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THE WORLDONOMICS TIMES

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Empowering Global Economic Insight: Introducing The Worldonomics Times

In an era where the tapestry of global finance and economics interweaves with the complex dynamics of markets worldwide, there emerges a beacon of insight, The Worldonomics Times. Announced by the International Navodaya Chamber of Commerce (INCOC) on 26-03-2024, this forthcoming monthly magazine is poised to be an indispensable resource for anyone keen on understanding the pulsating heartbeat of the global economy.

Scheduled to release its premiere issue on May 5th, 2024, The Worldonomics Times aims to fill a crucial gap in the landscape of financial journalism. With a commitment to providing in-depth coverage of global finance and economics trends, news, and analysis, this publication is tailored for business leaders, policymakers, and the intellectually curious who strive for a deeper understanding of the world's economic currents.

Global Perspective with Local Relevance

At its core, The Worldonomics Times will offer a global perspective that bridges diverse markets and economies. This isn't just about tracing the flow of capital across continents; it's about understanding how these financial streams affect businesses and policies on a local level. Sandeep Kumar, the founder of the International Navodaya Chamber of Commerce and Editor-in-Chief of the magazine, emphasizes the platform's role in exploring emerging trends and the forces sculpting world markets.

In-Depth, Data-Driven Journalism

What sets The Worldonomics Times apart is its commitment to investigative journalism that digs beneath the surface. This magazine will go beyond the headlines to uncover the underlying stories that drive financial shifts, offering clarity in an ever-complex world. Coupled with expert opinions, interviews, and thought leadership from noted economists and financial specialists, readers are promised a comprehensive outlook on the global economic scene.

Moreover, with a focus on data-driven insights, the magazine will utilize visualizations and infographics to demystify complex economic trends and statistics, making the information accessible and digestible to its readership.

Sandeep Kumar

EDITOR-IN-CHIEF

Worldonomics Times

Accessibility and Empowerment

Understanding the importance of adaptability in today's fast-paced world, The Worldonomics Times will be accessible in both print and digital formats. This dual availability ensures that readers can engage with the content in a manner that best suits their lifestyles, whether at home, in the office, or on the move.

"We are committed to delivering accurate, unbiased, and high-quality journalism focused on the world of finance and economics," Kumar states. "Our goal is to empower readers with the knowledge they need to make informed decisions in an increasingly dynamic global landscape."

As we anticipate the release of The Worldonomics Times' premiere issue, it’s clear that this magazine is on a mission to enlighten and inform. Through its rigorous analysis, expert commentary, and commitment to excellence in journalism, The Worldonomics Times is set to become a guiding light for anyone looking to navigate the intricate world of global finance and economics.

THE STRUGGLE FOR AFFORDABLE HOUSING IN A BOOMING LOAN MARKET

Initially, traditional bank loans were the mainstay for financing in India's real estate sector, providing most of the capital for development projects. As the market has grown and evolved, so too has the structure and accessibility of these loans. Banks have responded to the increasing demand by offering more favorable terms, such as reduced interest rates and extended repayment periods for housing loans, making it easier to meet the expanding needs of the real estate market.

Since 2013, there has been a marked shift in India's real estate financing toward structured debt products, following a period of increased activity and substantial equity investment from large global real estate funds during 2007-2011. The transition reflects lessons learned from the previous bullish phase, which prompted a pivot towards more secure, debt-based investment approaches designed to mitigate market instability. Concurrently, Real Estate Investment Trusts (REITs) have risen in popularity, offering investors an alternative route to engage in real estate markets through the acquisition of shares, bypassing the need for direct property ownership. This dual shift has broadened the scope and accessibility of real estate investment in the region.

In India, the housing loan sector has seen remarkable expansion over the past twenty years, marking significant shifts in both the economic landscape and the banking sector's approach to residential lending. The surge in housing loans is evident from the substantial increase in home loans as a percentage of the country's Gross Domestic Product (GDP). This metric has more than tripled, escalating from a modest 3.2% to an impressive 10.6% over the past 20 years.

Additionally, the share of residential loans in the total advances made by Scheduled Commercial Banks (SCBs) has also seen a significant rise. In the last 11 years, this figure has grown from 8.6% to 14.2%. This growth is indicative of several factors including the banks' evolving policies towards home financing, which have become more accommodating over time.

Likewise, affordability levels (ratio of housing prices to annual income), as measured by the EMI to income ratio across various Indian cities, are at a two-decade high and the demand remains robust for mid and luxury segments. For example, in Mumbai, the ratio stood as high as 93% in 2010 but decreased to 55% by the first half of 2023, indicating a significant improvement in affordability. Similarly, Hyderabad and Ahmedabad witnessed notable improvements, with their ratios declining from 53% and 46% in 2010 to 31% and 23%, respectively, by mid-2023. This trend is also evident in other cities such as Bengaluru, Chennai, and Pune, where there has been a steady decrease in the EMI-to-income ratio

The pace of bank funding for real estate developers has, however, slowed down with the growth rate decreasing from 18.6% in 2014 to 10.8% in 2022. Meanwhile, the share of commercial real estate (CRE) in the total loans disbursed by Scheduled Commercial Banks (SCBs) has remained relatively stable, fluctuating between 2.0% and 2.9% (CRE encompasses non-retail asset classes, including the construction of commercial buildings, IT buildings, and residential structures that have received development loans from banks).

Since 2021, 'Real Estate' and 'Large Industry' are the only categories within the banking sector's portfolio that have shown a year-over-year decline in their share of the total gross credit. More precisely, the 'Large Industry' sector witnessed a reduction in its percentage of the overall bank credit, decreasing from 21.58% in the fiscal year 2021 to 19.42% by the fiscal year 2023.

Growth in housing loan disbursals has not aligned with the needs of the market, often resulting in a disparity between what builders are prioritizing and what homebuyers actually require. A glaring reflection of this misalignment is visible in low-cost housing, which typically offers lower profit margins for developers. This sector has witnessed a consistent downturn in sales, underscoring a mismatch between the supply of housing units and the actual demand in this segment. This trend is particularly concerning given the essential role that affordable housing plays in addressing the needs of a broader population.

The availability of affordable housing, particularly in the price brackets of below Rs. 25 lakh and Rs. 25 to 45 lakh, has experienced a significant reduction, dropping by 20% since the onset of the pandemic. This decline in supply suggests that despite the increase in overall housing loan disbursals, the specific needs for more affordable housing units are not being adequately met by current real estate developments.

Data reveals a progressive decline from 2018 to the first half of 2023 in the sales of homes priced at or below Rs. 50 lakh across the top 8 cities. In 2018, homes within this price range constituted 54% of all residential sales. By the first half of 2023, this figure had dropped to just 32%. Conversely, there has been a notable increase in the sales of homes priced above Rs. 50 lakh. The segment of homes priced between Rs. 50 lakh to Rs. 1 crore saw an increase from 30% in 2018 to 38% in the first half of 2023, and homes priced above Rs. 1 crore rose from 16% in 2018 to 30% in the same period.

This shift highlights a growing affinity towards higher-priced housing, which, while profitable for developers, deviates from the pressing demand for more affordable housing options. The issue is compounded by the statistics from the Planning Commission, which estimate that over ninety-five percent of the housing shortage in urban areas is concentrated in the Economically Weaker Sections (EWS) and Low-Income Groups (LIG).

The dynamics within the housing market, influenced by bank funding policies and developers' focus, have, therefore, not only affected sales trends but have also exacerbated the housing crisis among the economically weaker sections of the population. This scenario calls for a reassessment of funding strategies and market focus. There needs to be a realignment of developer incentives and bank funding to better serve the broader needs of the community, particularly those of the EWS and LIG segments. Addressing this imbalance is not only crucial for meeting the housing needs of the entire spectrum of society but also for promoting equitable economic growth and stability in the urban housing market.

Shri Jyoti Prakash Gadia

Managing Director
Resurgent India Limited