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Market Watch

Housing Finance Companies' share in realty loans doubles since 2016: RBI

BY PTI | UPDATED: DEC 29, 2019, 02:38 PM IST

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Mumbai: The loss of public sector banks' share in credit market, especially the realty sector, has been the gain for housing finance companies as their share saw doubling in the past three years to 23.81 per cent as of June 2019, according to the latest RBI data.

The share of builder loans has risen for non-banking lenders and private banks since 2016, as per the Financial Stability Report (FSR) based on the analysis of 310 companies, even as the proportion of public sector banks' (PSBs) exposure to this segment nearly halved.

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Over the past four years, total financing to real estate companies nearly doubled to Rs 2.01 lakh crore, shows the FSR released on Friday.

Housing finance companies (HFCs) have doubled their share in builder loans to 23.81 per cent by June this year, compared with 12.17 per cent in June 2016.

Meanwhile, the share of private sector banks rose to 30.41 per cent from 23.62 per cent, while the exposure of PSBs nearly halved to 24.34 per cent as of June 2019, shows the FSR.

"While the aggregate exposure to real estate companies almost doubled to Rs 2.01 lakh crore, the aggregate share of HFCs and private sector banks increased, while public sector banks' aggregate share came down sharply," the report said.

Home financiers have collectively lent around Rs 47,900 crore to builders as of June 2019 up from Rs 12,770 crore in June 2016. But, their exposure in absolute terms did not change much, for state-owned lenders.

"Since September 2018, when the IL&FS-induced risk aversion began, all categories of financial intermediaries have increased their exposures to realtors, the sharpest being that of HFCs," the RBI said.

On the other hand, the system-wide credit losses of banks also jumped from 5.74 per cent in June 2018 to 18.71 per cent in June 2019.

This spike has been led by PSBs, whose impairment has jumped from 15 per cent in June 2018 to 18.71 per cent in June 2019, the FSR added.

The system-wide losses stood at 3.90 per cent in June 2016, and for state-owned banks, it stood at 7.06 per cent. The losses saw a steady rise to 4.38 per cent and 9.67 per cent, respectively, in June 2017, said the report.

The FSR added that the numbers are based on an analysis of 310 real estate borrowers and the impairment numbers are based on a 90-days past due.

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