India's mortgage market can broadly be divided into two segments by ticket size of the housing loan at the time of disbursement - loans with ticket size of more than ₹ 1.5 million, and loans with ticket size of ₹ 1.5 million and below. The former can be called normal mortgage market, which is prominent in the metro/urban areas, and the latter which generally includes houses in the outskirts of these areas and semi-urban and rural areas can be defined as housing finance market focusing on low-income housing segment.

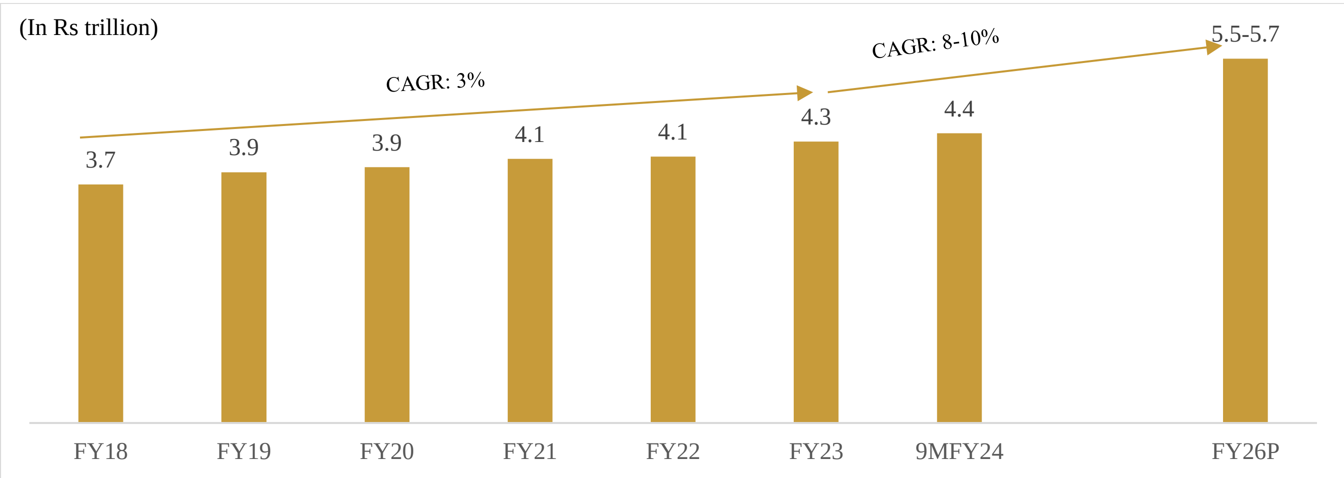
According to CRISIL, housing loans with ticket size greater than ₹ 1.5 million are referred to as normal housing loans ("**Normal housing loans**"), and loans with ticket size lower than ₹ 1.5 million are referred to as housing loans focusing on low-income housing segment ("**Low-income housing loans**"). This segment is also the focus of government schemes such as affordable housing in partnership and Credit Linked Subsidy Scheme ("**CLSS**") under PMAY, and refinance under the National Housing Bank's ("**NHB**") affordable housing fund.[1] As per RBI Report of the Committee on the development of Housing Finance Securitisation Market published in September 2019, the housing shortage is also largely in the EWS and LIG segment with shortage of 45 million houses in the EWS segment and 50 million houses in LIG segment, which put together accounts for 95% of the estimated housing shortage in India.

5.2 Encouraging trends in housing finance market focused on low-income housing segment (loans up to ₹ 1.5 million); market to bounce back more strongly in long term

The overall size of the housing finance market focusing on low income housing loans in India was around ₹ 4.4 trillion as of December 2023, constituting for around 14% of the overall housing finance market, as per CIBIL data. With outstanding loans of ₹ 1.7 trillion as of December 2023, PSBs have the highest market share of 38% in the Low-income housing loans market. HFCs accounted for 29% of the market (outstanding loans of ₹ 1.3 trillion as of December 2023) followed by private banks which had a market share of 22% (outstanding loans of ₹ 1.0 trillion as of March 2023). All other player groups (MNCs and small finance banks) had a cumulative market share of 8% in Low-income housing loans as of December 2023.

Between Fiscals 2018 and 2023, the growth in the low income housing segment has remained subdued, with the segment having witnessed a CAGR of 3% after growing between Fiscals 2015 and 2018 and as compared to overall housing loans, which has grown by 14% during the same time. This can be primarily attributed to a slowdown in economic activity, funding challenges due to NBFC crisis and the COVID-19 pandemic. Further, rise of hybrid work model and working from home led to an increase in demand for bigger residential homes. As a result, the sale in affordable housing took a beating whereas high-end and mid-segment housing gained the maximum in the last couple of years. The industry is expected to see a moderate growth with a CAGR of 8-10% between Fiscals 2023 and 2026.

Projected growth in outstanding loans of low income housing loan segment



Note: P-Projected
Source: CIBIL, CRISIL MI&A

While the market has grown at a tepid pace in the past 2-3 years, CRISIL MI&A is sanguine on future growth due to the following reasons:

- Economic recovery post COVID-19 pandemic and 'return to office' initiated by employers
- Government focus on housing and incentives being given by some state governments such as lowering stamp duties to aid housing demand
- Rising demand for affordable homes as consumers increasingly work out of Tier 3/4 cities in a post-COVID-19 pandemic world

1 (Source: https://nhb.org.in/wp-content/uploads/2021/05/FTS-2407-Refinance-Crcular-AHF-2021-English.pdf)