

South Asia

Helping ensure a roof for the vulnerable in India Case Study on IFC client Dewan Housing

This case study demonstrates the effectiveness of providing funding to a specialized housing finance company in reaching low and middle income segments in rural and semi-urban areas in need of affordable housing finance.



IFC and Dewan Housing: Partnering to deepen impact

- ◇ From over 60,000 customers in 2003, Dewan today services over 130,000 customers.
- ◇ Dewan's distribution network of 41 branches in 2003 has grown to 74 branches, 80 service centers and 33 camp locations in 2008 allowing access to new customers in low and middle income segments.
- ◇ The company expanded its distribution network in Tier 2 and 3 cities from 30 branches in 2003 to 56 branches in 2009.
- ◇ With an average loan size of about \$13,000, Dewan is making affordable housing finance available to those with incomes below \$300 per month, who earlier had little or no access to housing finance.
- ◇ DHFL has also inspired other institutions to enter the affordable housing finance space as a viable business proposition and a few companies have already commenced operations.
- ◇ The company acknowledges IFC's assistance in improving corporate governance and reporting standards. Improved compliance with India's disclosure requirements has helped the company attract capital and gain confidence from capital markets.

Vidya devi's goal of a better quality of life for her children is not a distant dream anymore. There is an air of quiet confidence that she will make it come true. She and her son, Anil Kumar Rawat, a *khalasi* (electrical technician) in the railways in Lucknow in the Indian state of Uttar Pradesh, are co-owners of a piece of land that will make them their own home one day.

Anil joined railways as an apprentice mechanic and works at the Alambagh maintenance plant today. He lives with his mother, his wife and a five year-old son in a railway allotted dwelling available till his retirement. Vidya devi's husband who also worked with the railways lost his life while returning from work one day. Anil, her eldest son, ensured his sister and two younger brothers could study and earn their livelihoods.

The family's land purchase from state owned Lucknow Development Authority in 2005 was made possible because of a timely loan from Dewan Housing Finance Corporation Limited, a private sector housing finance company. The amount of about 11000 dollars was too small for a bank to service and Anil's modest earnings combined with his mother's pension were not enough to make the purchase without additional resources.

Dewan Housing's Lucknow branch is managing over 400 such loans and adds about 20 new customers every month. Overall, DHFL's asset base has grown at an average of over 35% on a year on year basis. With loan sizes ranging from \$4500 to \$32600, the company services over 130,000 customers and operates from a base of 74 branches with 80 service centers and 33 camp locations across India. About 85 percent of the company's customers are in the low and middle income segment. The company has been exceeding their annual allocated targets under the government's Rural Housing Programs.

The company was founded on the premise of making affordable housing a reality for India's low and middle income segments in urban and semi urban areas back in 1984 by Late Shri Rajesh Kumar Wadhawan, when low cost housing was not yet a buzzword. Access to long term funding was a challenge for India's first privately owned housing finance company on "its long journey, and not an easy one" as Managing Director Kapil Wadhawan says. From a little known company in the 80s, Dewan Housing has emerged to be the second largest private home finance company in India.

A dialogue that began with IFC in 2002, culminated in a \$12.5 million loan to the company a year later. IFC's investment was made with the objective of helping the company improve access to housing finance for meeting the needs of underserved markets. The company has adopted a hub and spoke model that allows it to set up operating branches in smaller Indian cities such as Kanpur, Akola, Ahmednagar, Aurangabad and others to develop further inroads into areas to meet underserved needs.

Following IFC's investment, the company found it easier to expedite investment support from other multilaterals. The company's association with IFC helped it to negotiate long term lines of credit from commercial banks.

More importantly, Dewan Housing was able to play a pioneering role as a first mover in developing the affordable housing finance market, paving the way for other players, fostering competition resulting in better service and delivery for the end customer.



IFC is committed to build capacity for financial institutions entering into the affordable housing finance market. Mortgage finance training based on a toolkit developed by IFC is being imparted to staff at these institutions to help the adoption of global best practices and develop their mortgage business.

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