to affordable housing by streamlining the mortgage process and expanding reach to tier 2, 3, and 4 markets. Advanced algorithms and alternative data are enhancing credit assessment, while automated underwriting is accelerating loan approvals. Consumers now enjoy greater transparency with easy comparison of loan products, interest rates, and eligibility criteria. Such classifications not only give them a pool to choose from but offer them a better chance to choose from a pool of products.

Beyond Applications: The Broader Impact

The impact of digitalization extends beyond just the application process. Advanced data analytics and AI have revolutionized risk assessment and mitigation, enabling the Company to offer more personalized and affordable loan options. Digital platforms now offer virtual home tours, online document management, and e-signatures, making the entire home-buying process more efficient and accessible with end-to-end customer servicing.

Investment Opportunities and Market Growth

This digital revolution has made India's home finance market increasingly attractive to investors. The streamlined loan processes have expanded the customer base, particularly in the EWS and LIG segments, which are the primary beneficiaries of government schemes like Pradhan Mantri Awas Yojana (PMAY) and Credit Linked Subsidy Scheme (CLSS). India's mortgage-to-GDP ratio has grown from 3.4 per cent in 2001 to 12.5 per cent in 2024, with significant room for further growth and fueling the industry.

The housing finance market is projected to record a compound annual growth rate (CAGR) of 24.1 per cent from 2024 to 2033, according to a CMI market research report. The Crisil Report indicates that the housing loan market in India grew at a CAGR of 13 per cent between FY2018-FY2023 and is expected to grow at a CAGR of 13-15 per cent to reach Rs 42-44 trillion by FY2026.

Navigating Challenges

However, this digital transformation journey also encompasses several challenges. Housing Finance Companies (HFCs) must navigate complex regulations from multiple authorities, including the National Housing Bank (NHB) and Reserve Bank of India (RBI). HFCs must adhere to strict norms regarding asset classification, provisioning, and capital adequacy. The increasing digitisation also necessitates substantial investments in secure IT infrastructure and data protection measures to comply with cybersecurity regulations.

The Future of Digital Transformation

Despite these challenges, the benefits of digital transformation are clear. It has enabled a seamless, personalized customer journey. Customers can now resolve queries and access information in real-time without visiting a physical branch. AI-powered chatbots and IVRs using natural language processing (NLP) provide 24/7 support, enhancing the overall customer experience.

As we look at the future, the role of digital transformation in housing finance will grow multi-fold. It's not just about adopting new technologies; it's about reimagining the entire home buying and financing process. At IIFL Home Finance, we're committed to leading this digital revolution, making homeownership more accessible and affordable for millions of Indians while creating attractive opportunities for investors in this high-growth sector.