

CHAPTER-II

EFFORTS DURING TENTH PLAN PERIOD FOR AUGMENTING HOUSING DELIVERY

2.1 Background

Considerable efforts have been made during this Plan period to enlarge the resource base and initiate innovative institutional mechanisms to augment the housing delivery in urban areas. Focused efforts have also been made to cover the poor and vulnerable groups of the society to enable them to access basic shelter related services. Various attempts have also been made to streamline and modify the earlier programme initiatives by taking into consideration the feedback received from stakeholders. Fiscal concessions coupled with legislative measures have been initiated to encourage increased investments in housing by individuals and the corporates.

Despite many Policy measures and initiatives, the coverage of urban poor with the intended benefit of adequate shelter and access to basic services is not achieved to the desired extent. Further, market forces supported by upward trends in the economic growth have contributed to increasing pressure on urban land. This situation needs to be addressed in future policy initiatives.

2.2 Government Housing Initiatives

The present policy of the Government lays stress on an enabling approach by the State wherein Government agencies are expected to act as facilitators by extending the infrastructure required for housing initiatives by individuals, private sector and cooperatives. The role of Central Government focuses on facilitating the State Governments to bring in the required institutional reforms and introduce legislative measures to augment housing delivery by State Agencies and the Private Sector and also hasten the process of bringing into market large parcels of serviced urban land. With the introduction of reforms in the banking sector, considerable improvement has been made in enlarging the access to finance for housing by individual families and also through cooperatives as well as private developers.

A brief review of important housing programme initiated or continued in the Tenth Plan period is made here.

2.2.1 Two Million Housing Programme (2MHP)

In accordance with the National Housing & Habitat Policy, 1998 which focused on Housing for All as a priority area, (with particular stress on the needs of the Economically Weaker sections and Low Income Group categories), the Two Million Housing Programme was launched during 1998-99. This was a loan based scheme, which envisages facilitating construction of 20 lakh additional units every year (7 lakh DUs in Urban areas, 13 lakh DUs in Rural areas). HUDCO is to meet the target of 4 lakh dwelling units in Urban areas and 6 lakh dwelling units in Rural areas annually. The target of 2 lakh dwelling units in Urban areas is to be met by Housing Finance Institutions (HFIs) recognized by the National Housing Bank and public Sector Banks and the balance 1 lakh dwelling units in urban areas by the Co-operative Sector.

In this context, it is pertinent to note that the Reserve Bank of India requires commercial banks to lend 3 per cent of the incremental deposits of the commercial banks to be deployed to priority sector lending including financing housing by individuals and others including cooperatives and private sector. Besides, RBI also reckons investments made by banks in the bonds issued by HUDCO under priority sector lending.

The physical and financial progress of the 2 MHP during Tenth Five Year Plan in urban areas is as under:

Organization	TARGET for DUs in Urban Areas (Five Years 2002-07)		Progress Reporting period	SANCTIONS	
				(DUs in Urban Areas)	Amount (Rs in crores)
HUDCO	20,00,000		2002-2007 (upto 31.5.2006)	13,30,271	5,307.34
HFIs & Pubic Sector Bank	Total	10,00,000	2002-2006(upto 31.3.2006)	20,10,174	84,786.04
	HFIs			10,10,015	50,610.46

	Public Sector Banks			10,00,159	34,175.58
Cooperative Sector(Urban)		5,00,000	2002-2005 (upto 31.3.2005)	2,80,413	4,608.18
Total		35,00,000		36,20,858	94,701.56

Physical targets in terms of dwelling units has been achieved and even exceeded by one lakh dwelling units. In the course of monitoring the progress and achievements, following issues have been noticed:

- HUDCO and Co-operative sector have contributed less than their target
- HFIs and Public sector Banks have contributed substantially to achieve the physical target.
- Even though HUDCO surpassed the targets in the first two years of the plan period but in subsequent years, the sanctions declined. Unlike banks/HFIs, most of the target groups of HUDCO are the EWS/LIG which need housing the most. The reasons for this decline is however attributed to the difficulties faced by State Housing Agencies in getting the required Government guarantee for raising funds for EWS/LIG housing and also due to shortfall in recoveries from the beneficiaries (EWS/LIG). Further with the launching of Centrally Sponsored Schemes like VAMBAY & ACA scheme of JNNURM which have a grant component, the role of HUDCO's institutional project finance/loan has declined.

The housing finance sector has also undergone considerable change during this period, wherein private housing finance institutions and banks are able to meet the demand for home loan financing by groups or sections of population who can afford the housing loans offered by these institutions. However, it is noted that most of the clients of HFIs/Banks under retail home loans belong to MIG/HIG categories and housing loan finance still remains unaffordable in a large way to the EWS/LIG sections .

2.2.2 Valmiki Ambedkar Awas Yojana(VAMBAY)

Government of India launched this scheme as a centrally supported scheme with inbuilt subsidy for undertaking construction of dwelling units and sanitation units specially focused for slum dwellers who are economically below the poverty line and belong to socially disadvantaged group. The progress of scheme is reported here :

Year	Allocation (Rs. in Lakhs)	GOI subsidy released (Rs. in Lakhs)	GOI subsidy refunded (Rs. in Lakhs)	Net Releases (3-4) (Rs. in Lakhs)	No. of DUs sanctioned for construction/upgradation	No. of Toilet seats sanctioned for construction
1	2	3	4	5	6	7
2001-02	6900.00	7356.000	488.650	6867.350	25280	4212
2002-03	25685.01	21835.030	2505.745	19329.285	105444	21398
2003-04	23850.00	23538.000	20.000	23517.950	108172	3170
2004-05	28058.00	26935.688	0.000	26935.688	112143	35086
2005-06	24900.00	16713.420	0.000	16713.420	91330	1420
Total	109393.01	96378.138	3014.445	93363.693	442369	65286

(Source : MoHUPA)

In terms of the scheme structure, VAMBAY scheme proved to be more successful than Two Million Housing Programme (2MHP, since it had a grant component of 50%, thus making houses affordable to the poor. The advantages are also in terms of targeting the urban poor and EWS as the major urban housing shortage is in EWS and LIG categories. With the launching of JNNURM, the VAMBAY scheme has been discontinued. However, the elements of this scheme have been incorporated in JNNURM and there is a need to step up efforts in order to meet the housing needs of EWS families and slum dwellers.

2.3 National Housing Bank (NHB)

The National Housing Bank (NHB) was established in July 1988 under an Act of the Parliament to function as a principal agency to promote housing finance institutions and

to provide financial and other support to such institutions. As the Apex level financial institution for housing sector in the country, the important roles performed by NHB include-(i) promotion and development of housing finance institutions on sound and healthy lines; (ii) regulation and supervision of housing finance companies in the matter of acceptance of deposits; and (iii) provide refinance facilities to retail lending institutions in order to speed up house construction activity and augmenting housing stock in the country. In addition, NHB also has a window for direct lending to public agencies such as State Level Housing Boards and Area Development Authorities for large scale housing projects, slum redevelopment projects and other special projects such as housing for earthquake and cyclone victims.

The size-wise disbursement of housing loans by Housing Finance Companies (HFCs) which are regulated by NHB is reported here:-

Table 5.5: Size-wise Disbursement of Housing Loans by HFCs (To be updated in consultation with NHB)

Size of Housing Loan (Rs.)			
	2002-2003	2003-2004	2004-2005
Less than 50,000	15.72 (0.2%)	16.26 (0.2%)	34.81 (0.2%)
50,001 – 1,00,000	147.80 (1.7%)	507.82 (4.8%)	1208.59 (7.11%)
1,00,001 – 3,00,000	2675.61 (30.5%)	2409.62 (22.7%)	3335.09 (19.6%)
3,00,001 – 5,00,000	2164.48 (24.7%)	2358.98 (22.2%)	4064.69 (23.89%)
5,00,001 – 10,00,000	2023.90 (23.0%)	2652.84 (25.0%)	2565.76 (15.08%)
Above Rs. 10,00,000	1749.89 (19.9%)	2663.94 (25.1%)	5804.08 (34.12%)
Total	8777.40 (100%)	10609.50 (100%)	17013.02 (100%)

Annual Returns submitted by 20 major HFCs to NHB excluding HUDCO

It is seen from the above table that only 0.2% of housing loans extended by HFCs are of value less than Rs 50,000/- and about 7% of housing loans is of value between Rs 50,000-Rs 1,00,000/-. More than 73% of housing loans extended by HFCs is of value exceeding Rs 3 lakh and about 93% of value exceed if Rs. 1 lakh. This highlights the need to evolve a system or a scheme for financing housing loans on a large scale for the lower income groups whose affordability for housing loans falls in the range below Rs 3 lakhs, as over 90% of the housing shortage is on account of EWS/LIG.

2.4 Housing And Urban Development Corporation Ltd(HUDCO)

The Housing and Urban Development Corporation Ltd. (HUDCO) is the premier National techno-financing Institution in the field of housing and urban development, established by the Government of India in 1970. Started with an equity base of Rs 2 crores, today the authorized capital is Rs. 2500 crores with a paid up capital of Rs 2,001.90 crores, and a net-worth of Rs 3,588.55 crores (provisional). Significantly, HUDCO's housing operations have a major social orientation with HUDCO having a clear-cut social mandate to provide financial support for affordable shelter to the EWS/LIG/ categories.

HUDCO's housing portfolio covers a wide range of target groups spread all over the country both in urban and rural areas. HUDCO lays emphasis on affordable housing and demand orientation to ensure full cost recovery and has adopted project lending approach wherein each housing project that is financed is examined for financial viability. HUDCO makes all out efforts to reach the ultimate beneficiaries through State Parastatals, Development Authorities, Local Bodies, Cooperatives, Private Sector agencies, special designated agencies and others. HUDCO also has individual home loan financing outfit in many cities besides the State Capitals where its Regional Offices are located. HUDCO's operations and lending terms for housing are directly linked to market conditions at which the funds are mobilized and as such, housing and shelter programmes that have an element of subsidy is taken up only where State or Central Government provides such additional support. In this framework of lending operations,

institutional reforms within intermediary agencies undertaking housing development activities is desirable to give a boost to the operations of HUDCO. Further, it is important to note here that the approach and emphasis adopted by HUDCO through its project lending activities has hitherto resulted in developing affordable housing for all sections of the society and it is all the more necessary to strengthen this approach and needs to be promoted further.

Despite various limitations imposed on account of the above framework of its operations, HUDCO has been able to respond positively to meet the housing needs in emergency situations of natural calamities such as earthquake, cyclone, floods, sea-erosion, etc. HUDCO has extended assistance for rehabilitation for the victims of earthquake in different States. Similarly, for flood affected and the recent Tsunami affected persons in the coastal regions of the country, assistance has been extended in collaboration with State Governments and special Central assistance.

During the 11th Plan period, HUDCO proposes to extend a larger quantum of assistance for supporting the housing and urban development requirements both in urban and rural areas. The proposals envisage a total sanction of Rs 74,596 crores during the 11th Plan period for both its housing and urban development programmes. Of the same, an amount of Rs 14,919 crores have been tentatively identified for its housing operations. Similarly, of the total amount of Rs 27,820 crores proposed to be disbursed during the 11th Plan, an amount of Rs 5,564 crores (releases/disbursements) is anticipated for its housing programme.

2.5 Cooperative Housing

The Cooperative Housing Movement is receiving support over consecutive Five Year Plans and a strong institutional framework is getting evolved within the Cooperative Movement. In States where Cooperative Acts and Rules were not enacted, the Acts and Rules of other States were extended and adopted. With the introduction of these rules and regulations, the registration of primary cooperative housing societies has been made easy. Along with this, State level apex cooperative housing federations have also been formed. These provisions have helped the primary cooperative societies in securing finance for construction of

houses. The number of primary housing cooperatives, which was 5564 in 1959-60, has increased to 92,000 in 2004-2005 with a membership of 66 lakhs. The number of State level Apex Cooperative Housing Federations has increased to 25 (source Report of the Task Force on Cooperative Housing {Third Draft} 2005).

The performance of housing cooperatives is highly influenced by the quantum of funds available to them. The total funds mobilized by various apex federations upto 31st March, 2005 stood as Rs 8767.67 crores. Out of this, 3.7% is by way of deposits collected and debentures issued by State Level Apex Cooperatives, while the rest (96.3%) was mobilized as loans from different financing agencies as follows:

(i)	Life Insurance Corporation of India	38.4%
(ii)	National Housing Bank	9.6%
(iii)	Commercial and Cooperative Banks	23.4%
(iv)	Housing and Urban Development Corporation	18.0%
(v)	State Governments	2.8%
(vi)	Other Sources	4.1%

		96.3%

During the first three years of 10th Five Year Plan i.e. 2002-03, 2003-04 and 2004-05, the Apex Cooperative Housing Federations could raise an amount of Rs.1774.43 crore from various funding agencies like LIC, NHB, HUDCO, Commercial and Cooperative Banks and other sources.

The Apex Federations disbursed loans of the order of Rs.1685.71 crore to their primary housing cooperatives as well as individual members for the construction/financing of 1,26,071 housing units during the first three years of 10th Five Year Plan. The year-wise details are given below:-

Table: Details of Loan Disbursement and Number of Housing Units Financed by Apex Federations during 2002-2003 to 2004-2005

Year	Disbursement (Rs in crore)	No. of Housing Units Constructed/Financed
2002-03	641.48	32481

2003-04	623.08	33165
2004-05	421.15	60425
Total	1685.71	126071

The housing units generated through Housing Cooperatives mostly cater to the needs of middle and high income groups in cities and lower income groups in rural areas (with a few exceptions). The main constraint faced by Cooperative Housing Movement is allotment of serviced land for construction of housing units by the Primary Cooperatives. Except in a few States, where the Cooperative Housing Movement is active, in others severe constraints are faced in respect of acquiring serviced land. Cooperatives are not in a position to bid for land at market prices like private developers and depend mainly on public agencies and State Governments for allocation of serviced land at predetermined/controlled prices. This allocation is becoming increasingly scarce, thus shaking the cooperative movement. A policy intervention may be required.

Recently, the National Cooperative Housing Federation initiated a dialogue for organising multi-purpose cooperatives for urban poor and slum dwellers to improve their living conditions. A concept paper has been circulated to State Governments and Union Territory Administrations for taking appropriate steps to set up multi-purpose cooperatives for slum dwellers in the respective States and UTs.

2.6 Private Sector Housing

Right from the first Five Year Plan, the role of private sector including efforts by the individual families in fulfilling the housing needs is well recognized. Of late, lowering of bank rates has resulted in easy access to funds for housing by individuals and consequently also provided a boost to real estate development by the private sector. However, most of the housing units generated by the private sector caters to the upper income households and both financial institutions and developers chase the MIG/HIG sections. As a result of these developments, there is a considerable development of higher standard housing particularly in big cities wherein multinational and corporates are expanding their business.

It is, however, felt necessary to evolve institutional frameworks and policy interventions/best practices wherein the private sector is able to contribute to the housing needs for different cross-sections of the population including EWS/LIG. Joint sector projects attempted in a few cities as well as slum redevelopment projects taken up in Mumbai has set a trend and these need to be replicated widely. Some of the housing projects that deserve a mention in this context include : (i) Gujarat Ambuja Housing Project jointly undertaken with West Bengal Housing Board at Kolkata wherein housing is provided for both EWS/LIG and MIG/HIG, others; (ii) SRA Projects taken up in the important cities of Mumbai and Pune wherein slum re-housing is taken up with cross subsidies generated by providing housing for MIG and HIG ; (iii) Integrated Housing Townships taken up by Karnataka Housing Board as joint venture projects in collaboration with private companies in the vicinity of Bangalore and other major towns in the State of Karnataka provides housing for both EWS/LIG as well as to the higher income groups.

Institutions such as National Real Estate Development Council (NAREDCO) and the Confederation of Real Estate Developers Association of India (CREDAI) are playing an important role in regulating the activities of the Private Developers by accrediting them and also by rating such Institutions based on their experience, capacities and turnovers. NAREDCO, established in the year 1998 is the apex national self- regulatory body representing all spheres of enterprises engaged in various aspects of real estate development. These include land development, layout, planning, construction of residential, commercial and institutional buildings/complexes, development of townships, provision of urban infrastructure (roads, electricity, drainage, sewerage, water supply) and social infrastructure (recreational, educational and medical facilities). The other allied fields include architecture, town planning, supply of building materials, estate finance insurance, estate marketing and brokerage.

CREDAI is an apex organization of promoters and builders with around 3000 members of state and local associations of builders and developers presently from thirteen states

covering more than 80% of real estate development activities in India It is established with a vision to unite developers and builders under one banner and provide them a platform where they can express themselves and share their concerns and thus derive solutions