

Housing Finance Institutions in Bangladesh- A Comparative Study on BHBFC & DBH

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Abstract: Bangladesh is one of the promising housing markets with considerable growth potentials though it has been experiencing slow growth since 2010 due to some major problems. To resolve the housing shortage and revive the growth potentialities, providing housing finance is one of the important aspects that must be considered to meet housing needs. Though there has been continued expansion of the financial system, the need for housing finance remains inadequate. Many initiatives have been taken, including government-subsidized housing finance to help people to own a house, yet, low and middle-income groups have been confronting difficulties to get housing finance. This paper presents a comparative study between two specialized housing financial institutions in the development of housing sector in Bangladesh. It has been found that BDH is doing much better than that of BHBFC though it's the pioneer specialized housing finance institution in Bangladesh. There is also a discussion about factors affecting housing finance by these two specialized housing finance institutions. Data are collected from secondary sources and analyzed by using qualitative analysis and regression analysis by using SPSS software.

Keywords: Housing Finance, Housing Loan, Specialized Financial Institutions

1. Introduction:

The significance of housing must not be overlooked. Now-a-days it is treated as a critical necessity and in some countries, it is equated with a human right (World Bank, 2010). In Bangladesh housing is also treated as a basic right in our constitution. Housing not only provides shelter, but also housing may have a significant impact on the lives of the inhabitants as it is the cornerstone of community life, it bring societal esteem, it is a source of income generation, the center of family activities and most valuable asset for the households (Sarker et al., 2008; and World Bank, 2010). Bangladesh, one of the most densely populated countries in the world, is the home of over 160 million people of whom around 31.5% are poor. Yet, making shelter available to all is increasingly becoming a big challenge in Bangladesh (Mohidul C. Haque, 2013). Like many other developing countries, Bangladesh also faces an acute housing supply shortage both in urban and rural areas. Housing shortage was estimated to be 3.10 million units in 1991 out of which 2.15 & .95 million units in rural & urban areas respectively. Estimates also suggest a shortage of about 5 million houses in Bangladesh, where 1.0–1.5 million needed in urban areas, with as many as .50 million houses added in urban and 3.5 million

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added in rural regions annually (National Housing Authority, 2004). Statistics & studies show that the urban population constitutes almost 32% of the total population (World Bank) and expected to be 34% at the end of 2015 with an urban growth rate expected to be on an average of 3.7% annually. In South Asia, Bangladesh holds the second position in terms of urbanization rate and proportion of urban population and that is why Bangladesh is one of the most attractive real estate markets in South Asia (Barua et al., 2010).

In Bangladesh, real estate sector is one of the fastest growing thrust sectors as there is a huge shortage of housing for both urban and rural areas. Besides aspiration and societal dignity of owning a house or apartment, abnormal profitability aspect of the housing companies, urbanization and other factors have led to a rapid expansion of the Real Estate industry in Bangladesh (Das S. Micheal, 2014).

Bangladesh has excellent institutional infrastructure for housing finance. Both public and private sector, institutions came forward to contribute in the housing sector. Still, there are huge challenges in the housing finance system. Government-subsidized housing finance through the Bangladesh House Building Finance Corporation (BHBFC) did not succeed to address its targeted groups, at the same time Nationalized Commercial Banks (NCBs) are also comparatively reducing their focus on housing loan portfolios (see table 01). Development of the sector has to come through private financial institutions and specialized housing finance institutions like Delta-BRAC Housing Finance Corporation Ltd (DBH) that recently have started to operate in this market (World Bank, 2010).

2. Rationale of the Study:

The comparative study between specialized housing finance institutions named BHBFC & DBH and especially factors affecting housing finance by these institutions have received limited attention though there are enormous studies on factors affecting housing financing. This study focuses on both comparative study between two housing institutions named BHBFC & DBH & factors affecting their financing. Our study will contribute to further research in this area. Though our study focuses on a comparison between two housing finance companies and also tries to figure out the factors affecting housing financing demand, academic experts will be able to use this one as a basis for further study in this field.

3. Objectives of the Study:

Though housing financing is not a new concept, research on this issue is new in our country as only a few comparative studies have been conducted. In the light of rapid development and importance of real estate financing, the main objective of the present study is to describe a comparative study on two specialized housing financing institutions of Bangladesh. To accomplish this objective, following specific objectives have been covered:

1. To give a brief idea of the housing financing condition in Bangladesh.
2. To provide a comparison between two housing finance companies.

3. To identify the financial institutions involved in the house financing sectors.
4. To evaluate factors affecting housing financing by these two companies named BHBFC & BDH.

4. Methodology:

This study has been conducted to compare the two specialized housing finance institutions in Bangladesh and to identify the factors affecting housing finance by these two institutions named BHBFC & BDH. The real estate financing issues have been reviewed by providing updated data and literatures considering both developed and developing real estate financing markets. Information has been gathered from secondary sources like journals, working papers, World Bank report, annual reports, industry news and developments. For better understanding of the topic, a critical assessment of the existing literatures on the issue is provided.

5. Literature Review:

A large number of the population of developing countries is keen to get access to housing finance to fulfill their fundamental need of shelter. 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 indifference 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). According to a study by the World Bank, in South Asia, there is a shortage of 5 million houses annually in Bangladesh in spite of existing housing added .50 million in urban areas and 3.5 million in rural area in a year (World Bank, 2010).

According to Renaud, housing finance systems in emerging economies share almost same and several characteristics. Most real estate finance systems are "institutional patchworks" that comprise public (government-subsidized housing finance institutions) & private sector institutions/ specialized housing finance institutions (Renaud, 1997). Housing finance plays a vital role in the development of an economy by supporting strong housing markets. Strong housing and real estate finance markets bring many social and economic benefits like increased investment, savings, employment and more social and labor mobility (WB, 2010).

According to a research titled 'A comprehensive study on the Real Estate sector of Bangladesh', it has been 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' contributed 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).

Housing Finance Group of the International Finance Corporation (IFC) stated that housing finance contributes to societal dignity and social stability by facilitating inhabitants to purchase a real asset which will represent most valuable asset for the households. In addition, housing represents 15 to 40 per cent of the monthly expenditure of households worldwide. Housing sectors also accounts for 15 to 35 percent of overall investments globally (Housing Finance Group, 2006). Although the classification of house financing is not essentially a proposition for funding money by the middle and lower classes of people for their living, lack of effectiveness of the proper authority makes it difficult for the public to get a moderate home loan from financial institutions. Dr. Bhattacharya, an economist, also focuses the significance of real estate sector in the economy of Bangladesh. He also added that real estate sector plays a vital role in the awareness creation regarding pertinent issues of housing sector, and he mentioned that shelter is a fundamental right of a citizen. He stated that the importance of housing financial institutions in the economic development of Bangladesh can hardly be overemphasized (CPD, 2003).

Though there are many available sources of housing finance for different class of people (according to income level) yet lower –middle and low class peoples’ demand 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.

6. Real Estate Sector of Bangladesh at a glance:

Though the real estate sector of Bangladesh has experienced slow growth since 2010, it had been witnessing an increasing pace since its inception in the late 70s. The sector took off with only five registered firms, but from the early 1980s the business started to grow and demonstrated robust growth. By 1988, there were 42 developers in the business. In the late 90s, the sector gathered the highest pace and a large number of real estate developers entered the market. At present, more than 1650 companies are active in the real estate sector with 1192 of them registered with REHAB. The slowdown in growth of this sector can be attributed to policy limitations and unstable political situation (REHAB website, 2015; The Financial Express, 2015). According to Rahman and some other researchers, the main reasons for the development of real estate sector are increasing number of population, rapid urbanization, scarcity of land, high price of lands, Profit motives of the land owners, re-structuring of family formation (single units), security and social esteem, etc. In the last four decades private developers have supplied more than 100000 units of apartments to the nation and will be supplying 25000 more units in the next three years (Sheltech, 2011; Rahman, M., 2011). Bangladesh, like many other developing countries, has been facing huge shortage of affordable housing both in urban and rural areas (Sarker et al., 2008) and that is why it received enormous attention by developers. Massive demand exists for plots and flats. The private real estate developers have a modest contribution to decrease in demand and supply gap in national housing. The Real Estate and Housing Association of Bangladesh (REHAB) is the sole regulatory organization of the real estate agents, developers and builders (Amin S., 2008).

According to REHAB, the apex housing body, apartment and plot sales registered a 60 per cent drop in 2013 from the previous year mainly due to political unrest and high lending rates. The sector also faced a huge decline of new project registration, approximately 75% decline of new projects undertaken by developers in 2013 compared with the previous year. Lately, a study of REHAB stated that a total of 22, 572 units of flats are unsold worth BDT 21506.26 billion from total 338 housing companies. According to General Secretary of REHAB “The housing sector has plunged into crisis because of prolonged political turbulence”. But political unrest is not the only contributing factor. Higher lending rates, accessibility of housing loan, availability of specialized housing institutions, non-availability of electricity and gas connections, etc. are the other contributing factors of slow growth of this sector. In spite of decrease in sales, the apartment price is not coming down to the affordable zone of middle and low income group of the population (The Daily Star, 2014; The financial Express, 2015).

7. Housing Financing Market in Bangladesh:

Bangladesh has well-developed financial sector, though it is mainly dominated by banking sector. 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-subsidised entity that pioneered housing finance in the country and until recently, was one of the major sources of housing finance in the country. Dhaka is the major market for housing finance as recent estimates indicates that over 80% of housing loan was 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).

Total Housing Loans

Lenders	Outstanding Housing Loans (in Billion TK)				
	2009	2010	2011	2012	2013
A. Specialized Housing Finance Providers	39.9	44.9	48.3	51.3	55.4
i. HBFC	25	25.1	25.1	25.8	28.2
ii. Delta-Brac Housing Finance	12.9	17.4	20.7	23.1	24.4
iii. National Housing Finance	2	2.4	2.5	2.4	2.8
B. Banks	123.6	162.4	220.9	286.8	349
i PCBs	74.9	99	147.6	191.8	229.8
ii. SCBs	36.8	48.1	53	63.4	73.1
iii. Other Banks (Foreign and Specialized)	11.9	15.3	20.3	31.6	46.1
C. Other Financial Institutions	7.2	9.2	11.3	13.8	16.7
D. Micro-Credit lenders					
i. Grameen Bank	0.2	0.2	0.09	0.06	0.04
Total	170.9	216.7	280.6	352	421.1
Growth Rate	25.20%	26.80%	29.48%	25.44%	19.66%

**Source: Bangladesh Bank

Table 01: Outstanding Housing Loans (In Billion BDT)

As of June 30, 2013, the total housing loan from banks and other financial institutions stood at TK 421.1 billion, a 19.66% increase over that of end-June 2012 (see Table 01).

Table 2 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 were expanding their housing loan portfolios as they have huge deposits sources. Here it is shown that PCBs dominates market share with take 229.8 billion in outstanding housing loans not only in 2013 also in last 5 consecutive years. The second position is held by SCBs with Taka 73.1 billion loans. The state owned Bangladesh House Building Finance Corporation (BHBFC) has the third largest market share with TK 28.2 billion in outstanding housing loans as of end June 2013. The sources of BHBFC’s fund are paid-up capital and sale of Government guaranteed interest bearing debentures to different organizations. However, the second source of funding is unavailable these days. Besides, two private sector specialized housing finance companies also provide a significant amount loan.

An overview of Housing loans growth since 2009 to 2013

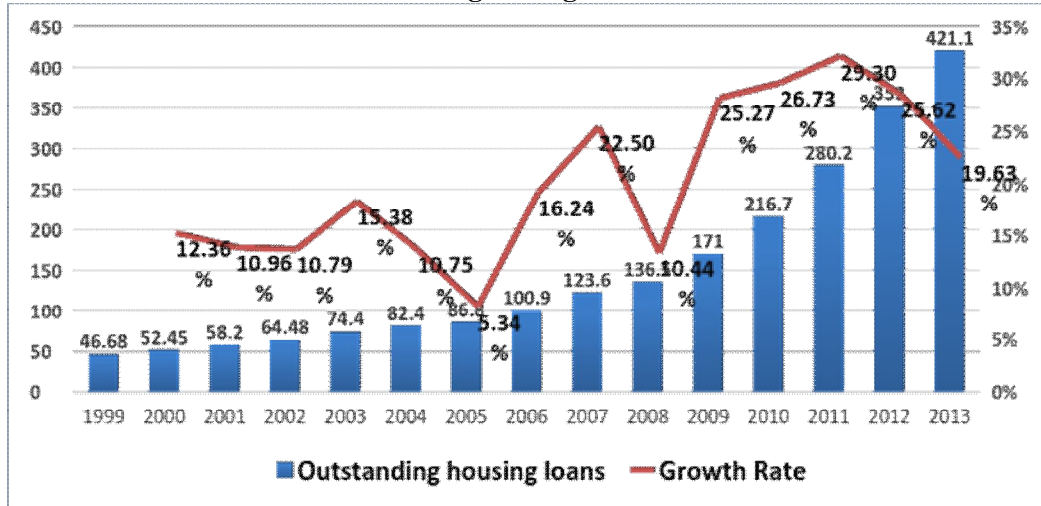


Table 02: Housing Loans & Growth Rate in last 15 Years

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 1999 were only TK 46.68 billion, which stood 421.1 billion in 2013 with average 17.24% growth rate. In this rapid change in total housing loans, major contributor is now PCBs whereas specialized government housing finance authority (BHBFC) is losing its market share due to lack of efficiency, and availability of funds etc.

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 it has given less

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 days, DBH- a private sector specialized company is doing much better and also disbursed a huge amount of money in real estate sector. The table shows the outstanding housing loans disbursed by the two specialized housing finance institutions of Bangladesh in 1999 to 2013.

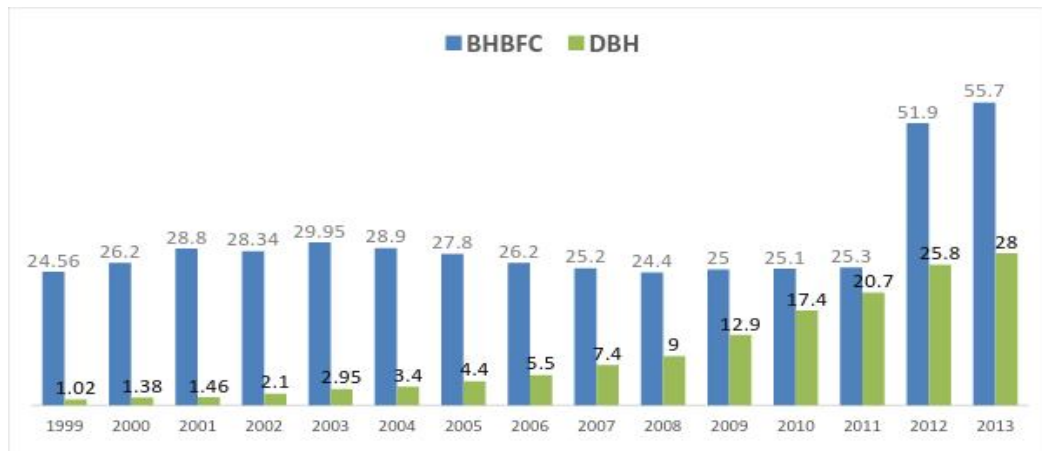


Table 03: Total Outstanding housing loans by BHBFC & DBH

8. Specialized Housing Institutions: BHBFC & DBH

A. Bangladesh House Building Finance Corporation (BHBFC)

To provide the housing finance assistance, House Building Finance Corporation was established in 1952 which was reconstituted as Bangladesh House Building Finance Corporation (BHBFC) after independence. BHBFC is a traditional specialized housing finance company, it still dominates the housing market as a 3rd largest player. It provides housing loan facilities to the dwellers of urban areas, mostly for construction, repair and remodeling of houses. BHBFC offers 15–20 year mortgages to individual households at commercial interest rates that increase as the loan amount increases. The institution is getting back due to poor governance, operational inefficiency, huge non-performing loans, loans approval times were exceptionally long- sometimes as much as a year from application to approval and reduced government subsidies. In spite of these limitations, still BHBFC is the only institution serving the middle and low-income people for their housing needs in a wider geographic area beyond Dhaka (Green and Wachter, 2007; World Bank, 2010). Lately it has taken initiatives to bring its services to the people of rural areas. So far, it has financed 125,000 units since its inception, of which more than 30,000 since 1992, mostly for higher income households (Hoek-Smit, 1998). BHBFC basically provides five types of loans- i) general loans, ii) group loans, iii) apartment loans, iv) adjustment loans for the completion of an under-construction house and v)

loans for constructing houses in the district and selected upazila. BHBFC was the market leader with a share of 52 percent, but now it has lost its market leader position. The amount of loan sanctioned by the corporation in 2009 was TK 247 billion, against which it disbursed TK 233 billion and Non-performing loan was 14.82%. In 2013, total loans sanctioned was 285 billion TK which is 46.62% lower than 2012 though NPL has been reduced to 6.50% in 2013 from 9.25% in 2012. (See details in appendix).

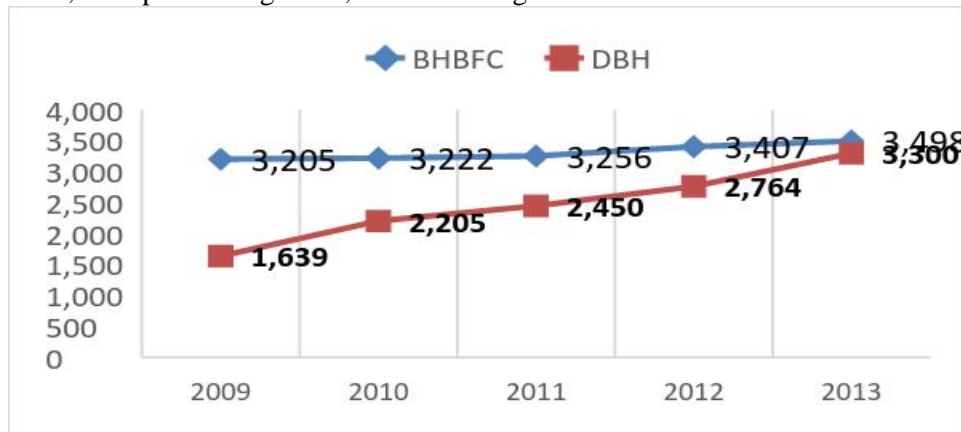
B. Delta-BRAC Housing Finance Corporation Ltd. (DBH)

NGO collaborated specialized housing finance institution DBH has started its journey in the early 1997. It's the pioneer and largest private sector housing finance institution in Bangladesh. It provides loans for the construction, the acquisition of flats and houses, the extension and improvement and the purchase of housing for lower and middle income households. In the first year of its operation, 230 individual loans were sanctioned for a total of BDT 208 million. In 2009, total loan sanctioned by the company was TK 520 billion, against which it disbursed TK 533 billion and loan sanction was increased by 34.8%, 12.53%, 6.05% and 6.11% respectively from 2010 to 2013. Total loan disbursement was TK 716, 646, 590 and 536 billion, respectively from 2010 to 2013. Operational efficiency reflects through loan recovery of DBH as it has .12% in 2009 & 26% non-performing loans in 2013.

9. Quantitative Analysis: Comparative study between BHBFC & DBH

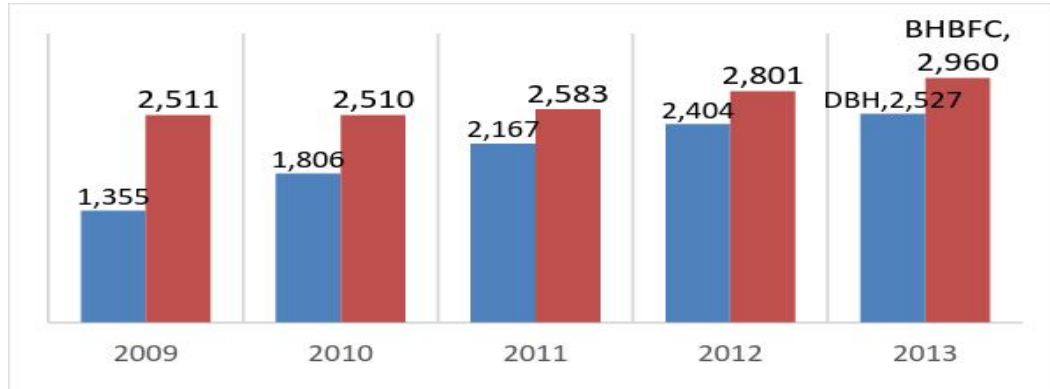
The primary purpose of the study is to identify and analyze the two dominant specialized real estate financing companies in Bangladesh. We will compare the two companies using the following criteria: Total assets, Total Loans & Advance, Market Share & growth, ROI, ROA, Rural Contribution, loan processing, fund deficiency, Tenure, Cost of

Fund, Non-performing loans, Market Strength etc.



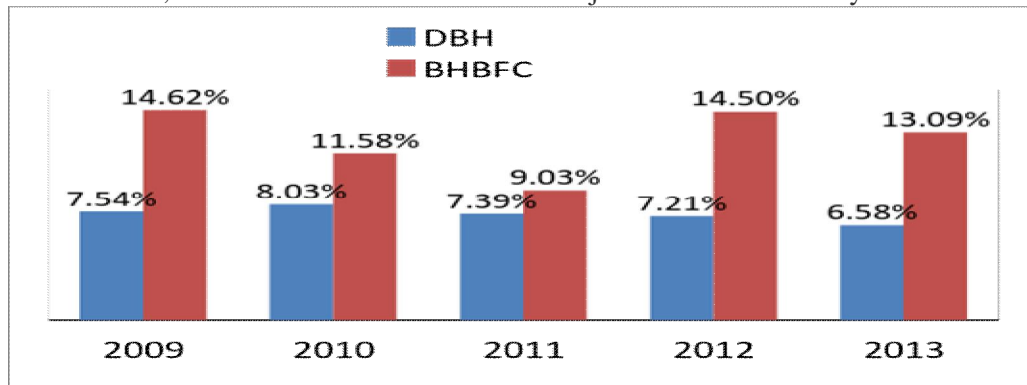
9.1 Total Assets: The graph shows basically total asset of BHBFC and DBH in last five years from 2009 to 2013. It may also be seen that overall % changes in total assets of two competitors over time and we have found that DBH's total assets increased dramatically compared with BHBFC. From the graph we see that total assets of BHBFC in 2009 was

3205 million BDT and steadily increased to 3498 million in 2013 with 2.22% average increase in each year. Whereas total assets of DBH increased by 101.42% increase with an average 19.48% per year from 2009 to 2013. In 2009 total asset was 1639 BDT in million and increased to 3300 million at the end of the 2013.



9.2 Total Loans and Advances: Total loans and advances of both BHBFC and DBH gradually increased in last five years. But DBH's overall loans and advances increased by 86.46% with average 17.33% in each year where as BHBFC's loans and advances increased 17.88% only with an average 4.25% in each year. So far, DBH is doing fine in sanctioning loans to the borrower over BHBFC due to smooth operation and decision making process.

9.3 Tenure: HBFC was established in 1952 to provide financial assistance in the housing sector and after independence, the corporation was reconstituted as BHBFC in 1973. The DBH is the pioneer, largest and specialized institution in the Housing Finance sector in the private sector of the country. After commencing operation in the early 1997, the company has registered a commendable growth in creating home ownership among more than 23,000 families in Dhaka and other major cities of the country.



9.4 Market Share & Growth: Total outstanding housing loans in 2009 to 2013 was 170.9, 216.7, 280.59, 351.96 & 421.14 billion TK respectively, where BHBFC's market share was 14.62% in 2009 and it gradually declined to 13.09% and DBH's market share

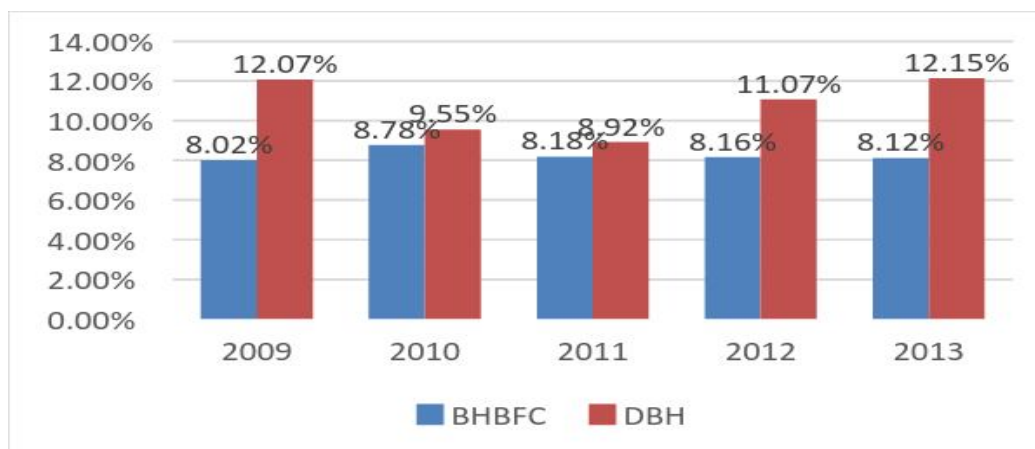
also decreased by .96% in last 5 years. The bar chart shows the market share of two specialized housing finance companies in 2009 to 2013. There has generally been a small decrease in market share of both companies from 2009 to 2013.

9.5 ROI & ROA: 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 compared with DBH, BHBFC's ROI is lower in each year since 2009. Both the companies saw a decrease in the percentage of ROI in 2009 to 2013. It can also be seen that the asset utilization capacity of BHBFC is much better than DBH. We have seen that DBH's ROA slightly declined to 1.74% in 2013 but in 2010 BHBFC's ROA increased a bit and then decreased in 2011 & 2012.

	BHBFC					DBH				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
ROI	12.4%	13.2%	10.7%	11.5%	11.6%	45.3%	53.9%	32.8%	20.7%	22.9%
ROA	7.34%	7.69%	6.38%	6.66%	7.19%	3.16%	3.33%	2.16%	1.55%	1.74%

Table: ROI and ROA of BHBFC & DBH

9.6 Fund Deficiency: BHBFC is getting a serious problem due to inadequacy of fund these days compared with DBH. BHBFC, which has traditionally dominated the housing finance sector, is now a declining player due to government diminished support and operational ineffectiveness. Besides, BHBFC is not in a position to collect money by selling different financial products to general people, whereas DBH has been offering different products like fixed deposits to collect money from people. DBH collected 59.2% & 63.48% in 2012 and 2013 as their sources of fund as fixed deposits from the general people.

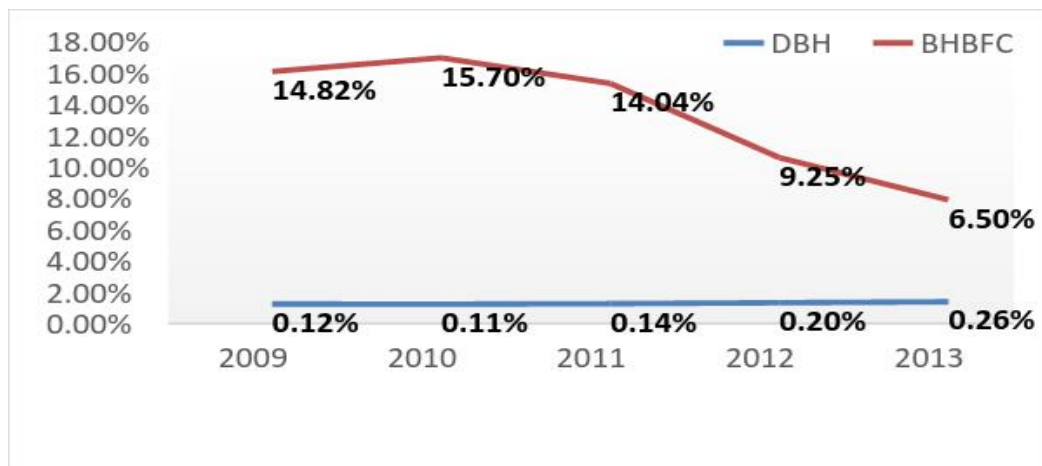


9.7 Cost of Fund: The bar chart illustrates the total cost of funds of BHBFC & DBH from 2009 to 2013. Overall, it can be seen that the total cost of funds of both the

companies increased a little in these five years. The cost of fund of DBH is almost 4% greater than that of cost of BHBFC. BHBFC cost of funds is low because they get funds from the government and it's attributed as an important reason. Whereas, DBH collects fund from competitive market i.e. its cost of funds is higher than BHDFC.

9.8 Rural Contribution: The contribution towards rural housing is only boosted when the government takes necessary actions. BHBFC is planning to move to rural area for financing in the housing sector though till now DBH financed a more than 23,000 families in Dhaka and other major cities of the country but yet they have not thought about rural needs. DBH sanctioned its total loan in Dhaka, Chittagong and Sylhet only.

9.9 Loan Processing: Loan processing at BHBFC is more time consuming and customers are dissatisfied with it. Whereas at BDH, as it's a private sector housing finance company, loan processing is smoother and less time consuming and customers are more satisfied with the services of DBH.



9.10 Non-performing loans : The line graph compares the Non-performing loans of the outstanding loans of both companies from 2009 to 2013. Overall, it can be seen that NPL was far higher in BHBFC than in DBH throughout the whole time frame. NPL of BHBFC was dramatically decreased to 6.50% in 2013 from 14.82% in 2009 and the overall loan sanctioned also decreased. It can also be seen that NPL of DBH was extraordinarily lower in all the years, shows an operational efficiency of DBH.

9.11 Market Strength: Market Strength of BHBFC is much better than DBH as BHBFC's total number of branches is 31 all over Bangladesh and DBH's number of branches is 6 (4 branches located in Dhaka and one branch in Chittagong and one branch in Sylhet).

9.12 Customer Satisfaction: Customer satisfaction is better in all aspects including services rendered by institutions, loan application process, loan sanction difficulties,

availability of loan, post sanction issues, etc. with private sector housing finance institution (DBH) than the public institution (BHBFC).

9.13 Area Covered: BHBFC has already taken initiatives to make available housing loan facilities to the rural areas as it's the only government-subsidized housing finance institutions for middle and lower income group. So far, DBH provided housing loan to 7500 families only in urban areas especially in Dhaka city.

10. Factors affecting housing finance by BHBFC & BDH's:

The housing supply depends on various factors and finance is one of the major factors. Indeed, finance is not the only factor that drives the housing supply, but it surely brings us to the solution (Atati O. F., 2014). In Bangladesh, still there is a huge gap between demand and supply for real estate finance. Housing finance is the major factor that determines the quality and tenure of housing consumption. In both developed and emerging economies, the government has taken initiative for setting up institutions which are specialized for housing finance. But financing by the specialized housing finance institutions depend on various factors. An attempt is also made, besides a comparative study between BHBFC & DBH, to develop an empirical model to reveal the underlying factors affecting housing finance by specialized housing finance institutions in Bangladesh.

In order to check factors that affect the financing by specialized institutions, eight variables have been taken into consideration. The variables are derived from the various writings (articles), newspaper write-up and other literatures on related subject matter. These variables include Housing Loan disbursed by BHBFC & BDH (Dependent variables) & Independent variables are Population, Population growth rate, Unemployment Rate, Gross Domestic Product, Per Capita GDP, Unemployment, Interest Rate, Inflation Rate and Interest Rate.

Table: Model Summary & Beta Coefficients

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
					R Square Change	F Change	df1	df2		Sig. F Change
1	.984 ^a	.968	.925	4.77412	.968	22.631	8	6	.001	2.847

Beta Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	-469.590	324.057			-1.449	.197
	Population	2.177	2.117		1.029	1.028	.134
	Population Growth Rate	5815.140	2528.728		1.041	2.300	.046
	Unemployment	9.834	7.950		.313	1.237	.026
	GDP	2.067	3.533		4.020	.585	.095
	GDP Growth	4.496	3.367		.173	1.336	.230
	Per Capita GDP	-.300	.515		-3.704	-.583	.228
	Inflation Rate	-.612	.798		-.087	-.767	.092
	Interest Rate	4.709	2.599		.245	1.812	.012

From the above table it can be seen that value of R is 0.984 that indicates the very high relation between the independent variables with the dependent variable. The value of R Square is .968 which indicates that the variance in independent variables will account for 96.8% variation in the dependent variable and vice-versa. Even if the result is adjusted with new samples and new independent variables, the result 92.5% changes drastically. The beta coefficient and the significance levels in the table above indicate that 3 out of 8 are significant at 5% level. Thus, it can be said that the above factors are affecting housing financing by BHBFC & BDH.

10. Findings & Conclusion:

From the study, it can be stated that government backed housing finance institutions fail to address the targeting of lower- and lower-middle income groups. For this reason, large lower-income housing market is hardly addressed through private sector institutions like DBH. Fund deficiency of BHBFC is higher compared to DBH but the cost of fund of public institutions is lower than that of private institutions although Private sector housing finance is available at competitive interest rate for short period. Rural contribution by BHBFC is much better as they have started focusing on rural areas. Though loan processing, non-performing loan is better for DBH but BHBFC's market strength is better. Customer satisfaction of private housing finance institution is better and market size of BHBFC is higher than that of DBH but the overall growth rate is much better that of DBH. In fact, BDH is doing much better than that of BHBFC though it's the pioneer in specialized housing finance institutions and we found three factors to

be significant among the factors affecting housing finance by these two specialized housing finance institutions.

Based on the findings derived from the study, we recommend the following suggestions: (i) Subsidizing 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) operational efficiency by BHBFC should be improvement and government should also give funds and create opportunity to collect funds by selling financial products for BHBFC; (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) Government should take steps to establish a Secondary Mortgage market in future.

The housing sector plays a major role in the context of both fulfilling fundamental right of shelter to the inhabitants and for economic development of a country. It can be concluded that housing finance is a key factor in determining the quality and tenure of housing consumption. The role of housing finance companies, especially specialized housing finance institutions are very crucial in achieving the above objectives.

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