

**CHAPTER-7**  
**SUMMARY, FINDINGS AND**  
**SUGGESTIONS**

## **CHAPTER-7**

### **SUMMARY, FINDINGS AND SUGGESTIONS**

The present study entitled “**Housing Sector Finance in Himachal Pradesh: Progress & Prospects,**” covers two dimensions of housing sector, viz. housing scenario and a study of formal sources for finance of housing sector. The overall housing scenario in India and in the state of Himachal Pradesh has been analyzed by taking the overall growth, type and shortage of housing stock over a period of 1981 to 2001, in India and in Himachal Pradesh. An estimate has been made for investment required in the state to overcome the housing shortage for the year 2001, and a projection for the year 2011 has been made. The other dimension has covered the overall housing finance system in India and has also studied the contribution of various sources of finance in housing sector. The study also explores the legal issues affecting the housing sector. Further study has made an attempt to analyze the role of formal sources of housing finance namely, Schedule Commercial Banks, Regional Rural Banks, Cooperative Banks and Housefed. The present study has covered the operational appraisal of the selected institutions for the period 1997-98 to 2008-09. Viewpoint of the customers regarding housing loan has also been studied by selecting 250 customers of said institutions and other HDFC. To arrive at a conclusion, both primary and secondary data have been collected. Further, the main conclusion of the study has been presented in this chapter. At the end of the chapter, prospects of housing finance have also been given.

## 7.1 Summary

Housing is one of primary human need next in importance to food and clothing. Although Government of India has laid emphasis on housing for its people by launching various schemes, framing housing policies and making budgetary allocation, etc, yet 24.71 million more units of houses are still needed to overcome the housing shortage in the country. The Government of India initiated a number of measures to ease the problem of shelter; however, housing received a low allocation in various plan periods. The percentage investment in housing sector has considerably reduced from 34 percent during First Five year plan period to 15.94 percent in Tenth Five Year Plan period.

There are three types of houses in the country, viz. pucca, kutcha and semi-pucca houses. The percentage of pucca houses has increased whereas percentage of Kutcha and semi pucca houses has shown a decreasing trend during the period 1981 to 2001. The percentage of pucca houses in urban areas increased from 64.70 percent in 1981 to 74.81 percent in 2001, whereas the percentage of semi-pucca and kutcha houses in the urban areas has declined during this period. The pucca houses in rural areas increased from 22.50 percent in 1981 to 35.40 percent in 2001.

Absolute housing shortage for country as a whole accounts for 4.80 million housing units (3.17 million housing units in rural areas and 1.63 million housing units in urban areas) for the Census 2001. But the shortage based on the criterion suggested by NBO is very much high (19.04 million units out of which 14.62 million housing units in rural areas and 4.42 million units in urban areas), if only usable housing stock is considered. Surprisingly, absolute housing shortage has

shown a decreasing trend in rural areas and increasing trend in urban areas over the period 1981-2001.

District-wise absolute housing shortage for the state of Himachal Pradesh has considerably increased from 12221 units (1981) to 45065 units in (2001). It has been estimated that housing shortage in Himachal Pradesh will increase to 63,819 units by the end of 2011. The maximum housing shortage in Himachal Pradesh was found in the district of Chamba and Kangra, whereas minimum housing shortage existed in Lahul-Sapiti & Kinour district.

The average cost of construction house for the year 2001 in the state of Himachal Pradesh has been worked out Rs 371000 and Rs 182000 in urban and rural areas respectively. To overcome the housing shortage existing in the year 2001, the investment of Rs 747.45 crore and Rs 164.41 crore is needed in rural and urban areas respectively. This estimate is only for construction of houses but in reality much more amount is needed for other infrastructure facilities like roads, bridges, sanitation facilities etc.

The housing finance system in India consists of funding the housing construction and development by formal and informal sectors. The formal sector comprises of government and institutional sources whereas informal sectors includes individual savings, loans from relatives, friends, money lenders and funds provided by public and private sector employers. In India, informal sector still plays a dominant role in financing housing sector. The share of formal sector accounts for only 1/4<sup>th</sup> of the total financing in housing sector and the remaining 3/4<sup>th</sup> share is contributed by the informal sector. The growth of housing finance sector can be traced to the following three phases.

In the first phase (1950s, to 1970s), there was no agency other than the government, which introduced a number of schemes, like EWS, LIG housing, housing for labour in plantation, slum clearance, village housing project, middle income group housing, rental housing etc. The second phase (late 1970s to 1990s) saw the emergence of number of institutions like NHB (an apex housing bank), public sector housing finance institutions like HUDCO, HDFC, LICHF, PNHF, commercial banks also entered the arena of housing finance in 1970s. Global strategy for shelter was adopted by United Nations, International Year of Shelter was observed in 1987 and first draft of National Housing Policy was adopted during this period.

During the third phase (1990 onwards), due recognition was given to housing sector. National Housing Policy was finalized by the Parliament in Aug 1994 that aimed at eliminating houselessness by consolidating the efforts of various agencies. Later on, the new national housing and habitat policy was declared, ULCR Act was amended to expand the supply of land in the large City and Rent Control Act was also amended. Housing was declared a priority sector and infrastructure status was given to housing. NHB Act was amended in the year 2000 and Mortgage Credit Guarantee scheme was launched in the year 2002. During the year 2002-03, Securitization and Reconstruction of Financial Assets Enforcement of Securities Interest Act was enacted and HFCs, banks and financial institutions were enforced.

There are number of laws which, directly or indirectly, affect housing activity. Some of them come under the purview of Parliament while other are state specific. To facilitate discussion, the existing legal framework is considered under the following six broad categories.

- i) Laws concerning land acquisition / holdings.
- ii) Laws concerning transfer of house property.
- iii) Laws affecting rental housing.
- iv) Town and Country Planning legislation and building by laws.
- v) Fiscal laws affecting housing.
- vi) The National Housing Bank Act 1987.

## **7.2 Main Findings of the Study**

- **Performance of the Institutions**

Among all the institutions selected under study, Commercial Banks have contributed maximum for financing housing sector by sanctioning and disbursing highest amount of loan as compared to any other institution under study. It is being following by Cooperative Banks, Regional Rural banks and Housefed. On the other hand, Housefed has contributed the least by sanctioning and disbursing the lowest amount of loan.

Scheduled Commercial Banks have financed 81166 (61.44 percent) housing units followed by Co-operative Banks (22.48 percent) and 14515 (10.99 percent) by Housefed. Regional Rural Banks have financed only 6719 (5.09 percent) housing units, which are lowest among all over the period of study.

The maximum average loan size per house was provided by Cooperative Banks followed by Scheduled Banks and RRBs. Whereas Housefed has provided minimum loan per house during the period of study.

Scheduled Commercial Banks have been major market shareholder among institutions selected under study. Scheduled Commercial banks have been followed by Housefed

& Cooperative banks, whereas Regional Rural Banks have disbursed less than 4 percent of the total loan disbursed by all institutions.

National Housing Bank formulated the Golden Jubilee Rural Housing Finance Scheme (GJRHFS) in 1997 which was launched by the Honable finance minister on the occasion of the Golden Jubilee of the country's independence. The scheme in particular aimed to address the problem of housing shortage in the rural areas. Scheduled Commercial Banks remained at the top among all the institutions as far as loan sanctioned and disbursement under this scheme. RRBs come at last rank for both loan sanctioned and loan disbursed under GJRHF scheme.

- **Customer Analysis**

1. Majority of the customers have taken the loan for construction of a house among all the categories of customers based upon occupation and income.
2. The highest amount of loan has been sanctioned by Scheduled Commercial Banks and Cooperative Banks whereas least amount of loan has been sanctioned by HDFC.
3. Maximum customers of all the institutions except Housefed have availed the loan on flexible rate of interest. Maximum proportion of agriculturists has taken the loan on fixed rate, whereas maximum proportion of customers in other occupation categories has taken loan on flexible rate. Further, high proportions of customer having income below Rs. 2 lakhs have taken the loan on fixed rate, whereas in other income categories, customers have availed the loan on flexible rate of interest.
4. Majority of the customers of Housefed and Commercial Banks were of the view that the institutions have been

charging "Very High" rate of interest, whereas customers of HDFC were of the opinion that the institution has been charging 'high' rate of interest. Highest proportions of agriculturists were of the view that the institution has been charging very high rate of interest. As per income-wise classification of customer, maximum proportion of customer in income group of Rs. below 2 lakhs were of the opinion that they have been paying very high rate of interest.

5. Awareness level above the rate of interest was maximum among the customers of Commercial Banks, Cooperative Banks and HDFC. Occupation-wise it was highest among professionals and lowest among agriculturist. Further, it was found to be highest among the customers of income category above Rs. 5 lakhs and the same was found lowest among the customers having income in the range of Rs. 2 lakhs to Rs. 3 lakhs.
6. HDFC takes less number of days in processing / sanctioning the loan to highest proportion of customers. On the other hand, Housefed has taken much larger number of days (more than 28 days) for processing /sanctioning the loan to 90 percent of its customers. Based upon occupation-wise classification, professionals got their loan sanctioned in less than 7 days, businessmen and servicemen got their loan sanctioned in 14-28 days but the institutions took more than 28 days in sanctioning the loan to agriculturists.
7. Majority of the customers of Commercial Banks came to know about the institution from print media (newspapers, magazines, hoardings), whereas the customers of HDFC came to know from direct selling agents / employees of the institutions, and a major proportion of customers of



RRBs and Housefed come to know from their existing relationship with the bank. Friends / relatives played a dominating role in making a choice of institution for the customers of Co-operative Banks. While majority of the businessmen came to know about the institution from their existing relationship with the bank, majority of the servicemen were guided through print media. On the other hand, professionals were influenced by builders / developers and agriculturists were guided by their friends / relatives. Income-wise, analysis showed that the majority of the customers having income above Rs. 5 lakhs came to know about the institution from builders / developers while a large proportion of customers having income in the range of Rs. 3 lakhs to Rs. 5 lakhs came to know about it from print media. Customers having the income in range of Rs. 2 lakhs to Rs. 3 lakhs came to know from existing relations, whereas friends / relatives played a dominating role for majority of the customers having the income in the range of Rs. 2 lakhs or below.

8. High proportion of customers of Housefed, Cooperative Banks and Scheduled Commercial Banks claimed the loan amount to be adequate, Majority of the agriculturists and customers having income in the range of Rs. below 2 lakhs claimed the amount to be inadequate among all the categories covered in the analysis.
9. As per the institution-wise analysis, maximum proportion of customers of Commercial Banks, Cooperative Banks, and Housefed have mortgage their house property along with guarantee. On the other hand, maximum proportions of customers of HDFC have provided agricultural land as a security. A large proportion of businessmen have given life insurance policy in addition to guarantee and

mortgage of house property and majority of agriculturists have provided agricultural land as a security. Income-wise analysis shows that maximum proportion of customers having income below Rs. 2 lakhs have given guarantee of LIC policy and mortgage of house property and customer having income above 5 lakhs have given mortgage along with guarantee.

10. Customers of Cooperative Banks and Scheduled Commercial Banks and HDFC were satisfied, while customers of Housefed were dissatisfied with regard to the services provided by the respective institution. Occupation-wise analysis reflected that agriculturist were dissatisfied whereas customers of other occupational categories were satisfied.
11. About 60 percent of the customers of HDFC, 80 percent of the customers of Scheduled Commercial Banks, 96 percent of Cooperative Banks and all the customers of Housefed faced difficulties in getting the loan. Occupation-wise analysis showed that 26.92 percent of the professionals, 88.43 percent of the servicemen, 94 percent of the businessmen, and 100 percent of the agriculturists faced difficulties in getting the loan. Income-wise analysis highlighted that the customers having less income faced more problems as compare to customers in higher income bracket. Almost all the customers in different categories faced unwanted formalities and delay in getting the loan.

- **Population and Urbanization**

Population in urban areas is mainly affected due to

- a) Rural areas emerging as urban areas
- b) Migration from rural areas to urban areas and
- c) natural growth of the

urban population. The Expert Committee appointed by the Registrar General of India has estimated that one-third of the country's population will be urban by the year 2011 of which more than 40 percent will be in squatter settlements.

- **Low Priority under Plans**

The Government of India has initiated a number of measures to ease the problem of shelter, in spite of this, housing received a low priority-allocation in the Five Year Plan without considering magnitude of the problem.

Housing finance allocation under various plans accounted for even less than 2.50 percent of the total plan outlay of all the Five Year Plan taken together. In the state of Himachal Pradesh also, low funds allocation has been the major problem for development of the housing sector. Investment in housing as compared to the total investment in the state of Himachal Pradesh during all the plan period varied between the range of .51 percent to 4.01 percent. Therefore lack of fund has always remained a hindrance in the development of housing in the state.

- **Predominance of Informal Sector**

Third main bottleneck in the way of financing of housing sector in India is the predominance of the informal sector. The share of formal sector accounted for only 25 percent of the total housing finance and the remaining 75 percent is contributed by the informal sector. Branch Managers of the institutions selected under study were of the opinion that the loan from informal sector is easily available without a number of formalities compared to the formal sector. Lack of flexibility in the terms and condition laid down by the formal sector has

been another aspect leading to dominance of the informal sector.

- **Housing Finance Activities are Clustered in Urban Centres**

Housing finance business in India is largely clustered in urban areas and the rural areas are getting very less share. This is evident from the fact that recent studies have revealed that 35 large cities account for more than 90 percent quota of the total housing loan sanctioned. The same position exists in the state of Himachal Pradesh. There are almost 4 HFCs with only 15 branches which caters to the housing finance need of the state. Moreover, these HFCs have the concentration of branches in the main city of Himachal Pradesh and are not financing the rural population.

- **Legal Obstacles**

There are number of laws which, directly or indirectly affect housing activities and create obstacles in path of development of housing sector. Some of them are listed below  
a) urban land (Ceiling & Regulation Act) b) Land Acquisition Act c) Transfer of Property Act d) The Indian Stamp Duty Act e) The Rent and Accommodations Control laws in state etc.

- **Unwillingness of Institution to Finance in Rural Areas**

More than 72 percent of the total population of our country lives in rural areas and as per the estimates of NBO, the housing shortage in the country is more in rural areas than urban areas. Even in the state of Himachal Pradesh, 90 percent of the total population as per Census 2001 lives in rural areas.\*

---

\* Statistical Abstract, Department of Economics & Statistical, Govt. of Himachal Pradesh 2006-07

The Branch Manager of HDFC expressed the view that they are unable to lend in rural areas mainly because of absence of clear title of the land on which the house is to be constructed and non-acceptability of agricultural land as collateral security for housing. Branch Manager of institutions have further expressed the view that there is very few HFIs that have branches in rural areas.

- **Low Income Group Not Covered by HFIs**

The people belonging to the high income and the middle income groups could afford a house with the help of financial assistance from these institutions, whereas the people belonging to the lower income group continue to be perceived as potential risk by the lending institutions as a large section of this population is employed in informal sector with no regular income. In the state of Himachal Pradesh, these institutions do not offer loan to those customers whose income is less than Rs. 80000 P.a. because people belonging to this group continue to be perceived as potential risk of default for the lending institutions.

- **Interest Rate War-Sustainability**

All the competing players in the industry, especially banks and HFCs are vying with each other to lure the customers in order to maintain and increase their share in the housing finance segment. The prevailing interest rate war (due to reduction in deposit rates and excess liquidity in the financial market) among the players for the last few years has resulted in constant downward revision for interest rates. Further, the spreads are increasingly becoming thin as lending rates (mostly sub-PLR) are fast nearing the cost of funds. While during 1993-94, the interest rates on housing loans were in the range of 17-18 percent the some right now are in range of 7.25 percent to 8.50 percent. The constant rate-cuts may

lead to erosion of profitability in the long run. Industry experts opined that the interest rates in India have already reached the rock bottom and may not fall further in the near future.

- **Poor Implementation of the Laws**

In order to ease the problem of shortage of land contrary, the central government has repealed ULCR Act in 1999, but the state government has not followed the lead. Some states like Himachal Pradesh, Punjab, Uttar Pradesh, Madhya Pradesh, Rajasthan, Gujarat, Haryana have repealed this Act. State like Maharastra, Karnatka, Kerala and Orissa are yet to Act on it. This will definitely lower the price of land, which will eventually account for fall of about 50 percent of the price of real estate property in India. ULCR Act repealment would, unlock idle land for housing purpose, bringing down the prices of housing stocks.

- **Hidden Charges by HFIs**

These HFIs do not guide their customers well about the changes made in various policies, for example, where interest rate is changed from annual to monthly, the existing customers still have been made to pay annual rest and the monthly rest become applicable to new customer only. Contrary to their claim that they don't charge any technical or legal fees, atmost all the HFIs charged such fees ranging from Rs. 500 to Rs. 1000 depending on the repayment capacity of the customers. The customers are also not made clear about the charges in floating rate of interest.

Further, floating or flexible rate of interest is linked with the PLR but all the institutions charge the rate equal to PLR minus the spread, when the spread is reduced but PLR does not change, it results in the reduction of interest rate. The customers are given as option either to continue at the same

rate or to pay the less rates. If the customers go in for the second option, they have to given the written request and have to pay 0.5 percent of the outstanding principal amount. The customers are not guided properly and kept in dark by the institutions at the time of sanction of loan.

- **High Stamp Duty**

Most of the customers were of the view that the people have indulged in under valuation of land due to high cost of stamp duties imposed by the state governments. This also leads to lower financing by HFIs because these institutions finance 75 percent to 80 percent of the value of property as shown in the registry.

- **Expensive Building Materials**

Building materials used in India is a combination of some local materials including cement, corrugated iron sheets and iron rods and glass sheet. There is high dependence on corrugated iron sheets and cement as basic building materials. These materials, in addition to, plumbing and electrical materials have to be imported at high costs, thus, making housing construction very expensive.

### **7.3 Suggestions**

#### **Restrict the Rate of Growth of Population and Check the Urban Migration**

If the present trend of population growth and urban migration continues and if there may be some improvement in the economic conditions of the weaker sections of the society in the coming 25 years, the housing condition will become even worse than what this is today and a major part of population will be living under the sky. It is, therefore, obvious that if there

is to be any improvement in the present conditions, it will be necessary to accelerate the rate of economic development, restrict the rate of growth of population and develop growth centres through industries in rural areas to check the urban migration.

### **High Priority in Five Year Plans**

Food, clothing and shelter is the basic need of the people. While, concerted efforts initiated after independence by the Government resulted in solving the problems of food and clothing, housing got low priority in Indian planning like other Third World Countries. This resulted in an ever increasing backlog of the housing stock. So government should give high priority to housing sector in Five Year Plans.

### **More Dependence on Formal Sector**

Since the informal sector finance still accounts for major portion of housing finance, there is need to increase the share of the formal sector steadily. It may neither be feasible to replace informal sector with the formal sector nor did advisable, till the housing finance system is fully develop to cater the needs of all segments of the population. To achieve social objectives in the field of housing, it is necessary to integrate the informal system with formal system. In this context, the various social and voluntary organizations can play a vital role in organizing people for community housing programmes and also function as catalysts for the flow of institutional credit. These organizations can interact with slum dwellers and other economically weaker sections and prompt awareness among them. These organizations can also intercede with the governments and other agencies on the behalf of the people to obtain title for the land and help the financial institutions in recovering the loans from the beneficiaries.



### **More Funds to LIG and EWS**

A substantial proportion of the country's population belongs to EWS and the Low Income Group (LIG) for the people belonging to these sections, flow of finances from the formal sector has been insignificant. There is thus need to increase the flow of credit to such categories. To make housing affordable (in view of the limited repaying capacity), to such categories of people, the government should take initiatives to make serviced land available at reasonable price.

### **More Attention on Districts of Himachal Pradesh Having High Shortage**

More attention should be given to the high housing shortage districts of the state as per Census 2001. The present business potential in this segment is estimated around Rs. 747.47 crore and Rs. 164.41 crore in rural and urban areas respectively. Further, it has been worked out that Chamba, Kangra, Mandi, Kullu and Shimla will be high shortage area of Himachal Pradesh by the year 2011.

Therefore, government should allocate more funds to these districts for overcoming the housing shortage and HFIs should also open up more branches in Chamba, Mandi, Kangra districts to disburse more loans. Housefed should concentrate more in the rural segment and bringing down the rate of interest in line with that of other HFIs, otherwise it may lose its business prospects.

### **Conducive Role of Cooperative Housing**

Housing is basically an individual effort. The efforts of the individuals when combined together can play a significant role. The government, therefore, considered it necessary to use the cooperative housing agencies for implementation of its housing policies and to encourage the people to solve their housing

problem through their own efforts. The progress of cooperative housing movements was insignificant till the fifties but gained momentum under the Five Year Plans.

### **Removal of Regional Imbalances in Cooperative Housing**

Regional imbalances exist in the cooperative housing system. The co-operative structure needs to be strengthened in the state so that the movement can provide a viable solution in solving the housing needs of all sections of the society in general and of weaker sections in particular.

### **HFCs should be brought under Regulatory Ambit of NHB**

At present, there are some companies which remain outside the regulations prescribed by NHB, so, there is an urgent need to bring these HFCs within the regulatory ambit of NHB. At the same time, the government should ensure that the fiscal concessions are extended only to those companies, which have been recognized by NHB.

### **Availability of Adequate Land**

Land being scarce is the most important factor; any policy to be framed should be such as to make available adequate land for housing particularly in large size town and cities. There is also a need for an effective and efficient delivery system for serviced plots. The basic aim of any land policy should, therefore, also be to make available adequate quantity of serviced land at the right place, at the right time and at a price affordable by all. Ways are to be found to remove the impediments that have come in the way of making land available for housing.

### **Cost Effective Building Material**

The building material and construction components are quite important factors, which are estimated to account for 65 to 75 percent of the total construction cost. The increase

availability of finance and land will exercise pressure on the supply of building material and construction components with the source of traditional building material drying up, there is an urgent need to explore the possibility of new building materials, which can substantially replace the conventional building materials. Many such materials and construction technologies have already been identified and required to be commercially exploited.

### **More Long Term Funds to Housing Sector**

It is believed that housing sector can pull the economy out of recession; it is possible only when we recognize that the housing sector has to be a major contributor to the economy. With the outstanding loan accounting for less than 2 percent share of the GDP in our country, this proportion needs to be increased by making available long term fund to this sector. The insurance and pension funds are therefore and their investment pattern needs to be evolved so that it recognizes housing sector as a potential area for investment.

### **Reduction in Stamp Duties**

The cost of transferring lands titles must be reduced from the present rate of more than 10 percent stamp duties to a reasonable level. It is quite higher as compared to the rate of 3 to 4 percent in developed countries. This will encourage the sellers to pay full stamp duties and would benefit the government and check under valuation of properties. It will help to increase government collection and provide it a wider collection base. The high duties have also encouraged unaccounted money being used in most of the real estate transactions in Himachal Pradesh. The registration procedure should be made transparent and simple, so that changes and detection should be avoided to eradicate corruption. Some states have realized that lower rates of stamp duties will

translate into increased revenues from registration of land documents, and have planned and acted according. Besides, it is also desired to have a uniform stamp duty structure throughout the country.

### **Promoting Mortgage Credit Guarantee Corporation (MCGC)**

The financial institutions reluctant to extend mortgage loan to moderate income household in view of the perceived threat of default. Since the housing finance institutions operate on a thin margin, it is essential that their recovery rates be maintained at a high level. To ensure that these institutions are protected against losses due to default and to widen their reach to achieve the national objective of increasing home ownership, mortgage insurance could be the solution. However MCGC can not by itself be a solution for low-income households having serious affordability problems but it can be a part of an overall package to improve their affordability. This segment of the population will have to be targeted under the social-economic programmes of the national government. NHB has already begun to take steps to launch Mortgage Credit Guarantee Corporation in India.

### **Promoting FDI in Housing Sector**

The government must allow Foreign Direct Investment (FDI) in the real estate industry, so that finance is easily available at reasonable interest rates to the developers. FDI will also enable new technologies to be introduced in the housing industry, which will make it more efficient and cost effective. Although FDIs have been allowed in real estate projects with certain financial, time and area constraints, but more needs to be done to encourage cheaper capital, modern system & technology.

## **Other Suggestions**

- The role of Non Government Organizations (NGOs) and Community Based Organizations (CBOs) could be considered as important inputs in developing such shelter programmes in the informal sector. Cooperatives, NGOs and CBOs can act as effective intermediaries for establishing link between formal and informal sector.
- There must be efficiency in the management of funds both in terms of mobilizing and deployment to survive and grow in the market.
- Due to rising cost of construction day-by-day the government has to come forward with fresh budget proposals every year which should motivate the borrowers as well as the finance companies.
- Providing the housing facilities is a social responsibility too. Therefore profit should be the secondary aspect particularly in the government sponsored housing finance companies.
- The central government should give priority to evolve a national housing fund for solving the housing problem in the country. All the giant public sector institutions must contribute little percentage of their profits to this fund and amount so collected should be spent purely in solving the housing problems of LIG & EWS people.
- For a good database on housing, comprehensive survey of housing on Census basis should be conducted covering various aspects so as to provide a “one shot” picture of the housing scene in the country. It should cover data on housing stock, finishes, cost of houses, sources of funds for construction etc.

- Most of customer opined that institutions should not charge any processing, administration, conversion fees and other charges.
- It is suggested that Housefed should charge least rate of interest and should take least time period for sanctioning loans.
- It is suggested that the institutions should extend the facility of collecting EMIs from borrowers. Customers of commercial banks suggested that they should be allowed to deposit EMI at any office of the respective institution.
- All the customers of HDFC who were surveyed in Kangra district suggested that a branch office should be open at the district head quarter.
- The customers of Housefed suggested that the staff should be more cooperative. Further, the customers of all the institutions suggested the waiver of interest on holidays up to one year or to the complete construction of houses should be given.
- A uniform and reasonable stamp duty is to be introduced throughout the country to help parties involved in the housing.
- There is an urgent need to devote more concerted attention to enable a quantum jump in the flow of financial and real resources in the above said areas. Specific policies will have to be formulated. The government should undertake in-depth study of the problems faced by the financing institutions and customers and take steps to remove the hurdles for their effective functioning.
- Eligibility condition for the individual persons should be relaxed. Especially for the self-employed persons.

- Finance should be given for the purchase of plot also.
- Processing fees should be minimized at maximum possible level.
- There should not be administrative charges and commitment fees to reduce the burden of borrowers in the competitive era.
- A greater degree of flexibility in norms and regulations or lesser paper work would be welcome. Because too much conservative play is not possible in such an competitive atmosphere.
- There should be compulsory comprehensive (fully secured from all hazards and life of borrowers) insurance in favor of housing agency for the safety of loan amount.
- Security rules should be relaxed like the 2 guarantors or marketable security, only first mortgage and guarantor is sufficient.
- Various value added services and schemes linked to some festival occasions can be introduced to attract the market. More marketing efforts are required from smaller players. Direct Selling Associates (DSA's) may be employed to reach out to the people.
- It is a practice in most of the housing agencies not to reduce the EMI even if the borrower makes lump sum payment. Hence it is suggested that when the borrowers pays a lump sum amount the EMI should be modified.
- It is suggested that disbursement should be quick (Same day) after sanctioning the loan so that borrower can get fast loan facility.
- HFIs should have the option of offering "Vaastu Service" Vaastu means setting the house design on the basis of

the direction of the Sun. Such astrological counselling is very popular these days and is considered quite helpful to the borrowers.

- HFC's should optionally offer their customers architectural services. The services of expert architects should be made available to those who request for such services.
- Government should frame special adjudication machinery to solve the dispute of joint land so that no obstacle can come in the path of housing construction.

## **7.4 Prospects of Housing Sector Finance**

### **7.4.1 Housing as an Engine of Growth for Economy**

Housing is an industry with tremendous potential for contributing towards economic growth of any economy. In a developing economy like India, its significance need not be overemphasized. This is because of different factors, like (i) it is one of the top employment generators for the economy (ii) Linkage both forward and backward with over 250 industries including such core industries like cement, steel, timber, ceramics, tiles etc. (iii) small initiative in housing can propel multiplier effects in the whole economy through the generation of demand (iv) it is supposed to be the most preferred investment avenue in a recession hit economy.

### **7.4.2 Housing Finance through SHGs for Development of Rural Housing**

Banks in India, of late, have experienced that financing to Self Help Groups (SHGs) with the help of some NGOs as the intermediary can create wonders in the living conditions of rural



poor. Micro financing through SHGs is making rapid strides in rural India.

#### **7.4.3 Rural Focus for Business Growth**

With competition in the metros and major cities on the rise, many housing finance players are focusing on smaller towns and villages for expanding their business. It is a fact that many villages and smaller towns are endowed with large amounts of NRI money and have all the required amenities. These are fast developing as 'Mini-metros'. In a country where 72.21 percent of the over one billion population lives in 6.38 lakhs villages, the above shift in focus for business growth appears to be a very realistic one, especially when we consider the growing disposable income of the sizeable upper middle class people. PSBs like SBI, PNB, and BOI etc. with their huge nation-wide branch network can target this segment with less investment, unlike other HFC counterparts, who are mostly concentrated in metros and big cities.

#### **7.4.4 Housing Finance - A Relatively Safe Type of Advance**

Considering the very low NPA levels (less than 1 percent annualized ) and also strong security in the form of mortgage of the property financed, many tax incentives to the lenders (and borrowers) etc. housing finance is supposed to be a comparatively much safer kind of credit by the lenders. The enforcement of SARFAESI Act, 2002 has made the recovery of bad advances much easier. Further, the growing MBS market ensures secondary market for housing loan assets and many progressive players like ICICI bank; HDFC etc. are tapping MBS market periodically for financing themselves.