OLD AGE LOAN AND SOCIAL RESPONSIBILITY OF BANKING

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ABSTRACT

The demographic trend combined with changes in the old values, higher mobility of the young and the decline in joint family system is creating an explosive situation for the elderly in India since we do not have a generalized social security. The increasing life expectancy along with consumerist culture, even post retirement is intensifying the issue. The Union budget of 2007-08 introduced “Reverse Mortgage Loans” as a tool to provide social security to the elderly thus, the Government taking up the cudgel on behalf of the senior citizens. And thereby assigning the role of socially responsible corporate citizens (SRCC) to our the banks. Senior Citizens usually do not have a regular income and a large part of the savings of senior citizens is tied up in non-liquid assets such as homes and property. If they exhaust their savings, then it gets difficult to meet living expenses without having to sell their house. A Reverse Mortgage is a loan that allows a senior citizen to convert his/her existing property into cash flows, which they can use for meeting their living expenses while continuing to use the mortgaged property. This paper aims at explaining the concept of Reverse Mortgage Loan (RML), its characteristics, tax implications, the challenges in implementing RML and the reasons for failure of RML in India.

KEY WORDS: Reverse Mortgage, Senior citizen, Joint family system, Cash flows, SRCC.

BIBLIOGRAPHY


