CHAPTER II

HOUSING – A HISTORICAL PERSPECTIVE

2.1 Introduction
2.2 Concept of House
2.3 The Housing Problem – A Global Scenario
2.4 Housing Problem – Remedial Steps at International Level
2.5 Housing in India – A Historical Perspective
2.6 Housing Problem – The National Scenario
2.7 Five year plans and National Housing Policies
2.8 Housing Condition in India
2.9 Economic Development and Housing Finance
2.10 Agencies in the Field of Housing
2.11 Housing Finance Institutions in India
2.12 Housing Loan Products By Primary Lending Institutions
2.13 Summary
2.1 INTRODUCTION

In the present chapter the researcher analyses the housing problem – global and national, the Housing situation in India, the remedial steps taken at the national and the international level, and the Housing Finance system in India.

2.2 CONCEPT OF HOUSE

In a narrow sense “House” refers to the basic shelter and dwelling unit. In a broader sense, ‘housing’ includes not only the residential building but also the infrastructure facilities with the environment it constitutes. In other words housing signifies ‘Shelter’ plus basic environment such as water facilities, natural air atmosphere and non-basic environment or physical environment, namely, infrastructure needs such as education, health, transport and communication and shopping for physical goods and social services.

2.3 THE HOUSING PROBLEM – A GLOBAL SCENARIO

There can be no civilized life without proper housing facilities. In General, housing has a vital bearing on the health of the nation and the standard of living of the community. The housing problem is a universal problem. Most of the countries suffer from shortage of housing facilities.

In the contemporary world, housing has remained a central issue, Le Corbusier recognized it about 75 years ago. He said, “The problem of the house is the problem of the epoch”. Presently one billion people are homeless in the world. Because of the ever-growing population, and limited means of resources, shortage of houses is more
acute in urban areas than in rural areas. It is more keenly felt by the middle and lower income groups of the urban population than by others.

"So far as housing is concerned, the whole world has remained under-developed. There is probably not a single major city in the world without some form of housing problem. In Los Angeles and in Tokyo, in New York and in Moscow, in Hong Kong and in Paris, in Stockholm and in Brasilia, housing is a serious issue."²

Vladimir Lenin highlighted the housing problem of Russia saying that the working people of Russia, in the beginning of this century, had a miserable life like animals, in dugouts of town suburbs or in terrible slums and basements. In worker areas one room was rented out simultaneously to several families and they slept there in three-tiers of plank beds, and people would rent parts of a room or beds in which they slept in turn.³

"Over the past decade, Mexico has invested about 4 - 5 per cent of GNP in housing-about the same as other countries at the similar stage of development. But this level of investment has not been enough to prevent Mexico's deteriorating housing condition."⁴

Charles Abrams rightly described the then housing problem of Soviet Union as "the technical genius that broke the secret of speed, sound, space and light but still cannot build a house cheap enough for the rank and file. While a Soviet cosmonaut can orbit the world, the state that launched him cannot establish a good housing programme on the ground. More the country develops industrially, the more stubborn the housing problem becomes."⁵
"Today what men need most is not moon-hike or the like feats but a simple shelter over their heads. This was voiced by hundreds of thousands of people by their shouting—'We want houses' when they crowded to cheer up the Apollo 11 moon—Landers who visited Rome during their global goodwill tour".6

Even a well developed country like the United States of America was confronted with the housing problem. It was pointed out by Weinfield in 1948 that in America today two of the essentials of food and clothing were available in adequate supply at prices within the reach of virtually all families. But in the third essential namely shelter, the American economy is failing to meet the minimum requirement. "Countries all over the world including the US and the USSR have faced similar problems 30 to 50 years ago and have tried to overcome it with proper policies and planning, assuring their citizens with housing units at affordable cost".7

Even the richest countries of the world like the U.S.A have been facing the problem of housing for a very long period; now the severity of the problem may be less, but the problem still remains. When such is the housing condition in America, the housing problem of a developing country like India cannot but be acute. Neither industrial nor economic development can be a solution to the housing problem, "It is paradoxical but true that neither technological progress nor economic development is a solution to the housing problem."8

It is the outcome of unsuccessful policies. "More than one billion people worldwide lack adequate housing. In cities in developing countries, nearly 40 per cent of the housing is unauthorized and about half contains "squatters" with no legal claim to
the land .......... rarely permanent, located in unsafe locations and often without access to potable water or adequate sanitary facilities .......... These and a multiplicity of other housing problems around the world are largely the result of failed policies”.

“A world Bank study conducted in 1975 showed that 55 per cent of the households in Mexico City, 35 per cent in Bangkok, 68 per cent in Nairobi, 47 per cent in Bogota, 64 per cent in Ahmedabad and 63 per cent in Madras were unable to afford the cheapest dwellings available in the open markets of those cities. Position in these cities has since further deteriorated”.10

“Though most of the nations have been able to fulfil and achieve self-sufficiency in the production of food and clothing, none of the countries in the world have been able to root out the problem of housing. Even the most advanced and industrial countries have been facing the problem in varying degrees. But it is the poor and the third world countries including India where the problem is more acute”.11

2.4 HOUSING PROBLEM – REMEDIAL STEPS AT INTERNATIONAL LEVEL

By considering the importance of housing and its condition in the world, many steps have been taken by different fora at different times at international and regional levels.

In countries like Singapore, the Government is providing houses to various income groups; now, government is encouraging people to make their own decisions and do more themselves. Local Communities have been formed for maintenance of properties and Common Services.
In Indonesia – Surabaya is the Second largest city of the Country. Nearly 1.2 million people have improved their living conditions by mobilizing their own resources and by increasing awareness of the importance of a clean and healthy environment.

In Srilanka, 1.5 million housing units have been constructed/improved by Community Participation and with little assistance from the Government.12

By realizing the necessity of housing development and in order to create awareness in the minds of the public, the United Nations Commission on Human Settlement made a proposal at its eighth session. By this proposal, it was resolved unanimously on 17th December, 1985, that the first Monday of October every year be designated World Habitat Day. All member Countries of the United Nations Organization were requested to celebrate this day in such a way as to educate the public about the need of proper housing and to inform the steps taken by the Government for its development.13

"Housing shortage is a universal phenomenon. It is more acute in developing countries. Housing is a basic need. But because of constraints of resources it has not received the priority which it deserves. Alarmed by the staggering statistics of homelessness in developing countries, the United Nations General Assembly proclaimed 1987 as the International Year of Shelter for the Homeless."14

In fact, this proclamation is a boon for rural and urban housing. "The International Year of Shelter for the Homeless (IYSH) in 1987 provided a political incentive to embark upon novel strategies, in particular strategies which favoured the urban and the rural poor."15
In December 1988, the United Nations Organization took another forward step for housing development by declaring, "Global Strategy for Shelter to all by 2000 A.D. (GSS)". This proclamation was made to focus global and national attention on the enormous shelter challenges confronting countries in general and developing countries in particular. This Global Strategy for Shelter [GSS] was to mobilize new modes of international and national co-operative efforts to create access to adequate shelter for all by the Year 2000 A.D.

The fact that shelter is a basic need of man has made housing a vexed question both for planners and the academicians in every country. This problem is so grave and distressing in the case of haphazard developing countries. Therefore, the intractability of the problem of adequate house supply and the recognition of its importance for regional development have led the South Asian Association for Regional Co-operation (SAARC) to observe the Year 1991 as the 'Year of Shelter'. This was declared by the SAARC countries in its 5th SAARC summit held at Male in November 1990.

As a result of painstaking measures followed by different organizations at international level, people realized the importance of housing and they wanted to have a house of their own. But, still it is not achieved in most of the nations in the world.

"The International Year of Shelter has come and gone without making any appreciable impact on the housing scarcity in the country".  

"The GSS calls for a combination of international and national efforts but at the same time, it stresses that shelter goals can only be met by the individual efforts of Government acting in its own political, social, economical and cultural context."
“Despite the universal recognition of the basic human right to adequate shelter, the fact remains that for one billion people around the world, shelter is still a luxury. They are the poorest of the poor, bypassed by the development process, who live in degrading conditions of unrelieved poverty and squalor and who lack even the most rudimentary civic and social amenities.”

The housing problem of the world is of two dimensions. One is availability of the house and the other is affordability. According to an United Nations estimate over 33 per cent of the population in developing countries is homeless. Notwithstanding the rapid strides made in the field of building technology, providing shelter to the teeming millions at affordable cost remains a distant goal in most of the developing countries across the globe.

2.5 HOUSING IN INDIA – A HISTORICAL PERSPECTIVE

The importance of housing has been recognized in India from time immemorial and India has a glorious past. The ruins of Harappa and Mohanjodaro speak volumes for the fact that the Indus valley people occupied houses having many modern facilities. The ruins of this splendid civilization reveal that more than 5000 years before the birth of Christ, Indus Valley people had well-planned streets, and magnificent system of drains and they lived in two-storied buildings made of bricks. Their houses were equipped with bath rooms, water pipes and drains.

All these demonstrate in a potential manner that housing was given due attention in olden days and hence Indians in those days could enjoy adequate housing facilities. But, during the British period, housing problem existed mostly in big towns like Mumbai
and Calcutta. In India the housing inadequacy was first felt in urban centres in 1901. This was turned to be a surplus in 1911 by plague and famine which caused death on a large scale. But as census records show, after 1931 the situation entirely changed. Under the impact of the Great Depression, housing construction suffered a setback and housing provision could not cope with household growth. During the Second World War, India's housing problem grew further by the settlement of workers who migrated to towns to work in factories producing ammunition and other war supplies. In 1947, the housing situation was further aggravated by the influx of 75 lakhs of displaced persons, on the wake of partition of India, who by and large preferred to settle in urban areas.

2.6 HOUSING PROBLEM - THE NATIONAL SCENARIO

Housing Problem in India is a multi-dimensional one. Qualitatively speaking, the Indian houses are far from satisfactory. More than four-fifths of the households and in some states more than 95 per cent of the households, generally have no access to latrine facility in rural areas and between a quarter to a half of the households in urban areas were similarly handicapped.19

India is one of the oldest societies on the earth, she is rich in heritage, culture, arts and literature and she has a very ancient civilization to her credit. Houses built and streets organized several centuries ago in Mohanjodaro and Harappa are testimonies to the Indian taste, life styles and life values. Forts, palaces and temples in India speak of the architectural calibre of ancient Indians. But, the exponential growth in population over the years and the population explosion particularly in the post-independence period have
made the situation totally different to-day. With 1027-22 millions according to census 2001 as its population. India now is struggling hard to face the challenge on many fronts.

R.Venkataraman, the former President of India, said, “If the population growth is a time bomb ticking every minute of the day, housing shortage is nothing sort of a hidden thermo-nuclear explosive device, which must be defused soon”.20

Paucity of houses is the major challenge to the Indian Society as it is in other similar developing countries. “For millions of our countrymen, the desire of owning a house has remained a long cherished dream. Generations might have passed by but the desire remained unfulfilled largely due to the poor socio-economic conditions prevalent among the masses.”21

It is estimated during the Eighth Plan period over 2.5 Crores of families in India would be living without a house of their own. It is further stated that this number will rise to 4 crores by the end of this century and it may cost Rs.80, 000 Crores to provide houses to all the families. The housing demand, supply and surplus or deficit positions in India from 1901 to 2011 are given in Table 2.1.
## TABLE 2.1
Demand and supply of Housing in India – A Trend

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand (in Lakhs)</th>
<th>Supply (in Lakhs)</th>
<th>Surplus/Deficit (+/-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>540</td>
<td>558</td>
<td>+18</td>
</tr>
<tr>
<td>1911</td>
<td>578</td>
<td>637</td>
<td>+59</td>
</tr>
<tr>
<td>1921</td>
<td>586</td>
<td>652</td>
<td>+66</td>
</tr>
<tr>
<td>1931</td>
<td>649</td>
<td>710</td>
<td>+61</td>
</tr>
<tr>
<td>1941</td>
<td>719</td>
<td>760</td>
<td>+41</td>
</tr>
<tr>
<td>1951</td>
<td>660</td>
<td>643</td>
<td>-17</td>
</tr>
<tr>
<td>1961</td>
<td>846</td>
<td>789</td>
<td>-57</td>
</tr>
<tr>
<td>1971</td>
<td>1004</td>
<td>907</td>
<td>-97</td>
</tr>
<tr>
<td>1981</td>
<td>1226</td>
<td>1015</td>
<td>-211</td>
</tr>
<tr>
<td>1991</td>
<td>1510</td>
<td>1219</td>
<td>-291</td>
</tr>
<tr>
<td>2001</td>
<td>2092</td>
<td>1682</td>
<td>-410</td>
</tr>
<tr>
<td>2011 [P]</td>
<td>2889</td>
<td>2160</td>
<td>-729</td>
</tr>
</tbody>
</table>

[P] – Projected


It is clear from Table 2.1 that the Demand and supply of Housing in India have registered a continuous increasing trend, which stood at 540 lakhs and 558 Lakhs respectively in 1901, moved up to 2092 lakhs and 1682 lakhs respectively in 2001, exhibiting a 2.5 times increase during the Century. But the year 1951 shows a decline in
demand and supply due to partition of India, after Independence in 1947. From then on supply never caught up with demand.

Table 2.1 further reveals that supply of houses based on demand shows a positive trend up to 1941 and after that shortage of supply consistently increased from (17) lakhs in 1951 to (410) lakhs in 2001 due to population increase during that period.

Using trend analysis, the study projects demand and supply of houses in the year 2011 to be 2889 lakhs and 2160 lakhs respectively, which indicates that short supply of houses will be more than 25 per cent on demand of the houses expected. The Government, formal and non-formal organizations have to plan well to meet the housing demand in future, so that it is possible to reduce/avoid the deficiency of supply in houses in India.

The steep increase in housing shortage is the result of slow progress of housing activities and the fast increase of housing demand due to population explosion. “As per the United Nations Organization declaration, 10 houses per 1000 population per annum is needed to solve worldwide housing problem. But India’s contribution is approximately 2 to 3 houses per 1000 population per annum.”

Comparing the housing stock addition of other countries, India’s performance is very poor and this is a major cause for the prevailing housing shortage. “In India, 2 houses are built in a year for every 1000 persons whereas the comparative figures for other countries are: 10.3 for the U.S.S.R., 10.2 for West Germany, 10.0 for Sweden, 7.2 for Japan and 6.5 for the U.S.A.”
Another factor contributing to the housing shortage is the yawning gap between the growth of population and that of the house stock. "It is significant that against the annual population growth rate of 2 per cent in the country, the number of residential buildings have increased at an annual rate of only 1.5 per cent. One Australia or Nepal equivalent to a population of 17 million people is being added to the Indian population annually".24

"In the last 20 years, only 6 million housing units had been constructed in the country, while the shelterless population is now growing at the rate of a million every year".25

2.7 FIVE YEAR PLANS AND NATIONAL HOUSING POLICIES

After independence, India’s first housing policy was framed in 1949. By this, the Government introduced a subsidized industrial housing scheme for industrial workers. Interest-free loans were given for housing schemes. Then in the First Five Year Plan, the interest subsidy was replaced by a loan subsidy for house construction. One-fifth of the land and building cost of a house was given as subsidy. Later the subsidy was increased to 50 per cent. In 1954 the Government introduced for the first time a special housing scheme for the poor classified as Low Income Group (LIG). Long term loans were given to this income group at a lower rate of interest. During the Second Five Year Plan, the Government extended another housing scheme to the Middle Income Group (MIG). During this period the Life Insurance Corporation of India stepped into housing finance.

In the Third Plan period, the Government took effective steps to enable easy availability of land for housing in urban areas where there were difficulties in land
acquisition. Tax on transfer of free-hold lands and vacant sites, acquisition of vacant sites and urban land ceiling were some of the steps taken. Later during the years 1966-69, Annual plans were implemented instead of five year plans. During this period a new economic group was formed called Economically Weaker Section (EWS) to give it priority in housing schemes. As there was no national level agency for housing, the Government felt it seriously and established the Housing and Urban Development Corporation of India (HUDCO) during the Fourth plan in 1970. After the establishment of HUDCO, the housing activity received momentum, but there was difficulty in acquiring lands for housing in urban areas. Resultantly the Government of India enacted the Urban Land (Ceiling and Regulations) Act 1976, and acquired the excess lands held by the individuals for housing the poor during the Fifth Plan. Then in the Sixth Five year Plan period, all social housing schemes were re-categorized on the basis of the income ceilings to avail of the concessions of housing schemes. Government servants Rental Housing Scheme, and Rural Housing to Landless Labourers were introduced during this plan.

In the Seventh Five Year Plan the housing policy of India was remodelled so as to achieve the target of the “International Year of Shelter for the Homeless (1987)” Schemes were introduced to develop neighbourhoods in all major cities to attain the “Global Strategy for Shelter to all by 2000 A.D”. Another notable arrangement during this plan period for housing development was the incorporation of National Housing Bank.
During the Eighth Plan period it was proposed to mobilize about Rs.80, 000 crores for housing development both in the private and public sectors. Rental housing scheme for Central Government employees and Integrated Urban Development Programme are the main schemes introduced in this plan period. In this plan, the Government changed its role through the National Housing Policy 1992, as a facilitator than as a builder.

In the Ninth plan period, the Government of India through the National Agenda declared "Housing for all" as a priority area and a two million housing programme was launched with a target of construction of additional 7 lakh units in urban areas and 13 lakhs units in rural areas of the country each year since 1998-99.

As per the Tenth plan (2002-2007), the total number of houses that would be required cumulatively during the plan period was estimated at 22.44 million dwelling units. It was estimated that the investment required for the public sector institutions would be of the order of Rs.4,15,000 crore. This will have to supplement the contribution from private players to tackle the growing demand for housing finance during the plan period.

As far as India is concerned, this global housing problem is still severe. Though, in India, the Indus Valley people occupied houses with many of the modern facilities even 5000 years before birth of Christ. India could not maintain the same as a result of population explosion, rural-urban migration and financial constraints. The planners and policy makers could not overcome the Indian housing problem through their vigorous planning at National and Regional levels for the past 50 years.
2.8 HOUSING CONDITION IN INDIA

Providing adequate housing facilities to the countrymen is one of the august steps towards the good of social equality and socio-economic growth of the country.

In a vast country like India, natural diversities as a result of geographical and climate extremes and socio-economic disparities have only added to the housing problem.

Table 2.2 presents rural/urban distribution of households and housing shortages for the year 1991 and the likely gaps by 2001.26

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year 1991</th>
<th>Total</th>
<th>Year 2001</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1. Households</td>
<td>113.5</td>
<td>47.1</td>
<td>160.6</td>
<td></td>
</tr>
<tr>
<td>2. Usable Housing Stock</td>
<td>92.9</td>
<td>36.7</td>
<td>129.6</td>
<td></td>
</tr>
<tr>
<td>3. Housing Shortage</td>
<td>20.6</td>
<td>10.4</td>
<td>31.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.2 presents the information on Households and usable housing stock and Housing shortage in Urban and Rural area in the year 1991 and 2001.

In Rural area, 113.5 million households in 1991 rose to 137.01 million in 2001 resulting in a 20.71 per cent increase during the 10 year period. The usable housing stock based on households was very narrowly in short supply (i.e. less than one per cent cent).
Housing shortage increased from 20.6 million in 1991 to 25.5 million in 2001, slightly more than National Building Organization’s (NBO’s) estimate.

The Urban area households increased from 47.1 million in 1991 to 72.2 million in 2001, and the usable housing stock from 36.7 million to 56.7 million during the same period. The housing shortage increased from 10.4 million in 1991 to 15.5 million in 2001, resulting in a 49 percent increase. The actual shortage is marginally more than NBO expectation due to migration of people from rural areas to urban areas for employment.

The rural, urban divide is a glaring example of the disparity among the people; about 75 per cent of the population lives in the rural areas where the housing and related environment conditions are far from satisfactory.

More than 1/3 of the country’s housing stock is considered to be “Kutcha units made of non-durable materials. About 70 per cent of the census housing in the rural areas has walls of non-durable materials. Similarly about 50 per cent of the houses in the rural areas have roofs of non-durable materials.

On the whole, the number of houses built with permanent building materials in the country are not more than 30 per cent. Over-crowding and congestion are some of the other disturbing factors of the country’s housing conditions.27

In India, it is common to see thousands of persons “residing on the pavements and under the bridges and in unused water pipes. In India, the overall picture is grim. Today there is the dubious distinction of the highest congestion rate in housing in the world. About 19 per cent of the Indian families live in less than two square metres of space. About 44 per cent of families in the urban areas live in one room only.
The acute shortage of dwellings in India is also evident in the number of persons per dwelling unit, which are around 6 today.

2.8.1 Housing Situation in Urban Area

Housing facility is a basic human need for everybody for their integrated social and economic development. However, there is an acute housing shortage in the country, forcing many people to live in jhuggis, jhompris, slums and squatter settlements. This shortage is partly because of the scarcity of land, especially developed house sites, rising cost of building materials, increasing wage rates and high cost of services.

India is confronted, with multiple problems of Housing shortage, unemployment and poverty. Estimates by planning commission and census of 2001 show that 20 million households do not have affordable and adequate housing facilities, about 35 million people do not have appropriate jobs and 260 million people are below poverty line. They are unable to afford the consumption of essential food for their survival, 67 million of them residing in urban areas. According to the reported slum population in 607 towns and cities in India, over 40 millions are living in substandard living conditions. They do not have access to safe shelter, basic amenities, education and health facilities. In brief, the urban poor are facing problems of lack of affordable shelter, unsafe building structures, insecurity of tenure, lack of basic services, limited access to credit and a very few formal job opportunities.

The rapid population growth and faster trends of urbanization are making the housing scenario more complex.
A large number of human settlements have been acquiring the status of "Urban settlements". The proportion of "Urban" Population to total population of the country has steadily increased as shown in Table 2.3.

**TABLE 2.3**

**Population Trends in Urbanization**

<table>
<thead>
<tr>
<th>Years</th>
<th>Urban population (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>17.3</td>
</tr>
<tr>
<td>1961</td>
<td>18.0</td>
</tr>
<tr>
<td>1971</td>
<td>20.0</td>
</tr>
<tr>
<td>1981</td>
<td>23.3</td>
</tr>
<tr>
<td>1991</td>
<td>25.7</td>
</tr>
<tr>
<td>2001</td>
<td>27.8</td>
</tr>
</tbody>
</table>

Source: Census of India 2001

The census data revealed that rural India holds about 742 million people while their urban counterparts numbered about 285 million, that is, 27.8 per cent. Indian states are a mixture of 'highly urbanized' and 'pre-dominantly rural'. While 15 States and Union territories have recorded a higher proportion of urban population than the all India figure of 27.8 per cent, another 20 States and Union territories have recorded a lower urban population proportion.

This un-even population distribution also adversely affects the housing scenario in the country. There would be a larger and faster flow of rural population in the future towards urban settlements in search of better employment opportunities, income and services.
The towns and cities, as they already have a high density and heavy migration, become over-crowded, congested and suffer deficiency of services. The traffic bottlenecks, erratic power supply, scarce water distribution and polluted environment further add to the prevailing problems. All these have a telling impact on the housing environment where, faced with limited supply and spiraling demand, housing costs shoot-up both rental as well as ownership housing-forcing the people to resort to alternative housing solutions, affordable to them, in their spontaneous ways.

The countless temporary shelters made of plastic/gunny bags, discarded packing cartons, leaves, thatch, grass, mud or broken brick pieces in very un-hygienic environment are a common sight in Indian towns and cites.

As far as the availability of housing amenities and services are concerned, the problem is much more serious; only 16.07 per cent of the households have access to all the three basic amenities of electricity, safe drinking water and toilet. This was as low as only 3.90 per cent in the case of rural households, whereas the position seemed somewhat better at 50.46 per cent of the households in urban areas. The census data revealed that about 25 per cent of Indian households have access to none of these three facilities within their housing premises.\(^{28}\)

The National Building Organization (NBO) found that the housing shortage in the country in 1991 was about 31 million units of which 10.4 million was in urban areas and by 2001 A.D. it would be 41 million out of which 15.5 million would be in urban areas.

Due to the large amount of migration of people from rural areas to urban centres, the urban population of India has grown two-fold during the period from 1947 to 2001.
According to census 2001, the urban population will rise to 27.79 per cent of the total population. Population explosion and over-urbanization contribute to the immensity and complexity of the housing problem. As population grows, housing supply should also follow suit; if not, people have to go without adequate shelter. The growing number of industrial workers, slum dwellers and pavement dwellers worsen the problem of urban housing.

The total housing requirements during the 9th plan is estimated at 16.76 million dwelling units in urban areas. The position in regard to availability of urban infrastructure and municipal services is equally disconcerting.\(^2\)

2.8.2 Housing Situation in Rural Areas

In the country side, whatever land was available, was encroached upon. The rural people also usually constructed their dwelling in the place available in a haphazard manner. Many of the houses in rural areas are woefully deficient in essential physical and social requirements of residential houses.

Over-crowded, structurally unsound, insanitary and infested with vermin these houses lack the simplest arrangement for cooking and storing of food and safe water supply for drinking and washing.

The houses are constructed in rows either back to back or side by side with common walls in between without provision for cross ventilation. The Local man designs a traditional pattern of houses in rural areas but a modern and scientific method of house planning is followed in urban areas.
Sometimes cattle are housed along with human beings without any proper drainage facilities. There are no proper chimneys for smoke. Most of the houses are rebuilt with mud walls and thatched roofs. Both these materials are impermanent and cannot withstand heavy rain, fire and storms.  

The housing shortage in rural areas is due to rapid increase in population and slow pace of construction activity. Most of the housing finance institutions are urban-based except the co-operative housing societies. Therefore, the rural people have limited accessibility to housing finance. Moreover, most of the housing schemes introduced by the Government give importance to urban housing. All these contribute to the housing deficit in the rural areas.

It is well recognized that the nature and extent of housing shortage in rural areas are different from those in urban areas. Though villages do not have a large number of the poor squatting on the roads or living in too congested settlements as in the urban areas, housing is a serious problem here, especially for the poor.

2.9 ECONOMIC DEVELOPMENT AND HOUSING FINANCE

Housing sector is now considered a powerful force for the revival of the country’s economy. The economy will derive immense benefit if the housing sector gets a boost. It is estimated that for every rupee invested in housing, 78 paisa is added to the Gross Domestic Product (GDP). The Figure 2.1 shows that the Housing Loans Outstanding as a Percentage of GDP.
The multiplier effect of investment in housing has grown over the past years, as the proportion of outstanding housing loans as percentage of GDP increased from 3.44 per cent in 2001 to 7.25 per cent by 2005. This is quite indicative of the potential that exists if the proportion of investment in housing in other developed and emerging economies is considered. The proportion of Investment in housing to the Gross Domestic Produce (GDP) is 54 per cent in the USA, 57 per cent in the UK, 40 per cent in the
European Union, 17 per cent in the Thailand, 34 per cent in the Malaysia and 7 per cent in the China.31

The housing sector has backward and forward linkages with as many as 269 industries and is the second largest employment generator. Further India is faced with a massive housing shortage estimated at 19.4 million units. Hence, a general upsurge in construction activities is expected not only to increase the housing stock in the country, but also give a substantial fillip to industrial and employment generation activities. Therefore development of housing contributes to national development besides fulfilling the basic human need of shelter, which is one of the major obligations of a welfare state.

2.10 AGENCIES IN THE FIELD OF HOUSING

The poor housing conditions and the inadequate housing stock in India warrant a sound infrastructural support in the form of specialized institutions to pump in adequate funds for housing development. “The magnitude of the problem calls for the involvement of various agencies, including Government, Co-operatives, Communities and Private Sectors”.32

But, the institutional arrangement in India is not up to the required level. “The housing finance sector in India, compared to developed nations of the world is still in its infancy.... the role of housing finance institutions in alleviating the housing problem in India is becoming increasingly crucial.”33

The Government of India has been continuously laying emphasis, from plan to plan, on providing houses to the people. A number of steps have been taken ameliorating the housing problem for which various agencies are functioning. Central agencies like the Railways, Central Public Works Departments, Department of Post and Telegraphs and
the State Public Works Departments are constructing houses for providing them to Central and State government employees on a rental basis. A number of public sector undertakings and research and academic institutions provide housing facilities to their officers and staff. Agencies like the Housing Boards, Development Authorities, Investment Trust and the like are constructing houses in large numbers for their own use. In the recent past promoters and development agencies have also drawn up schemes for construction of houses and providing them to the public. In spite of these efforts, there continues to be a great demand for houses, which is attributed to a number of factors.\footnote{34}

In India, there are several institutions and agencies, both incorporated and otherwise, which are engaged in the provision of housing finance. They are in the public sector, Co-operative sector and the rest in the private sector. Some are bank-sponsored; some others are institution-sponsored. Some provide direct individual loans while others provide refinance.

Though housing co-operatives were organized in the year 1912, the Government felt the urgency of helping the co-operatives to solve the problem of housing, from the year 1923. The government of India started providing assistance for co-operative housing from the First Plan period.\footnote{35}

\section*{2.11 HOUSING FINANCE INSTITUTIONS IN INDIA}

The need for long term finance for housing in the country is met by the following types of institutions:

- Scheduled Commercial Banks
Scheduled Cooperative Banks (Scheduled State Co-operative Banks, Scheduled District Co-operative Banks and Scheduled Urban Co-operative Banks)

Regional Rural Banks

Agriculture and Rural Development Banks

Housing Finance Companies (HUDCO, LIFHFL, HDFC etc.) and

State Level Apex Co-operative Housing Finance Societies

Figure 2.2 shows that the Housing Finance System in India.
Figure 2.2
The Housing Finance System in India

Source: Report on trend and progress of Housing in India, 2005, NHB Publications, p.15
2.12 HOUSING LOAN PRODUCTS BY PRIMARY LENDING INSTITUTIONS

The following types of home loans are generally available in the market:


b. Home improvement loans for repairs, renovation

c. Home Extension Loans for up-gradation of existing houses

d. Home Equity Loans for special purpose

e. Finance to public and private builders to increase the supply of land, suitable for building houses

f. Finance for housing to Self Help Groups (SHGs) / Micro Finance Institutions (MFIs).37

2.12 CONCLUSION

The need for shelter is one of the elementary human necessities in a civilized society. Housing problem is, thus, more closely related to the overall development index in the developing countries like India. In developing nations, housing can contribute effectively to fixed capital formation as well as creation of productive employment.
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