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Unveiling Socio-Economic Dynamics In Housing Finance: Insights From Thiruvananthapuram Municipal Corporation

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ABSTRACT

Understanding the socio-economic dynamics of housing construction is vital for addressing housing challenges in any society. This study delves into the socio-economic background of households in Thiruvananthapuram Municipal Corporation (TMC), the capital city of Kerala, where housing demand is notably high due to employment opportunities and educational amenities. The booming IT industry further intensifies this demand. Data collection involved structured interviews with 700 middle-class households who self-constructed their homes between 2009 and 2020. Excluded were purchases of flats or apartments, focusing solely on houses ranging from 1000 to 2000 sq.ft. Respondents were approached cautiously due to sensitivity regarding income and financial details. Personal observation was employed to verify the credibility of information provided. The sample size varied across years, with 200 households surveyed in 2019-20 to scrutinize housing affordability closely. The study targeted households with monthly incomes between Rs. 25,000 and Rs. 1,50,000, encompassing diverse socio-economic backgrounds. Analysis encompassed educational qualifications, occupational status, community affiliations, income sources, and finance channels for construction. Findings aim to inform policymakers, urban planners, and housing developers to address the nuanced housing needs of diverse socio-economic segments, ultimately contributing to more equitable housing solutions in Thiruvananthapuram and beyond.

Key words: Socio-economic background, TMC, Housing demand, Middle-class families, Self-construction

INTRODUCTION

Understanding the housing preferences and needs of individuals requires a comprehensive examination of their socio-economic backgrounds. This paper delves into the detailed socio-economic profiles of the sampled population and explores how these factors interplay with various housing aspects. Key elements scrutinized in this study include the educational qualifications of homeowners and their partners, occupational status, community affiliations, sources of income, and financial resources utilized for house construction. This analysis is crucial for gaining insights into the housing challenges within society and devising effective solutions.

Study Area

The scope of this study encompasses the Thiruvananthapuram Municipal Corporation area. Thiruvananthapuram serves as the capital city of Kerala, attracting individuals from various regions who relocate primarily for employment opportunities and educational purposes for their children. Being the capital, numerous government offices are concentrated in and around the city, leading to a significant influx of residents from other parts of the state. Consequently, there is a notable surge in the demand for housing within the city, further fuelled by the thriving IT sector.

Data Collection

A primary survey was conducted in Thiruvananthapuram Municipal Corporation to gather data from a sample population. Structured interviews were utilized, with each respondent personally met to collect necessary information. To ensure cooperation and trust, respondents were briefed about the survey's purpose before questioning. Additionally, personal observation was employed to validate data accuracy, particularly regarding income, construction costs, and land prices.

The survey targeted households that constructed their homes between 2009-10 and 2019-20, identified through the Thiruvananthapuram Corporation Office. Only those who self-constructed during this period were included, excluding outright purchases of flats, apartments, or houses. The study focused on middle-class families with homes ranging from 1000 sq.ft. to 2000 sq.ft. A total of 700 respondents were interviewed, with 50 samples per year from 2009-10 to 2018-19 and 200 for 2019-20. The latter year received a larger sample size to analyse housing cost determinants and affordability issues. Sample households reported monthly incomes between Rs. 25,000 and Rs. 1,50,000.

Objectives

1. To investigate the socio-economic determinants influencing the choice of housing finance sources of homeowners within the Trivandrum Municipal Corporation area.

2. To assess the impact of different types of financial institutions on the housing finance preferences of various socio-economic groups, aiming to provide insights into patterns of institutional dependency among homeowners.

The Socio-economic Background of Financing

Research on housing finance necessitates an examination of the financial arrangements made by households of varying socio-economic backgrounds. Currently, mortgage loans are the predominant means through which households secure financing for housing, supplemented by personal savings and assistance from relatives. An analysis of the distribution of financing sources according to the occupation of homeowners reveals notable disparities.

i. Occupation & Source of Finance

For instance, government employees predominantly rely on loans, accounting for an average of 60.89% of their housing finance, followed by past savings at 27.82%. Conversely, unemployed individuals, typically affluent, rely entirely on past savings. The distribution of financing sources varies significantly across occupations, with loans being the primary source for all but the "others" category.

Table .1
Source and Percentage Share of Finance according to the Occupation of the Owner

Occupation of owner	Loan	Past savings	Retirement benefits	Disposal of property	Contribution from relatives	Foreign remittance	Other sources
Government employees	60.89	27.82	.00	5.54	4.29	0.45	1.02
Private sector employees	48.92	30.62	.00	7.16	12.63	.00	0.88
Business/self-employed	38.29	38.38	.00	18.08	4.88	.00	0.38
Working abroad	34.39	12.11	.00	2.63	2.19	48.68	.00
Daily wage earners	35.20	35.20	.00	.00	18.00	.00	11.60
Others	25.00	15.00	45.71	14.29	.00	.00	.00
Unemployed	.00	100.00	.00	.00	.00	.00	.00
Overall	51.21	29.16	.91	7.62	5.75	4.21	1.16
F-Value	29.041	16.801	158.126	9.778	15.608	247.384	24.946
D.f	6 and 699	6 and 699	6 and 699	6 and 699	6 and 699	6 and 699	6 and 699
Significance	.000	.000	.000	.000	.000	.000	.000

Source: Primary survey

Overall, surveyed households secure 51.21% of their housing finance from loans and 29.16% from past savings. Statistical analysis, specifically F-statistics, confirms a significant association between the occupation of the homeowner and the sources of finance, underscoring the importance of considering socio-economic factors in housing finance research.

ii. Education & Source of Finance

Variations in the sources of finance are evident across different educational qualifications of homeowners, as illustrated in Table 2. The data demonstrates a consistent trend wherein the percentage allocation towards loans increases as the educational attainment of homeowners improves. For instance, the proportion of loan share rises from 30.80% among high school-educated owners to 71.53% among post-graduates. This trend likely reflects the enhanced employment prospects and greater access to financial resources among individuals with higher education levels, facilitating their ability to secure loans from banks and financial institutions for housing investments.

Table.2
Source and Percentage of Finance according to the Educational Qualification of the House Owner

Educational Qualification of the owner	Loan	Past savings	Retirement benefits	Disposal of property	Contribution from relatives	Foreign remittance	Other sources
High school	30.80	38.91	.00	11.60	5.65	12.31	.72
Plus two	42.07	28.65	.00	10.82	10.50	6.08	1.88
Graduation	50.44	28.18	2.68	9.14	5.56	3.14	.94
Post-graduation	71.53	22.31	.00	3.00	2.71	.00	.44
Professionally qualified	48.73	37.74	.00	2.83	3.43	5.09	2.17
Overall	51.21	29.16	.91	7.62	5.75	4.21	1.15
F-Value	48.110	9.173	4.045	6.413	11.066	8.282	2.870
D.f	4 and 699	4 and 699	4 and 699	4 and 699	4 and 699	4 and 699	4 and 699
Significance	.000	.000	.000	.000	.000	.000	.020

Source: Primary survey

Conversely, among professionally qualified individuals, there is a marginal decrease in reliance on loans as a source of finance. This deviation may be attributed to their higher income levels and accumulated savings, leading them to rely more on personal savings rather than external financing options.

Additionally, individuals with lower educational qualifications exhibit a greater dependence on alternative sources such as property disposals and contributions from relatives compared to their highly educated counterparts. These findings underscore substantial disparities in the distribution of finance sources corresponding to varying levels of educational attainment among homeowners.

Furthermore, the analysis reveals significant differences across educational categories, as indicated by the F-statistics, all of which are statistically significant at the 5% level. This underscores the robustness of the observed associations and highlights the importance of educational qualification as a determinant of housing finance patterns.

iii. Occupation & Type of Financial Institution

In the realm of housing finance, the source of obtaining a loan plays a crucial role, with options ranging from public, private, cooperative sectors, to employer-sponsored schemes falling under 'other sources'. Public sector institutions adhere to stringent regulations but offer comparatively lower interest rates. Analysis of Table 3 reveals a predilection among government employees for securing loans from public sector banks and institutions. Specifically, government employees availed an average loan amount of Rs.1,928,830, with 92.39% sourced from public sector institutions. Conversely, private sector institutions played no role in lending to this demographic, while the cooperative sector contributed only 5.39% on average. Notably, the government extends housing loan schemes to its employees, with 'other sources' accounting for a mere 2.22% of the average loan amount at Rs.42,767. In contrast, self-employed individuals, daily wage earners, and private sector employees predominantly relied on cooperative institutions for financing, with respective proportions of 85.45%, 23.41%, and 0%. Moreover, government employees secured the largest average loan amounts, possibly attributable to their stable income and simplified loan acquisition processes. Private sector employees and those working abroad followed suit with the second and third largest loan amounts. Occupational status emerges as a pivotal determinant in the choice of lending institution for housing finance, showcasing significant variability across different categories, as indicated by F-statistics with a significance level below 0.05.

Table.3
Distribution of Average Loan Amount according to the Occupation of the Owner and the Type of Financial Institution (in Rs.)

Occupation of owner	Public sector banks and institutions	Private financial institutions	Cooperative institutions	Other sources of loan	Total amount of loan
Government employees	1782146.21 (92.39)	.00 (0)	103916.45 (5.39)	42767.62 (2.22)	1928830.29 (100)
Private sector employees	1127835.05 (81.88)	30927.83 (2.25)	218556.70 (15.87)	.00 (0)	1377319.59 (100)
Business/self-employed	732500.00 (70.49)	63333.33 (6.09)	243333.33 (23.41)	.00 (0)	1039166.67 (100)
Working abroad	1099122.80 (87.44)	157894.73 (12.56)	.00 (0)	.00 (0)	1257017.54 (100)
Daily wage earners	48000.00 (7.27)	48000.00 (7.27)	564000.00 (85.45)	.00 (0)	660000.00 (100)

Others	571428.57 (84.21)	.00 (0)	107142.86 (15.78)	.00 (0)	678571.43 (100)
Overall	1359588.57 (86.94)	29714.28 (1.90)	151142.86 (9.66)	23400.00 (1.49)	1563845.71 (100)
F-value	27.678	10.100	8.777	1.504	24.112
D.f	6 and 699	6 and 699	6 and 699	6 and 699	6 and 699
Significance	.000	.000	.000	.000	.000

Source: Primary survey

iv. Education & Type of Financial Institution

The educational attainment of homeowners significantly influences their choice of lending institutions for housing loans, as indicated by the distribution of average loan amounts across different institution types presented in Table 4. Analysis reveals that individuals with higher educational qualifications exhibit a greater reliance on public sector banks and institutions for loan acquisition compared to those with lower qualifications. Conversely, individuals with lower qualifications tend to rely more on cooperative institutions in contrast to graduates and post-graduates. These findings underscore substantial variations in institution preference based on educational attainment. Importantly, the observed differences are statistically significant, with F-statistics for all columns yielding significance at the 5 percent level. Thus, it can be concluded that the educational status of homeowners serves as a pivotal determinant in the selection of lending institutions for housing loans within households.

Table.4
Distribution of Average Loan Amount according to the Educational Qualifications of the House Owner and the type of Financial Institution (in Rs.)

Educational qualification of owner	Public sector banks and institutions	Private financial institutions	Cooperative institutions	Other sources	Average loan amount
High school	447101.45 (61.39)	.00 (0)	281159.42 (38.61)	.00 (0)	728260.87 (100)
Plus two	707565.79 (63.66)	132894.73 (11.96)	271052.63 (24.38)	.00 (0)	1111513.16 (100)
Graduation	1509832.64 (95.43)	2510.46 (0.16)	58158.99 (3.67)	11631.80 (0.73)	1582133.89 (100)
Post-graduation	2223961.78 (93.62)	.00 (0)	64968.15 (2.73)	86624.20 (3.64)	2375554.14 (100)
Professionally qualified	1244578.31 (83.04)	.00 (0)	254216.87 (16.96)	.00 (0)	1498795.18 (100)

Overall	1359588.57 (86.94)	29714.28 (1.90)	151142.86 (9.66)	23400.00 (1.49)	1563845.71 (100)
F-value	60.622	22.778	12.265	6.024	53.072
D.f	6 and 699	6 and 699	6 and 699	6 and 699	6 and 699
Significance	.000	.000	.000	.000	.000

Source: Primary survey

v. Community demographics & Type of Financial Institution

The analysis of the relationship between community demographics and the choice of financial institutions for housing loans reveals notable distinctions, as illustrated in Table.5. The data highlights distinct patterns in the preference for financial institutions between forward and backward community households. Forward community households predominantly rely on public sector banks and institutions for their housing finance needs, whereas backward community households show a higher reliance on private and cooperative institutions. These differences in institutional preference are statistically significant, as evidenced by F-statistics indicating a significance level below .05 (sig. = .000) across all tested categories. This underscores the robustness of the observed variations in institutional dependency between the two communities.

Table.5

Distribution of average Loan amount according to Community and Source (in Rs.)

Community	Public sector banks and other institutions	Private financial institutions	Cooperative institutions	Other sources of loan	Average loan amount
Forward	1619305.55 (94.72)	12500.00 (0.73)	77777.78 (4.55)	.00	1709583.33 (100)
Backward	1178038.83 (80.58)	41747.57 (2.86)	202427.18 (13.85)	39757.28 (2.72)	1461970.87 (100)
Overall	1359588.57 (86.94)	29714.28 (1.90)	151142.86 (9.66)	23400.00 (1.49)	1563845.71 (100)
F- Value	25.109	5.719	16.622	7.660	9.479
D.f	6 and 699	6 and 699	6 and 699	6 and 699	6 and 699
Significance	.000	.000	.000	.000	.000

Source: Primary survey

Summary

In conclusion, this study provides a comprehensive understanding of the socio-economic determinants influencing housing finance patterns within the Thiruvananthapuram Municipal Corporation area. Through detailed analysis, it is evident that factors such as occupation, educational qualifications, and community demographics significantly impact the sources of housing finance and the choice of financial institutions among homeowners.

Government employees predominantly rely on loans from public sector institutions, while individuals with higher educational qualifications exhibit a greater propensity towards securing loans from banks. Additionally, there are discernible differences in financial preferences between forward and backward community households, with forward community households favouring public sector banks and institutions.

These findings underscore the importance of considering socio-economic backgrounds in housing finance research and policy formulation. By understanding the diverse needs and preferences of homeowners, policymakers can develop targeted interventions to address housing challenges effectively. Moreover, financial institutions can tailor their products and services to cater to the specific requirements of different socio-economic groups, thereby promoting inclusive access to housing finance and fostering sustainable urban development.

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