

HOUSING FINANCE INSTITUTIONS IN BANGLADESH

A STUDY ON DELTA BRAC HOUSING (DBH)

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Abstract

Currently more than a billion people around the globe live in inadequate housing. With 154 million people, Bangladesh is one of the most densely populated countries in the world. Estimate suggest a shortage of about 5 million houses in Bangladesh with as many as 500,000 houses added annually in urban areas and 3.5 million added in rural areas. Specialized housing finance institutions, state commercial banks, private commercial banks, foreign commercial banks and micro finance institutions are playing the role to address the situation. Lack of supply of institutional housing finance considered one of the major reasons for this housing shortage. Delta Brac Housing (DBH), one of the key private sector specialized housing finance institutions plays vital role for urban housing in Bangladesh. This study tries to find out its (DBH) operational & financial performances in housing sector of Bangladesh. The study also will help the authority of DBH, market competitors, policy makers and researchers to understand the current deficiencies and market opportunity to overcome the housing shortage in Bangladesh.

Keywords: Home Loan, Housing, Housing Finance, Financial Institute, Real Estate Financial Market, Bangladesh

INTRODUCTION

Housing is the one of the basic needs for every human being, with Food, Clothing, Health and Education being the other four. Housing is an important component and a measure of socio-economic status of the people. Providing shelter to the needy, poor and reluctant classes is one of the important economic activities of the Government. Housing finance has become a lucrative business for many banking and non-banking companies. Almost all financial institutions seem to concentrate on retail financing to individuals. Housing as one of the five basic needs of life always remains on the top priority of any person, economy, government and society at large. In Bangladesh, majority of the population lives in urban and unkempt shelters in rural areas. From the last decade, many housing finance institutes of Bangladesh, one of them Delta Brac Housing (DBH) has been continuously trying to strengthen the housing sector by introducing various housing loan scheme for rural and urban population. In this background present study made an attempt to know the Delta Brac Housing financial performance because without sound financial performance, objectives of DBH can't possible to fulfill.

Bangladesh's housing market is characterized by a surplus of upper-echelon housing stock and an acute shortage of affordable housing for the great majority of middle- and lower-income population groups. Estimates suggest a shortage of about 5 million houses in Bangladesh in 2009. In urban areas, the annual estimated demand amounts to 300,000–500,000 houses. In rural areas, with an assumed 2 percent new household formation annually, the new demand could be as much as 3.5 million a year. Of the larger cities and towns in Bangladesh, Dhaka is the hardest pressed in terms of unsatisfied housing demand (according to data from the BHBFC).

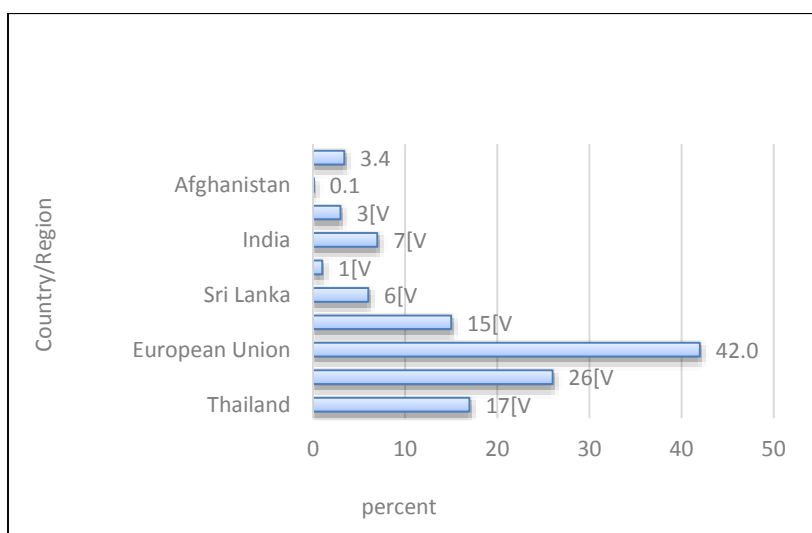
Nenova. T (2010), Bangladesh has a high population density about 1,200 people per square kilometer and a limited area of 134,000 square kilometers, which is frequently flooded during the summer months. In such difficult conditions, only 23 percent of housing in urban areas and merely 2 percent in rural areas is permanent housing. Close to half of all housing units in the country (approximately 3.3 million) are made of temporary materials.

N. Islam (2015) in his study Bangladesh is an essential part of the urban alteration that the world is witness to, and is gradually making the shift from 'rural' to 'urban'. Though the level of urbanization is still rather low, only 28.4 percent, it however already had a very large population 42.7 million in 2011, living in the countries nearly 570 urban centers. The 37 years up to 2011 (because 1974 Census was the first Census after Bangladesh became independent in 1971), has seen the urban population jump by almost 6.8 times, as against the rural population jumping by 1.7 times. The urbanization level has jumped from 8.78 to 28.37 in this period. The annual rural and total population growth rates (estimated) have also witnessed an increasing

trend in the decade 2001-11, but the urban growth rate of 4.01 per cent is much more than the total (1.95 per cent) and the rural (1.24 per cent) growth rates. The long run exponential growth rate of urban population over the period 1974-2011 has been 5.18 per cent, as against only 1.36 per cent of the rural population. But the annual exponential growth rate of urban population of 4.01 per cent registered during 2001-2011 has reversed the declining trend observed during 1991-2001. The urban rural growth differential in terms of the annual exponential growth rates has averaged a sizeable 4.25 per cent in the last 37 years. Thus, Bangladesh, a small and predominantly rural country, is suffering a transformation towards urbanization at a remarkable pace.

South Asian countries have low levels of mortgage debt outstanding (ranging from 0.1 percent to 7.0 percent), relative to all other regions globally (World Bank 2008). The low penetration implies room for growth. A number of countries in the South Asia region are developing reform agendas that would strengthen their housing finance systems. As a result, additional data, more information on good practice in housing finance reforms, and country-specific examples are in high demand.

Figure 1: Ratio of Housing Debt to GDP, Selected Area & Countries



Source: World Bank 2008

From now on, population growth in Bangladesh is expected to be largely an urban phenomenon, and by 2047, 50 per cent of Bangladesh's population is estimated to live in urban areas. The actual size of the urban population at that time would simply be staggering, being more than 120 million, and the national population even more 50. The implications of the

massive size of the national population and that of the urban population are manifold and extremely critical and challenging.

Bangladesh has achieved a consistent growth rate of about 6% in the last few years. The real estate and the housing sector growth rate, albeit positive, has lacked the GDP growth rate at around 4.02%. This implies that even though there is high demand in the market for new accommodations, the supply side has lacked demand. There simply isn't enough supply of the real estate and housing. This in turn indicates the lack of good institutions in the housing and real estate value chain, from land developers to builders to financiers.

Both the number of REHAB (Real Estate & Housing Association of Bangladesh) members and number of apartments are increasing at a fairly constant rate with an exception in the fiscal year 13-14 during the period the care-taker government. The positive trend of this sector signifies bright prospects it has and gives an indication of positive growths in the future. To address the situation Specialized Housing Finance Institutions, State Commercial Banks, Private Commercial Banks, Private Commercial Banks & Micro Finance Institutions are working.

Objectives of the Study

Though housing financing is not a new concept, but researching on this issue is newer in our country as a few comparative studies have been conducted. In light of rapid development and importance real estate financing, the main objective of the present study is to describe a study on specialized housing financing institution of Delta Brac Housing (DBH) in Bangladesh. To accomplish this objective, following specific objectives have been covered:

1. To give a brief idea of the housing financing conditions in Bangladesh.
2. To study about summary of Delta Brac Housing.
3. To observe and explore the operational performance of Delta Brac Housing Limited.
4. To study the financial performance of Delta Brac Housing Limited.
5. To offer suggestions based on findings of the study.

LITERATURE REVIEW

Many studies have been undertaken in the field of housing finance companies. As some of them are directly or indirectly related to the present study of housing finance by DBH, a review is made of such studies, which have great irrelevance to the subject matter of the present study.

The majority of the population of developing countries is set back to get access of housing finance to fulfill their fundamental need of shelter. Whereas providing shelter to all the people are one of the fundamental responsibilities of the state. Hoek-Smit found that one of the major obstacles in improving the housing conditions for middle and lower income households is

government's lacking to figure out available and accessible housing finance (Hoek-Smit, 1998). Many studies showed that Bangladesh will need to construct 4 million houses annually to tackle the housing demand in the next 20 years (Karim et al, 2010). Whereas as a study by the World Bank in South Asia reported, a shortage of 5 million houses annually in Bangladesh in addition of existing housing added 500000 in urban areas and 3.5 million in rural area (World Bank, 2010).

Nenova. T (2010), In Bangladesh, fully 3.5 million people in rural areas are without shelter. In urban areas, about 21 million people belong to the lower-income groups, residing in 1.9–3.0 million (mostly temporary) dwellings that require incremental construction and repair (data from Bangladesh House Building Finance Corporation). Bangladesh alone has more than 2,100 slums. Thus, the potential housing finance demand is considerable.

Dr. Mostafa Kamal (2015) in his study revealed that DBH contributions of financing for housing sector development. Disbursement of home loan increased at increasing home loan during the increase amount of disbursement in 2008-09 compared to the earlier year was Tk.4002-Tk.5327 million which increased up to Tk.5357-Tk.6583 million in 2013-14. The reasons behind the growth in housing loans are, (i) Easy availability of housing loans, (ii) Growing population (iii) Nuclear family system, (iv) Newer segments for finance, (v) Urbanization of Bangladesh economy, (vi) Shortage of dwelling units, (vii) High demand for house.

The observation of Sarker et.al (2008) in their study entitled “Real Estate Financing in Bangladesh: Problems, Programs, Prospects” observed that DBH comes at the top among all the institutions as far as loan sanctioned, disbursements and the loan outstanding are concerned, both private and public.

Amin et al. (2008) in their study on “REHAB in the development of Society” stated that the main objective of the real estate sector development bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled specialized banks. The paper is based on the case study of DBH Ltd., which analyzes region-wise disbursements of individual house loans their portfolio amounts and the defaults for the last seven years, i.e., from 2008 to 2014 by working out relevant ratios in terms of percentage and the compound annual growth rates.

Rao K.N. (2010) in his article “Housing Finance – A Global Perspective” mentions in this article that home loans have been registering exponential growth in South Asian country during the last five years. Easy liquidity conditions, low interest rates, availability of tax shelters on repayment of principal and interest surging demand from middle/lower income group borrowers, lower regulatory capital, the comfort of tangible security have all collectively contributed to the

emission in home loans. Private Institutions like that DBH is the major players in disbursement of home loans. These banks sanction up to 75% of the cost of the property as home loan for a maximum period of 15 years.

Though there are many available sources of housing finance for different class of people (according to income level) but yet lower –middle and low class peoples' demand are still received limited attention. Government-subsidized housing finance institutions and Government subsidies tend to be insufficient or inappropriate. Private sector mortgage markets serve only 10-20 per cent of the population. Besides, housing microfinance is still an emerging industry in spite of its strong value proposition and informal systems are not yet well-organized (De Soto, 2003). In addition, the need for the improvisation in the housing finance system and the role of specialized housing finance institutions have been articulated in numerous studies and by different government and international agencies.

According to a research titled 'A comprehensive study on the Real Estate sector of Bangladesh', has found that 80% of almost 700 households surveyed in the Dhaka city have declared the bank loan as a major source of fund for apartment purchase and 19.91 % only depends on government-subsidized housing finance institutions and specialized private sector housing finance institutions.

According to the Bangladesh Bank's data, in last 5-year specialized housing finance institutions' contributes only 22.16%, 19.61%, 16.42%, 21.70% & 19.67% in 2009 to 2013 respectively out of the total housing loan portfolio (REHAB, 2012; Bangladesh Bank). Still the availability of housing finance is crucial for overall economic development as well as for a household's welfare and its quality of life (Nadler, 2006).

With time, there has been expansion and improvement in the housing finance market by way of various financial reforms; however the housing loans as a percentage of GDP have remained at around 4.02%, significantly lower than the levels achieved in most of the developed countries. It indicates the extent of opportunity for deeper penetration of such market. With improving demographics and economies of scale, the mortgage to GDP ratio is likely to increase.

The stakeholders, however, need to reckon with problems and impediments in the process which may arise from changes in the economic cycle, uncertainties surrounding land acquisition policies, changes in the policy framework and systemic risk that could arise out of rapid credit expansion with lax due diligence standards. This also indicates the bright prospect for the few good institutions, such as DBH, to continue their growth.

Bangladesh is the highly fasted growing mega city for South Asian Country. Bangladesh housing sector is day by day increasing because increasing population. But people financial

condition very poor for purchase a new home/house. So need some housing finance institutions, now in time government do not play the role for housing development. But private finance institutions are the major players in disbursement of house loan. Most of the private housing finance institution provides a house loan for housing sector development, DBH one of them.

Prerequisite of the Study

The preface of Delta Brac Housing is to operate as a private agency to promote housing finance institutions both at local and regional levels and to provide financial and other support to such institutions and for matters connected there with or incidental there to. From the preface it is found that, the objectives of Delta Brac Housing is service aphorism rather than profit motto because DBH is promoting housing financial Institutional, in turn housing finance Institutions lending money for construction of houses which is basic need of the people. In this background present study is made an attempt to know financial performance of the Delta Brac Housing.

RESEARCH METHODOLOGY

The database for the study entails of secondary data. The annual reports of the Delta Brac Housing Limited, website, research papers and books etc. and collected data is analyzed with the help of comparative statements, as per the requirement and the secondary sources of data for the study. The data was analyzed by financial ratios, compound growth rates, percentages, etc.

Housing Finance Institutions in Bangladesh

Bangladesh has well-developed financial sector, though it is mainly dominated by banking sectors. The sector comprises of 56 commercial banks, 31 non-bank financial institutions, 62 insurance companies, 599 micro finance institutions (Bangladesh Bank). The housing financing is also dominated by banks besides, there are some specialized financial institutions like BHBFC- a government-subsidized entity that pioneered housing finance in the country and until recently, was one of the major sources of housing finance in the country, DBH, NHF etc. Dhaka is the major market for housing finance as recent estimates indicates that over 80% of housing loan disbursed to Dhaka city based developers and purchasers. Due to limited sources of funds and high interest rate, there is inadequate financial intermediation in the housing sector (Bhattacharya D-CPD, 2003).

Table 1: Outstanding Housing Loans

LENDERS	Outstanding Housing Loans (in Billion TK)						
	2008	2009	2010	2011	2012	2013	2014
A. Specialized Housing Finance Providers	35.1	39.9	44.9	48.3	51.9	55.7	59.7
i. Bangladesh House Building Finance Corporation	24.4	25.0	25.1	25.1	25.8	28.0	29.6
ii. Delta Brac Housing	9.0	12.9	17.4	20.7	23.6	24.9	26.8
iii. National Housing Finance	1.7	2.0	2.4	2.5	2.5	2.8	3.3
B. Banks	101	123.6	162.4	220.9	286.8	349	366.8
i. NCBs/ PCBs	50.8	74.9	99.0	147.6	191.8	229.8	235.6
ii. SCBs	33.6	36.8	48.1	53.0	63.4	73.1	100.1
iii. Other Banks (Foreign & Specialized)	16.6	11.9	15.3	20.3	31.6	46.1	31.1
C. Other Financial Institutions	0.2	7.2	9.2	11.3	19.2	20.8	27.7
D. Micro-Credit lenders							
Grameen Bank	0.2	0.2	0.2	0.09	0.06	0.04	0.04
Total	136.5	171.0	216.7	280.59	358.0	425.54	454.24
Growth Rate	10.44%	25.27%	26.80%	29.48%	27.59%	18.86%	06.74%

Source: Annual report Bangladesh Bank

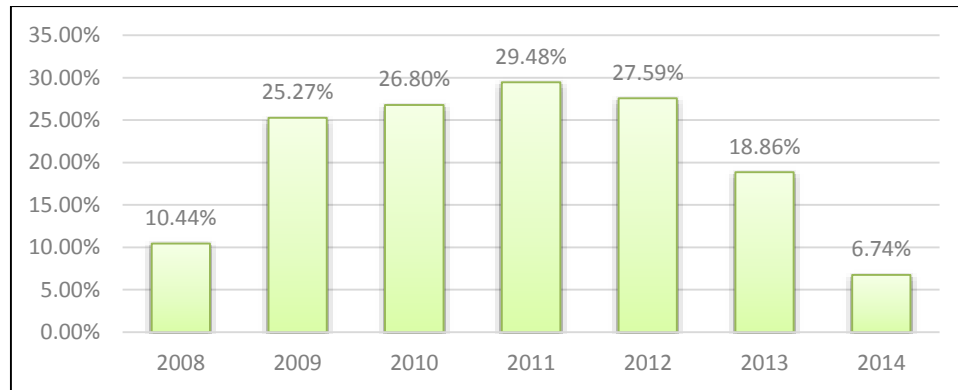
As of June 30, 2014, the total housing loan from banks and financial institutions stood at TK.454.24 billion, a 06.74% increase over that of end-June 2013.

The table shows housing loans given by all banks, including specialized housing finance providers, State-owned Commercial Banks, Private Commercial Banks, Foreign Commercial Banks, Specialized Banks, other financial institutions and micro-credit lenders. Of the total loans, private commercial banks expanding their housing loan portfolios as they have huge deposits sources. Here it is shown that in 2014, PCBs dominates market share with take 235.6 billion in outstanding housing loans not only in 2014 also in last 7 consecutive years. The second position holds by SCBs with Taka 100.1 billion loans. The state owned Bangladesh House Building Finance Corporation (BHBFC) has the third largest market share with TK.29.6 billion in outstanding housing loans as of end June 2014. The sources of BHBFC's fund are paid-up capital and selling Government guaranteed interest bearing debentures to different organizations. Though the second source of funding is unavailable these days. Besides, two private sector specialized housing finance companies also provide a significant amount loan.

Total loans have essentially grown up over the time that basically reflects the steady rising demand for housing, and thus loans for availing those of individuals and institutions. From the table, it can be seen that total outstanding loans in 2008 were only TK 136.5 billion, which is stood 454.24.1 billion in 2014 with average 20.74% growth rate. Though this rapid change in

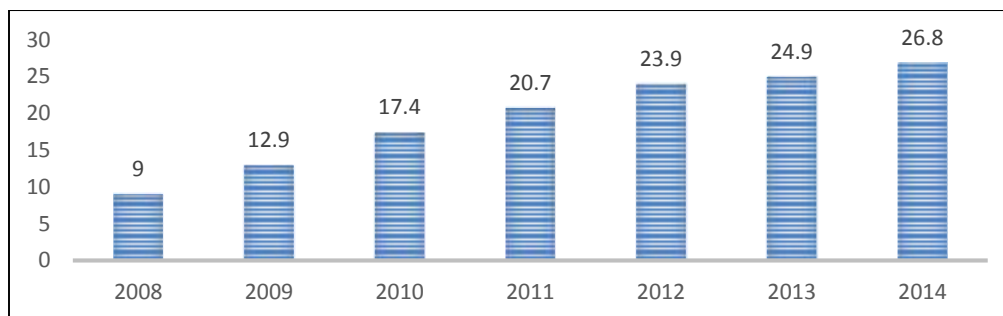
total housing loans, major contributor is now PCBs whereas specialized government housing finance authority (BHBFC) losing its market share due to lack of efficiency, availability of funds etc.

Figure 2: Overview of Housing Loan Growths



Besides banks, other sources of housing finance currently available in Bangladesh are BHBFC, DBH, NHC, insurance companies. In the rural sector, the housing cooperatives are the major providers of housing finance. The state-owned Bangladesh House Building Finance Corporation (BHBFC) was the market leader in 1999's and now it has been lower its loans in recent years and also is burdened with bad loans. NGO collaborated Delta-BRAC Housing came into the market, but it has been facing some hurdles due to higher interest rates since its inception. The major housing loan provider is BHBFC and commercial banks and other organizations like DBH, NHF and Micro-credit lenders are insignificant. But now a day, DBH- a private sector specialized company doing much better and also disburse a huge amount of money in real estate sector. The table shows the outstanding housing loans disbursed by the specialized housing finance institutions of DBH in Bangladesh in 2008-2014.

Figure 3: Outstanding Housing Loan



Source: Annual Report of Delta Brac Housing Ltd.

About Delta Brac Housing Finance Corporation Limited

Delta Brac Housing Finance Corporation Ltd. (DBH) is the pioneer, largest and specialized in Housing Finance Institution in the private sector of the country. After commencing operation in the early 1997, the company has registered commendable growth in creating home ownership among more than 23,000 families in Dhaka and other major cities of the country. At the same time, the company has been playing an active role in promoting the real estate sector to the large cross sections of prospective clients who had but yet unfulfilled dream of owning a sweet home. Among all Banks and Financial Institutions of Bangladesh only DBH has been rated the highest 'AAA' credit rating. The level of credit rating provides a very important indication of the financial safety, security and strength of the concerned Bank or Financial Institution and is particularly relevant to its depositors and other investors such as shareholders and lenders.

DBH has been established to achieve, the following objectives:

- i. To promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system.
- ii. To promote a network of dedicated housing finance institutions to adequately serve various regions and different income groups.
- iii. To augment resources for the sector and channelize them for housing.
- iv. To make housing credit more affordable.
- v. To regulate the activities of housing finance companies based on regulatory and supervisory authority derived under the Act.

Shareholding Structure

DBH is an international joint venture organization promoted by five institutions: three local shareholder organizations and two international partners. The company floated its shares to the general public through IPO in the year 2008.

The Local Partners consist of the following

- i. Delta Life Insurance Company Limited: The leading life insurance company in the private sector of the country.
- ii. BRAC: The largest national NGO of the world, having deep presence in the country and contributing in the socio-economic development of the country.
- iii. Green Delta Insurance Company Limited: The leading and pioneer general insurance company in the private sector of the country.

The International Partners consist of the following

- I. **HDFC:** A pioneer in the area of private sector housing finance in India and the most successful housing finance institution in the South Asia bring to DBH technological and business expertise making the proper recommendations in relation to products, policies, systems and procedures.

Table 2: Shareholding Pattern of International Partners

Shareholding Pattern	Percentage of Holding
<i>Local partners</i>	
Delta Life Insurance Company Limited	20.37
General Public	18.52
BRAC	20.37
Green Delta Insurance Company Limited	16.30
<i>International partners</i>	
HDFC	12.22
IFC	12.22
Total	100

Source: Annual Report of Delta Brac Housing Ltd.

- II. **IFC:** The private sector arm of the World Bank Group. Both local and foreign shareholders come together with an objective to channel resources into providing finance for the people basic need for shelter, enhance housing stock of the country and promote affordable home ownership.

Operational Parameters

Table 3: Capital Pattern of DBH

Company Summary (Million Tk)	
Paid up capital	1,160
Total Capital	2,776
Capital surplus/(deficit)	160
Total assets	33,945
Total deposits	21,550
Total Loan & advances	27,087

Source: Annual Report of Delta Brac Housing Ltd.

The above table interprets the company summary indicators of DBH for the period of 2014. It can observe that during this year total paid up capital Tk.1,160 million, total capital Tk.2,776 million, capital surplus/(deficit) Tk.160 million, total assets Tk.33,945 million, total deposits

Tk.21,550 million, total loan and advances Tk.27,087. It can be accomplish that the summary of the DBH in last year 2014.

Table 4: Financial Highlights of DBH in the last 7 years

	2008	2009	2010	2011	2012	2013	2014
Housing loan portfolio	9,818	13,249	17,721	21,115	23,598	24,901	26,831
Return on Equity (ROE) (average equity)	18.10	22.64	27.39	34.40	21.27	22.95	22.78
Return on Asset (ROA)	1.69	1.71	1.79	2.16	1.55	1.74	1.81
Income from Investment	.0	3.1	12.4	16.1	34	2	n/a
Cost of fund		12.07	9.55	8.92	11.07	12.15	11.32

Source: Annual Report of Delta Brac Housing Ltd.

The upstairs table depicts the financial highlights of Delta Brac Housing for the last 7 years since 2008-2014. From the above table it is found that DBH having Tk.1,37,233 million of Housing Loan portfolio till 2008-2014 and also it is found that the value of the ROE is in increasing trend, as on 2008-14. Along with it is also found that DBH earning good cost of fund last year 11.32%.

DBH has managed impressive growth in loan portfolio, deposit collection, earnings growth and total assets, asset quality, sound management and profitability. DBH has achieved 35% loan growth in the last two years. The company achieved average ROE and ROA of 22.78% and 1.81% respectively in the last financial year, which is impressive in the industry. DBH also managed to efficiently address a challenge faced by all non-banking financial institutions, namely to keep the cost of capital low. DBH has made efficient use of deposits and subsidized credit provided by the central bank.

Total Assets & Fund Under Management

Figure 4: Total Assets & Fund under Management



Source: Annual Report of Delta Brac Housing Ltd.

The upstairs table depicts the Financial Highlights of Delta Brac Housing for the last 7 years from 2008-14. From the upstairs graph it is found that the financial performance of Delta Brac Housing is satisfactory and it also draw conclusion that financial performance of the DBH is comprehensive and its operations are commendable.

Fund Employed

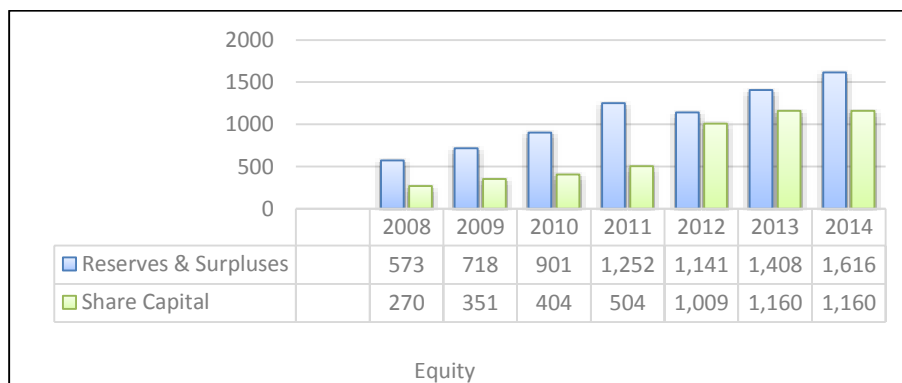
Figure 5: Fund Employed



The upstairs table depicts the Financial Highlights of Delta Brac Housing for the last year 2014. From the upstairs graph it is found that the financial performance of Delta Brac Housing is fund employed and it also show high fund employed deposit Tk.15,751 million, then long term loan Tk.6,862 million, net worth Tk.2,151 and lowest zero coupon bonds Tk.75 million.

Equity

Figure 6: Scenario of Equity of DBH

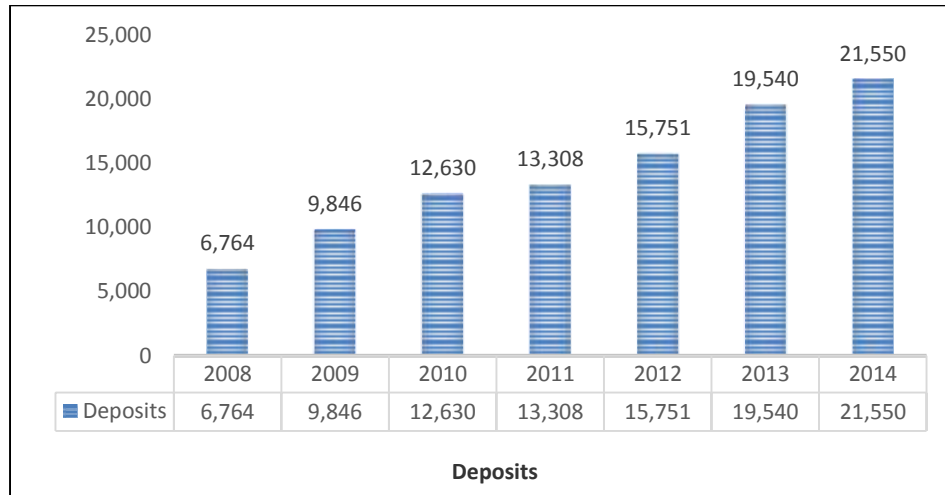


Source: Annual Report of Delta Brac Housing Ltd.

The upstairs table depicts the Financial Highlights of Delta Brac Housing for the last 7 years from 2008-2014. From the upstairs graph it is found that the financial performance of Delta Brac Housing equity increasing year by year, equity Tk.573 million 2008 but rapidly increase equity Tk.1, 616 million 2014 and it also show share capital also increase day by day from 2008-2014.

Deposits

Figure 7: Scenario of Deposits of DBH



Source: Annual Report of Delta Brac Housing Ltd.

The upstairs table depicts the Financial Highlights of Delta Brac Housing for the last 7 years from 2008-2014. From the upstairs graph it is found that the financial performance of Delta Brac Housing deposits increasing year by year, deposit Tk.6,764 million, Tk.9,846 million, Tk.12,630 million, Tk. 13,308 million, Tk. 15,751 million, Tk. 19,540 million, Tk.21,550million from 2008-2014.

Types of Loan

The main activities of DBH are providing various loans for construction of houses, purchases of flats or houses, extension and improvement of existing houses or flats and purchase of housing plots. The diversified home loan product include apartment loan, home construction loan, housing plot loan, home extension loan, home improvement loan, BB Refinance Scheme, home owner’s loan, flexi plus loan and protection Insurance. The company also provides services for purchase, sale and transfer of real estate assets.

Home Loan of DBH Finance Corporation Limited

The company provides loan for houses up to 70% of the cost of the apartment or construction cost of the house. The company is so customer friendly that it allows the customers to apply for housing loan even if they have not selected their property or the construction of their house has not been started yet. Once decided to buy or construct an apartment or house or housing plot customer can apply for the home loan.

It is the time when all other institutions are not financing Non-Resident Bangladeshi, but DBH is providing finance to them and Government of Bangladesh looks into the matter. The company has turned the dream of many people into reality by providing them home loans. Other benefit of home loan is that people get exempted from paying tax if they have taken loan.

The strength of any financial institution is indicated by the non-performing loans and DBH emerges as the best among other peers by keeping its non-performing loan less than 0.50%. Its loan recovery system has shown path to many of the financial institutions across the globe. This company always promote safe and secure business with minimum risk as all loans provided by the company are 100% collateralized by way of legal agreement over all the properties that they finance and they do not provide loans in high risk areas like foreign exchange transactions, industrial finance or trade finance. The growth of average assets by 60% annually and average profit by 58% is the proof of superb operating efficiency and strength of the management.

Loan Growth: Both Approval and Disbursement Has Been Increasing

DBH has achieved 35% loan growth in last year and loan growth has been continued since 2008. We are expecting 35% loan growth in next five years. This level of loan growth is impressive in this sector where NBFIs are competing with the banks in terms of interest rate. Housing loan is the main area where DBH has put maximum emphasis to increase and retain this level of growth.

Loan approval and disbursement has been increasing over the last five years and we are expecting this level of growth in next years. Currently DBH has more than BDT 47,353 million exposure to housing sector. The total cumulative loan amount of DBH was more than BDT 54,187 million on 30 June 2014.

Loan Approval, Disbursements, Cumulative Loan Approvals, Cumulative Loan Disbursements to Loan Sanctions of DBH

Table 5: Operational Highlights

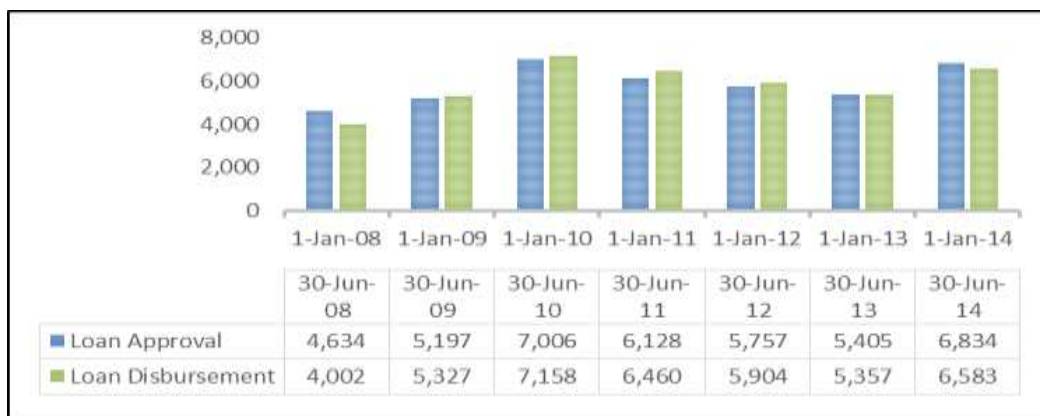
Operational Highlights							
	2008	2009	2010	2011	2012	2013	2014
Loan Approvals	4,634	5,197	7,006	6,128	5,757	5,405	6,834
Loan Disbursements	4,002	5,327	7,158	6,460	5,904	5,357	6,583
Cumulative Loan Approvals	17,860	23,057	28,537	34,997	40,901	46,258	52,841
Cumulative Loan Disbursements	16,052	21,379	30,063	36,191	41,948	47,353	54,187

Source: Annual Report of Delta Brac Housing Ltd.

The upstairs table depicts the Financial Highlights of Delta Brac Housing for the last 7 years from 2008-2014. From the upstairs graph it is found that the financial performance of Delta Brac Housing loan approvals year by year, Tk.4,634 million, Tk.5,197 million, Tk.7,006 million, Tk. 6,128 million, Tk. 5,757 million, Tk. 5,405 million, Tk.6,834 million. loan disbursements year by year, Tk.4,002 million, Tk.5,327 million, Tk.7,158 million, Tk. 6,460 million, Tk. 5,904 million, Tk. 5,357 million, Tk.6,583 million. Cumulative loan approvals year by year, Tk.17,860 million, Tk.23,057 million, Tk.28,537 million, Tk. 34,997 million, Tk. 40,901 million, Tk. 46,258 million, Tk.52,841 million. Cumulative loan disbursements year by year, Tk.16,052 million, Tk.21,379 million, Tk.30,063 million, Tk. 36,191 million, Tk. 41,948 million, Tk. 47,353 million, Tk.54,187 million from 2008-2014.

Loan Approval and Disbursement

Figure 8: Scenario of Loan Approval and Disbursement of DBH

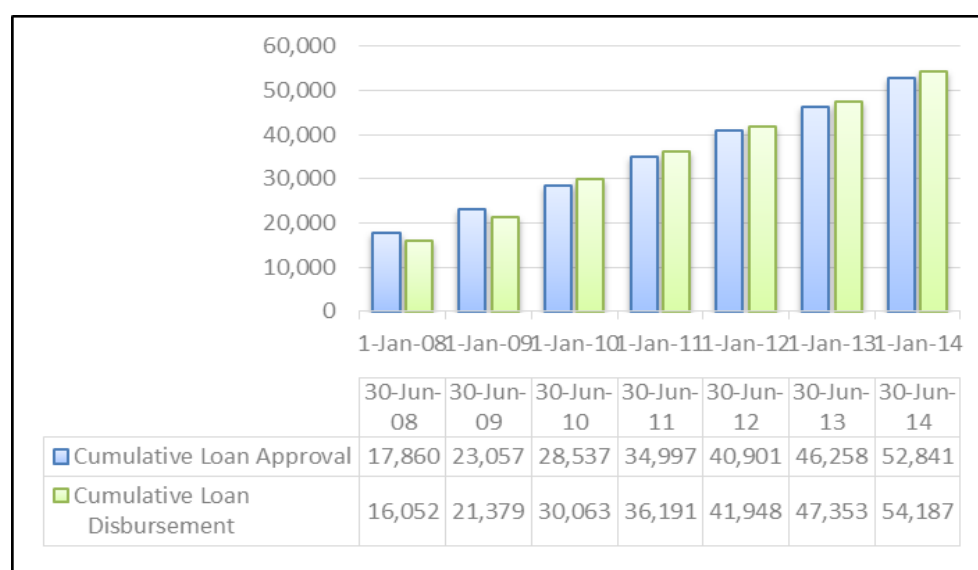


Source: Annual Report of Delta Brac Housing Ltd.

The upstairs table depicts the Financial Highlights of Delta Brac Housing for the last 7 years from 2008-2014. From the upstairs graph it is found that the financial performance of Delta Brac Housing loan approvals year by year, Tk.4,634 million, Tk.5,197 million, Tk.7,006 million, Tk. 6,128 million, Tk. 5,757 million, Tk. 5,405 million, Tk.6,834 million.loan disbursements year by year, Tk.4,002 million, Tk.5,327 million, Tk.7,158 million, Tk. 6,460 million, Tk. 5,904 million, Tk. 5,357 million, Tk.6,583 million from 2008-2014.

Cumulative Loan Approval and Disbursement

Figure 9: Cumulative Loan Approval and Disbursement of DBH

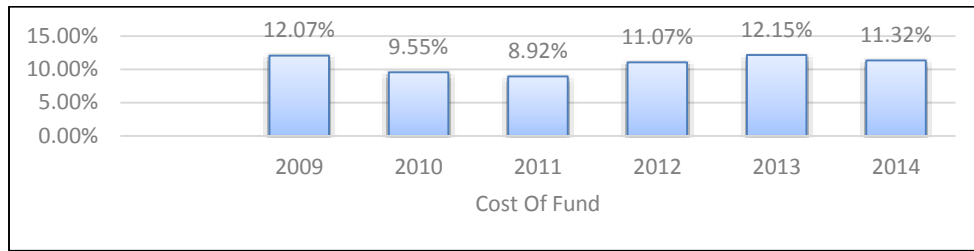


Source: Annual Report of Delta Brac Housing Ltd.

The upstairs table depicts the Financial Highlights of Delta Brac Housing for the last 7 years from 2008-2014. From the upstairs graph it is found that the financial performance of Delta Brac Housing Cumulative loan approvals year by year, Tk.17,860 million, Tk.23,057 million, Tk.28,537 million, Tk. 34,997 million, Tk. 40,901 million, Tk. 46,258 million, Tk.52,841 million. Cumulative loan disbursements year by year, Tk.16,052 million, Tk.21,379 million, Tk.30,063 million, Tk. 36,191 million, Tk. 41,948 million, Tk. 47,353 million, Tk.54,187 million from 2008-2014.

Cost of Fund

Figure 10: Cost of Fund of DBH



Source: Annual Report of Delta Brac Housing Ltd.

The bar chart illustrates the total cost of funds of DBH from 2008 to 2014. Overall, it can be seen that the total cost of funds of the companies increased a little in these seven years. The cost of fund of DBH is almost 4% greater than that of cost of others financial institutions. Whereas, DBH collects fund from competitive market i.e. its cost of funds is higher than others financial institutions.

Profit Growth

Figure 11: Profit Growth of DBH



Source: Annual Report of Delta Brac Housing Ltd.

Operating profit before provision, profit before tax and net profit after tax has been increasing since 2009-10 up to 2013-2014. The effect of provision on profit is significantly low due to impressive NPL ratio of DBH.

Return on Investments & Return on Assets

Table 12: Delta Brac Housing Limited

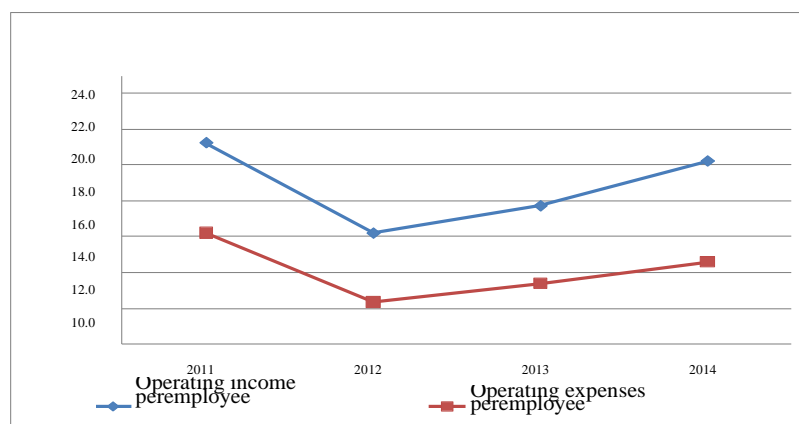
Particulars	2008	2009	2010	2011	2012	2013	2014
ROI	46.25%	45.34%	53.98%	32.81%	20.69%	22.95%	22.78%
ROA	N/A	3.16%	3.33%	2.16%	1.55%	1.74%	1.81%

Source: Annual Report of Delta Brac Housing Ltd.

Return on investment is one of the major indicators that an organization must count on to get an idea about its invested capital's outcome. From the table it can be seen that DBH, ROI is lower in each year since 2012. It can also be seen that the asset utilization capacity of DBH is much better than others. We have seen that DBH's ROA slightly declined to 1.81% in 2014 but in 2010 DBH's ROA increased a bit and then decreased in 2011 & 2012.

Operating Income/Expense per Employee

Figure 12: Operating Income/Expense Per Employee (Million Tk)



Source: Company Annual Report

Operating income and expenses per employee has been increasing for the last five years and it was 27.7 million & 13.4 million respectively in 2013-2014. Since operating expense has a direct relationship with loan growth, operating expenses per employee is increasing because of recruiting of new employees to monitoring and maintaining the relation with the clients. But the growth in operating income is higher than growth in operating expenses.

RECOMMENDATIONS & CONCLUSION

Since the study, it can be stated that government supported housing finance institution fail to statement the pointing lower- and lower-middle income groups either. For this reason, large lower- income housing market is hardly addressed through private sector institutions like DBH trying the growth of housing finance. Fund deficiency of DBH is high compared with public institutions. Though loan processing, non-performing loan is better for DBH. Customer satisfaction of private housing finance institutions is better and market size of DBH is very poor but the overall growth rate is much better of DBH. In one sentence, DBH is doing much better than that of others finance institutions though it's the pioneer in specialized housing finance institutions. Based on the findings resulting from the study, this investigation mentions the following:

- i. Supporting Housing Finance institution should reach the low income group;
- ii. Private sector institution (DBH) should increase access to formal mortgage finance to lower and middle income households;
- iii. Increase the number of Branches;
- iv. Review of the restrictive lending criteria and processing time should be reduced;
- v. Government support is required to Informal and newly established Housing Finance Institutions;
- vi. Easy loan procedures.
- vii. Provide a rules for fixed interest rate;
- viii. Government plays the role for Housing Sector development.

The housing sector plays major role in the framework of both fulfilling fundamental right of shelter to the residents and economic development of a country. Emerging economies like Bangladesh where there are enormous shortages of housing. To fulfill this shortage, suitable housing supply is obligatory, which contingent on so many factors where housing finance plays a driving role? Housing finances the apparatus by which the construction or purchase of housing by an individual is financed. From the study it can be concluded that housing finance is a key factor in defining the quality and tenure of housing consumption. The role of housing finance companies, especially specialized housing finance institutions are very essential.

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