Meet the Chief

Will Budget offer cover for the common man?

The Centre's focus on affordable housing and healthcare is a welcome step

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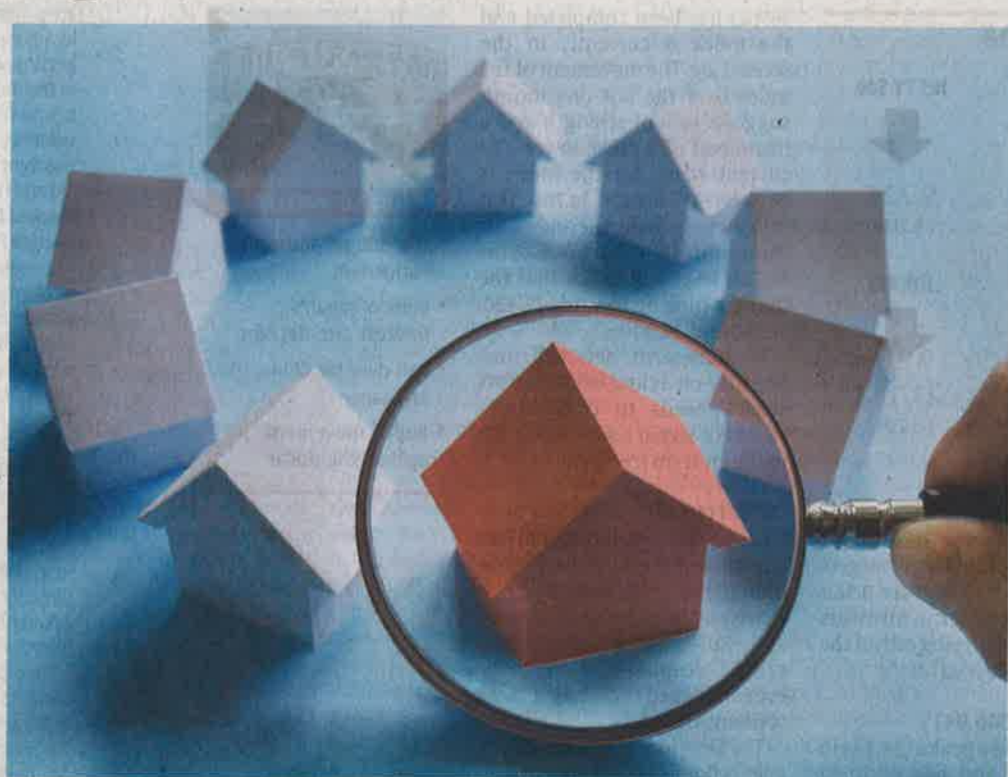

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The biggest pain point for affordable housing segment is the lack of social infrastructure. Delay in approvals and land issue, which is a state subject, has also led builders away from this segment, says Srinath Sridharan Member - Group Management Council, Wadhawan Global Capital (WGC). WGC that manages $20 billion of assets through its lending, investment and insurance platforms, is the parent company of Dewan Housing Finance Limited (DHFL), Aadhar Housing Finance, Avanse Financial Services, DHFL Pramerica Life Insurance, DHFL Pramerica Asset Managers and DHFL General Insurance.

Excerpts:

There has been a lot of focus on the affordable housing segment in recent times. But according to the Sixteenth Standing Committee Report on Urban Development, houses provided to EWS/LIG category under the credit linked subsidy scheme during FY17 (till February 13, 2017) stood at just 14,000; India's urban housing shortage is pegged at about 1 crore. What are the ground levels issues and how do we address them?

Builders are not finding it lucrative to cater to the economically weaker section (EWS) and low income group (LIG). The biggest pain point for affordable housing segment is the lack of social infrastructure — hospitals, schools, connectivity etc. Physical infrastructure is easier to build with resources, but social infrastructure is far more challenging as an ecosystem needs to be created. Delay in approvals and land issue, which is a state subject, has led builders away from this segment. Until these issues are sorted out, developers will not find it viable to construct for this segment.

In the Budget, the Centre has not made any significant allocation to credit linked subsidy scheme (from ₹1,400 crore to ₹1,900 crore). The Budget spoke of establishing a dedicated affordable housing fund, funded from priority sector lending shortfall. How will this substitute for budgetary resources?

The Budget's efforts to set up a dedicated affordable housing fund (AHF) under the National Housing Bank (NHB) for priority sector lending is a welcome step. It will enable better access to the capital and give a fillip to affordable housing development in rural and semi-rural areas. Home finance companies (HFCs) and banks will get access to funds in a quicker manner and, thus, the supply side will get a boost. With another source of dedicated capital, it will lead to faster execution and project completion in the affordable housing segment, delivering more homes as per government initiative.

How will the mega healthcare scheme announced by the Centre play out?

The National Health Protection Scheme (NHPS) announced in the Budget to provide health insurance cover to over 10 crore poor and vulnerable families is a bold step towards democratising healthcare in India. A cover of ₹5 lakh per family is a decent amount to take care of medical emergency. While the implementation of the scheme, burden on the exchequer and the country's current hospital infrastructure readiness to do justice to this endeavour are being debated, at least a positive start has been made.

With the Central, State governments and private players being roped in to give shape to the scheme, it is definitely a welcome step. Ground-level execution and implementation in rural areas will decide the success of the scheme. Linking each beneficiary with the Aadhaar card being made mandatory, misuse or leakage within the system seems to have been minimised at the beginning.

How will the levy of long term capital gains tax impact the MF industry?

The mutual fund industry and the investors have already adjusted themselves to the LTCG tax. Other than initial worries and sentiment-led reactions, the industry has welcomed the LTCG tax on equities. The grandfathering clause has ensured that equity-oriented mutual fund schemes up to January 31 will be exempted and, thus, there will be no sudden shocks for investors. The mutual fund industry is in buoyant state, riding on the positive Indian growth story. This will not have any negative effect; rather, in the long term, it will be factored in by all participants.

With the merger of three public sector insurers on the cards, how will this impact the competitive landscape of the general insurance industry?

The Finance Minister has announced a plan for the merger of three PSU insurance and, according to report, the merger will happen by early next year. As in any merger, it will lead to significant operational efficiencies and more customers-centric company. With the government also announcing the plan for taking the entity public, it will help unlock value and add it to the government's disinvestment kitty. From a competition landscape perspective, it will lead to increased competition for other private players, which is good for the end customer. While private players are already working on gaining market share, this will make the PSU entity more lean and competitive.

The single entity will command almost 30 per cent of market share, making it the largest insurer in India. With India's under-penetration insurance products, the market opportunity is too huge for every player to make a reasonable mark for the next decade. In FY17, insurance penetration is expected to reach 4 per cent; hence, there is opportunity for all players over the next few decades.

Builders are not finding it lucrative to cater to the economically weaker section and low income group. The biggest pain point for affordable housing segment is the lack of social infrastructure

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