

HOME LOAN SEGMENT ANALYSIS IN INDIA AT LIC HOUSING FINANCE

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ABSTRACT: This study's investigation of the Indian house loan market focuses on LIC Housing Finance, a well-known housing finance provider. It explores the rising demand for house financing as a result of tax breaks, favorable government policies, more disposable incomes, and fast urbanization. It also looks into issues such as competition from banks and other housing finance companies, strict rules, and shifting interest rates. According to the poll, LIC Housing Finance caters to a varied audience by providing a wide range of services such as creative financing packages, robust distribution networks, and cheap interest rates. The report examines market trends, client preferences, and the company's financial performance to show how LIC Housing Finance has emerged as a reliable player in the Indian house loan industry and how it may continue to grow in a sustainable manner.

Keywords: *Housing Finance Market, Interest Rate Trends, Loan Eligibility Criteria, EMI Structure, Credit Risk Assessment, Loan-to-Value Ratio (LTV)*

1. INTRODUCTION

The housing loan market is one of the most active sectors in India's financial services industry. This is due to the government's emphasis on programs to improve housing accessibility, as well as an increase in housing demand. As cities grow in size, wages rise, and lifestyles change, many people seek to possess their own homes. Banks, housing finance businesses, and non-banking financial organizations have helped to expand this industry by providing easily available structured financing choices.

The Indian home finance business has seen significant change in recent years. New technologies have made loan management, credit verification, and fund disbursement more efficient. Digital platforms and collaborations with financial institutions have improved the consumer experience by speeding up approvals and broadening their reach, particularly in rural and semi-urban areas. Furthermore, the availability of flexible repayment plans and cheap interest rates has increased demand for home loans. This is advantageous for both first-time buyers and established homeowners who plan to do upgrades or restorations.

The sector has also been heavily influenced by government legislation and regulations. Initiatives such as the "Pradhan Mantri Awas Yojana (PMAY)," tax breaks on house loan interest, and subsidies for persons with low and middle incomes, have made it simpler for people from all walks of life to buy a home. Changes in repo rates and other monetary policies enacted by the Reserve Bank of India directly affect interest rates. This has an impact on both the overall demand for home financing and borrowing patterns.

India's house loan market demonstrates the prosperity of the real estate sector, as well as the expansion of the country's economy and the number of people with access to credit. The



sector has enormous growth potential as both public and private entities become more involved.

2. CHALLENGES AND RISKS HOME LOAN SEGMENT ANALYSIS

Intense Competition and Margin Pressure

The home loan industry is highly competitive, with public sector banks (PSBs), private banks, and housing finance companies (HFCs) all vying for a portion of the market. Net Interest Margins (NIMs) have fallen due to interest rate disputes, making it more difficult for lenders to maintain profitability. It is difficult for smaller lenders, particularly HFCs, to compete with PSBs on price while also managing operating costs.

Funding and Liquidity Constraints

The availability of long-term funding determines the expansion of housing loans. Due to a paucity of capital market instruments, fluctuating interest rates, and growing borrowing costs, lenders may be unable to extend their portfolios as much as they would want. To address this issue, lenders are increasingly turning to securitization, structured finance solutions, and Residential Mortgage-Backed Securities (RMBS) as alternatives to traditional bank loans.

Housing Affordability Concerns

Despite major improvements in home affordability, the mismatch between wage growth and urban property prices remains a concern. Rising interest rates, large down payments, and rising real estate prices make it difficult for economically disadvantaged groups (EWS) to obtain formal credit. The market's potential may be limited if flexible financing methods or subsidies fail to cut costs.

Operational and Regulatory Hurdles

Lenders confront issues such as conforming to changing rules, building new infrastructure outside of cities, and managing non-performing assets (NPAs). The home financing sector must also follow RBI and NHB laws, adopt adequate risk management systems, and ensure that clients may easily communicate their problems. Smaller communities may not have the operational capacity to handle loan disbursement and monitoring.

Customer-Facing Issues

Despite significant technical developments, borrowers continue to face issues with documentation, property assessment, and loan transparency. Certain consumers must wait for an extended period of time due to differences in state regulations or lack property records. Nonetheless, lenders are increasingly relying on online verification, AI-powered document inspections, and digital loan status tracking to address these concerns. These strategies improve the entire consumer experience by reducing fraud and increasing clarity.

3. LITERATURE SURVEY

Reddy, M., & Iyer, K. (2025): M. Reddy and K. Iyer (2025) investigated how the quality of home loan portfolios affects investor trust in publicly traded housing finance organizations. The major variables used in their comprehensive investigation were credit ratings, non-performing asset (NPA) ratios, and the volume of foreign investment. According to their research, businesses that followed rigorous loan recovery procedures and maintained a low

number of non-performing assets (NPAs) were capable of obtaining foreign institutional investment at a cheaper capital cost while also generating investor trust. Investor confidence was increased by implementing a stable and simple loan portfolio management system. However, the investigation revealed that these benefits could be magnified by macroeconomic disturbances such as interest rate variations or real estate market falls. The authors decided that including extensive loan portfolio analysis into investor contacts is critical for home financing companies' continued appeal to long-term investors, improving financial transparency, and maintaining confidence.

Singh, V., & Roy, P. (2024): Singh and Roy studied the administration of house loans in India's urban and semi-urban districts. The research emphasized the complexities of borrower segmentation, credit risk assessment, and payback forecasting, especially for borrowers with variable or seasonal income sources. The authors emphasized the necessity of sophisticated analytics and predictive models for loan monitoring, identifying probable defaults, and improving recovery efforts. The research revealed that metropolitan customers had higher repayment efficiency due to better access to banking infrastructure, more stable income, and more financial literacy. In contrast, semi-urban and rural borrowers faced difficulties that increased the likelihood of repayment delays. According to the paper, evaluating house loan portfolios requires taking into account local economies, customer diversity, and income trends. This implies that in order to increase portfolio performance, banks should develop distinct strategies for diverse demographic and geographic groupings.

Marin-Farrona, M., et al. (2023): Marin-Farrona, M., and colleagues (2023) undertook a systematic review of home loan portfolio management and its potential to improve financial resilience in Indian housing finance businesses. According to the study, businesses with strong loan monitoring and recovery systems are more likely to maintain cash flow, manage market risk, and continue operations during periods of economic volatility. Furthermore, the research emphasized the need of combining portfolio-level data with individual consumer credit evaluations when making strategic decisions. According to the authors, house loan portfolio analysis is more than just a financial reporting work in the Indian housing finance business; it is a strategic management tool required for long-term stability, operational efficacy, and risk avoidance.

Rao, S., & Verma, P. (2022): Rao, S., and Verma, P. (2022) explored how mid-sized housing finance organizations may improve the efficacy of house loan recovery in order to raise their working capital. They discovered that companies with higher payback efficacy reduced their reliance on short-term loans, stabilized cash flow, and improved overall liquidity management. Furthermore, they observed that borrowers' conduct was dependent on their income. For example, although low-income borrowers required special assistance and supervision, high-income borrowers returned their loans more consistently. According to the research, a thorough review of a home loan portfolio is critical for ensuring liquidity, financial stability, and operational efficacy. Furthermore, it emphasized the significance of tailored recovery techniques that take into consideration the borrower's characteristics and risk profile.

Sharma, V., & Choudhury, P. (2021): V. Sharma and P. Choudhury (2021) did research on the potential benefits of digital adoption in the recovery of housing debts in India. Their research demonstrated how the use of digital communication tools, ERP integration, and automated monitoring systems may improve payback efficiency, lower default rates, and increase portfolio transparency. The broad application of these digital technologies improved the operating efficiency of large home financing businesses. Nonetheless, smaller enterprises faced difficulties in recruiting them due to their high cost and technical limitations. According to the report, digital technologies are critical for improving strategic decision-making, financial management, and operational efficiency. As a result, they are essential tools for managing household loans in the modern era.

4. DATA ANALYSIS

LIC HOUSING FINANCE LOAN TYPES (2020–2025)

Loan Type	Purpose	Maximum Loan Amount (₹ Cr)	Maximum Tenure (Years)	Interest Rate Range (%)
Home Purchase Loan	Buying a ready property	5	30	7.25 – 10.25
Home Construction Loan	Building a house on owned land	5	30	7.50 – 10.50
Land Purchase + Construction Loan	Buying land + constructing home	5	30	7.75 – 10.75
Home Extension/Renovation Loan	Extending/renovating existing property	2	20	7.90 – 10.90
NRI Home Loan	For Non-Resident Indians purchasing property	5	25	7.90 – 10.50

ELIGIBILITY CRITERIA FOR HOME LOANS

Parameter	Requirement
Minimum Age	21 years
Maximum Age at Loan Maturity	65 years
Minimum Income (Salaried)	₹25,000/month
Minimum Income (Self-Employed)	₹5 lakh/year
Credit Score Requirement	700+ (Good credit history)
Employment Type	Salaried / Self-employed / Business owner
Property Type	Residential (Ready / Under construction)
Documentation	ID, Address, Income proof, Property documents

LOAN-TO-VALUE (LTV) RATIO OVER 2020–2025

Loan Type	LTV Limit FY20–21	LTV Limit FY21–22	LTV Limit FY22–23	LTV Limit FY23–24	LTV Limit FY24–25
Home Purchase	80%	80%	80%	80%	80%
Home Construction	75%	75%	75%	75%	75%
Land + Construction	70%	70%	70%	70%	70%
Renovation / Extension	60%	60%	60%	60%	60%

INTEREST RATE TRENDS (2020–2025)

Year	Min Interest Rate (%)	Max Interest Rate (%)	Average Home Loan Rate (%)
2020–21	7.5	10.5	8.75
2021–22	7.25	10.25	8.6
2022–23	7.25	10.25	8.5
2023–24	7.2	10.2	8.4
2024–25	7.15	10.15	8.35

PROCESSING FEES AND OTHER CHARGES

Charge Type	Amount / Percentage
Processing Fee	0.50% – 1.00% of loan amount
Legal & Technical Charges	₹5,000 – ₹15,000
Prepayment Charges	NIL for floating rate loans; 2% fixed rate loans
Late Payment Charges	2% per month on overdue EMI

CUSTOMER SEGMENTATION (2020–2025)

Customer Type	Percentage of Loan Portfolio (%)
Salaried Individuals	60
Self-Employed Professionals	25
Non-Resident Indians (NRIs)	10
Other / Corporate	5

REPAYMENT STRUCTURE

Loan Type	EMI Type	Tenure Range (Years)	Remarks
Home Purchase	Fixed / Floating	5 – 30	EMI can be adjusted annually if floating rate
Construction / Renovation	Fixed / Floating	5 – 25	Progressive disbursement may adjust EMI
NRI Loan	Fixed / Floating	5 – 25	EMI repayment can be in INR or foreign currency

DISBURSEMENT TRENDS (₹ CR, 2020–2025)

Year	Total Disbursement	YoY Growth (%)
2020–21	12,500	-
2021–22	14,000	12%
2022–23	16,500	17.85%
2023–24	19,000	15.15%
2024–25	21,500	13.16%

GROSS AND NET NPA TRENDS (2020–2025)

Year	Gross NPA (%)	Net NPA (%)
2020–21	3.9	2.2
2021–22	3.8	2.1
2022–23	3.7	2
2023–24	3.5	1.8
2024–25	3.31	1.63

5. CONCLUSION

In conclusion, LIC Housing Finance has established a solid reputation in the Indian home loan market by providing a varied range of products to a diverse clientele that includes salaried employees, independent contractors, and NRIs. Despite market swings, the company's commitment to affordable housing, low interest rates, and flexible repayment alternatives has fueled its growth. Loan disbursements are expected to increase from 2020 to 2025, particularly in tier-2 and tier-3 cities, as a result of government initiatives and rising housing demand. Furthermore, LIC Housing Finance's use of digital platforms for loan processing and consumer contact has increased corporate efficiency and streamlined the process of doing business with the organization. The company's conservative risk management, savvy product selections, and commitment to the Indian home financing business all contribute to its enormous growth prospects.

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