CHAPTER III
PROFILE OF CO-OPERATIVE HOUSING SOCIETY

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3.3 Concept of Co-operation
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3.1 INTRODUCTION

The need for shelter is one of the elementary human necessities in a civilized society. Over the past few decades, housing finance has become an increasingly attractive business proposition for various players in the financial market of the country. Among the various institutional arrangements made by the Central and State Governments for housing development, Co-operative Housing Society plays a dominant role in improving the housing stock. In India, Co-operative housing has emerged as a strong, well-organized and significant movement. Over the years, co-operative housing has grown from strength to strength and presently there are about 92,000 co-operative housing societies spread across the length and breadth of the country. This has enabled it to make a noticeable impact on the housing situation in the country.

The present study discusses the profile of this organization – Concept, Origin, Objectives, Principles, Structure, Management, Source of Finance, Patterns of Assistance and Procedures for sanctioning of housing loan.

3.2 ORIGIN OF CO-OPERATIVE MOVEMENT

Co-operation as a human movement has an interesting origin and evolutionary growth. The Industrial Revolution of 1760 – 1830 was a strong source of inspiration for co-operation.

Rebert Owen, in England, was the pioneer in starting the Co-operative movement in the World. In 1844, he started the consumer co-operative movement in the United Kingdom. Later this movement spread over to Germany and France.
In India, the Co-operative movement was started in the year 1904 as a credit movement and now it is seen that almost all economic activities are being undertaken by co-operatives.

In India, the co-operative movement was started mainly to give relief to the farmers, who are indebted to the moneylenders, by providing cheap credit to the agriculturists. Later this movement was visualized as an essential instrument for achieving people’s aspirations in order to establish socio-economic equality.

In India, the village credit society for agriculture was started in the year 1904 under the Co-operative Societies Act. It aimed at providing cheap credit to the farmers. Later in 1912, the Act was amended to enable formation of other types of societies such as Sale, Purchase, Production and Housing.

3.3 CONCEPT OF CO-OPERATION

The word “Co-operation” is derived from the Latin word “Co-operati” which means, “to work united”.

That is “Co-operation” means working together with others for a common purpose.

In general, “co-operation” stands for the idea of “living together and working together”.

“Each shall work for all and all for each” is the motto of co-operation. Mutual trust, Mutual supervision, self-reliance, spontaneity, and equality are the five pillars of a co-operative organization and co-operative spirit is the backbone of the society.
Definition

The International Labour Organization gave a comprehensive definition of a co-operative organization as follows:

"A co-operative organization is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled organization, making equitable contributions to the capital required, and accepting a fair share of risks and benefits of the undertaking."4

According to Calvert, "Co-operation is a form of organization wherein the persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interest of themselves"5

Meaning

Co-operation is a form of organization wherein persons, irrespective of caste, creed and religion, voluntarily associate together, as human beings, on the basis of equality for the promotion or furtherance of their common economic interests.

It is self-help through mutual help. The Philosophy behind Co-operative movement is "All for each and each for all".

Values

Co-operative is based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Co-operative members believe in the ethical values of honesty, openness, social responsibility and Caring for others.
Co-operative Principles

The Co-operative Principles are guidelines by which co-operatives put their values into practice.

a) Voluntary and Open Membership

Co-operatives are voluntary organizations, in which any one can enroll himself as a member without regard to gender and without social, racial, political or religious discrimination.

b) Democratic Member Control

Co-operatives are democratic organizations controlled by their members. Men and women serving as elected representatives are accountable to the membership. Primary co-operatives and co-operatives at other levels are also organized in a democratic manner.

c) Member – Economic Participation

Members contribute the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

d) Education, Training and Information

Co-operatives provide education and training to their members, elected representatives, managers and employees, so that they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and union leaders, about the nature and benefits of co-operation.
e) Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

f) Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. All the activities of co-operatives are ensured democratic control by their members. The co-operatives maintain their co-operative autonomy.

g) Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

All the above seven principles are equally important. They form a system and are inseparable. They support and reinforce one another. They can and should be observed in their entirety by all co-operatives if they claim to belong to the co-operative movement.6

3.4 ORIGIN OF THE CO-OPERATIVE HOUSING MOVEMENT IN INDIA

The origin of the co-operative housing movement in the country dates back to the beginning of the present century.

The first co-operative housing society was set up in the year 1909 in the former Mysore state (now Karnataka) and was known as the Bangalore Building Co-operative Society.

Bombay State (now Maharastra) also took the initiative in this field by forming a non-official body in the year 1913. This was known as the Bombay Co-operative
Housing Association. This association framed a set of model bye-laws which later became the guiding factor for the organizational set up of many housing co-operatives in other parts of the country.

The Bombay Co-operative Housing Association was the first to bring in the Government participation in the financial affairs of the co-operative housing movement for grant of loans and financial assistance for carrying on the activities of the housing co-operatives.

In the real sense the progressive era of housing co-operative began during the First Five-year plan. The history and growth of the co-operative housing movement in India has close links with the economic growth and development of the country achieved through these plans.

As a prelude to the successful growth of the movement, Co-operative Acts, Rules and Regulations were framed and revised over the period of years. In a few States and Union Territories where such acts were not enacted, similar Acts of other States were extended and made applicable. These Acts and Rules facilitated the registration of Primary Housing Co-operatives.

The National Co-operative Housing Federation of India (NCHF) was set up in the year 1969; it was formed to co-ordinate and encourage co-operative housing activities in the country.

Apex Co-operative Housing Federations were also formed in many States and Union Territories to co-ordinate the activities of the primary co-operative societies in
their area and also for making available necessary finance for the house building activities of the members.

There has been continuous growth in the number of housing co-operatives, their membership and house construction activities. Since 1959-60 and up to March, 2001 the number of registered co-operative housing societies in the country has increased from 5564 to 92000. Their local membership has considerably increased from 0.32 million to 6.60 million and their working capital has also gone up by more than 94 times from Rs.550 million to Rs.52000 millions.7

3.5 OBJECTIVES OF CO-OPERATIVE HOUSING SOCIETY

The principal objectives of the co-operative housing societies are as follows:

1. To advance loans to the members for construction of new dwelling houses or for additions to the existing houses.
2. To promote the economic interests of its members and encourage thrift, savings and self-help amongst them.
3. To acquire lands within the area of operations of the society, lay them out into house sites and allot them to members after obtaining the value of the site and other related expenses.
4. To establish and maintain social, recreational, educational, public health institutions for the benefit of the members and their families and
5. To promote healthy community living by creating an improved socio-economic environment.
To provide the necessary infrastructure facilities like water, road, lighting, post office, club and so on and manage the housing estates.  

3.6 NEED FOR HOUSING CO-OPERATIVES

The co-operative sector has an important role to play in housing development in India. The housing co-operatives support the Government in implementing their social housing schemes especially for the rural area. Poor members are able to get houses at a relatively lower cost. They have the facilities to become owners by paying the cost in easy instalments. Co-operative housing estates and townships endeavour to provide modern amenities such as roads, street lights, parks, post office, library, school and recreation centres. Thus, housing co-operatives also facilitate community living.

Some of the important activities of housing co-operatives are discussed hereunder:

a) Housing Cooperatives and National Development

Housing cooperatives have contributed to national development through national housing development in not only quantitative but also in qualitative terms. The housing stock created by housing co-operatives is qualitatively superior to that created by other supply sub-systems catering for lower and middle-income groups.

b) Housing Co-operatives and National Integration

The modern concept of housing does not limit the scope of housing to provision of shelter alone, but a comfortable shelter with such surroundings and services as would keep a man healthy and cheerful throughout his life. The housing co-operatives play a
dominant role in developing community cohesion and co-operation and thus contribute towards national integration.

c) Co-operative Housing in Rural India:

A remarkable achievement of the co-operative housing movement has been that its benefits have reached the less advantaged sections of the society. In particular cooperative housing has made a significant impact in alleviating the housing problems in rural India and amongst the economically weaker sections of the Indian society. The cooperative housing sector under the guidance of apex cooperative housing federations is making significant contribution in this regard.

As on 31.3.2000 about 5950 housing co-operatives were functioning in rural areas of the country. These cooperatives have added about 8.46 lakhs house units in the rural housing stock of the country. Apex cooperative housing federations have taken several measures to make this progress possible and to ensure their further contribution.

d) Co-operative Housing for the Weaker Section

Members from the more affluent sections of the society are able to construct houses of their own without recourse to co-operative housing. But through co-operative action considerable economy is effected in land development, purchase of building material, technical consultancy, efficient architecture, planning and providing other infrastructure facilities like sewerage, water supply, electricity and approach roads to bring down the overall cost of housing so as to be within the reach of poor families.

A recent study conducted by NCHF has also revealed that out of the total housing units constructed by housing co-operatives under the housing co-operative federations,
75 per cent units have gone to economically weaker sections and lower income groups, 18 per cent to middle income groups and only 7 per cent to higher income groups. Thus, on the whole, the co-operative housing sector serves largely the poorer sections.

e) Housing Co-operatives as Instruments of Improved Social Life

Life within a housing co-operative colony is based on common management and common sharing. The relationship thus established creates a bond between the members, which inspires them to undertake further activities and social life on a shared basis.

Thus housing co-operatives do not restrict their activities to merely creating better houses for their members, but they also aim at building up an improved social life based on shared responsibility and shared benefit.¹⁰

3.7 REGISTRATION OF CO-OPERATIVE HOUSING SOCIETY

Co-operation is a state subject in India. Every state/union territory has got its own co-operative societies Act and Rules. The cooperatives are registered under Cooperative Societies Act of their respective state (except multi-state co-operative societies and national federations). These acts provide for registration of primary co-operative societies by the registrar under the act. The housing co-operatives are required to complete all the formalities of registration as described below.

A minimum of twenty-five independent people who are not members of the same family should join in an application for the registration of a society.

The co-operative society is the authority to decide the independent person, residency of a person and the immovable properties in the area of operation of a primary co-operative housing society.
The decision should be made within a period of 90 days only after carefully scrutinizing the application and other information. A certificate of registration signed by the Registrar should be issued to the chief promoters where the society is registered or deemed to have been registered.11

3.8 ORGANISATIONS OF THE CO-OPERATIVE HOUSING SECTOR IN INDIA

The organization of co-operative housing sector in India is under four levels, namely National level, State level, District level and primary level.

![Figure 3.1]
Organization of the Co-operative Housing Sector in India

<table>
<thead>
<tr>
<th>National Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Co-operative Housing Federation of India</td>
</tr>
<tr>
<td>State Level</td>
</tr>
<tr>
<td>Apex Co-operative Housing Federations</td>
</tr>
<tr>
<td>District Level</td>
</tr>
<tr>
<td>District Co-Operative Housing Federations</td>
</tr>
<tr>
<td>Primary Level</td>
</tr>
<tr>
<td>Co-operative Housing Society</td>
</tr>
</tbody>
</table>

3.8.1 NATIONAL LEVEL- National Cooperative Housing Federation of India (NCHF)

Co-operative Housing movement in India is more than a century old. The housing movement had slowed down during the period of the world wars and depressions, but gathered momentum with the advent of the Five Year Plans during 1950's. Ever since, there has been a continuous growth in the number of societies, membership and houses constructed.

The primary co-operative housing societies at the gross root level are well-spread and strongly-knit. They are able to serve people at all places, be it urban or rural areas of
the country. Since the principle of co-operation can be used to organize different types of housing societies, it is capable of satisfying the needs of the people at different levels of the community. Realizing the potentialities and the suitability of the co-operative housing societies in achieving the importance of social objective, the Government of India has given greater patronage to co-operative housing movement. In order to make sound the functions of the primary co-operative housing societies all over India, the need for a federation of these societies was realized. Resultantly the National Co-operative Housing Federation of India (NCHF) was formed in the year 1969 on the recommendation of the working group on housing co-operatives constituted by the Government of India in 1962. Thereafter, the entire movement of co-operative housing is being guided by the federation. This federation mainly concentrates on the promotion, guiding and co-ordination of the co-operatives in the housing field in this country.

Though the co-operative housing movement was started in India in the beginning of the last century, the activities of housing co-operatives were confined to urban areas only. During the late seventies co-operatives entered in a big way the rural segment to help villages.

The co-operative housing structure consists of primary housing societies at the gross root level and Apex Co-operative Housing Finance (ACHFS) at the state level. ACHFS at the state level are affiliated to NCHF, which looks after their growth strategies. The primary housing co-operatives functioning at the gross root level are supported by 23 ACHFS all over the country with a membership of 6.5 million. These ACHFS represent about 92,000 housing co-operatives all over the country out of which, about 31,000 housing co-operatives are affiliated to State level ACHFS for getting financial assistance. The rest of the co-operatives are (i) those that have not yet started
construction activities (ii) those that get finances from other sources and (iii) those which have repaid their loans fully.

These ACHFS have so far disbursed Rs.9, 182.25 Crore to primary housing co-operatives for construction of dwelling units for their members. The co-operatives in turn have constructed 2.30 million houses.12

One of the social features of this movement is that, unlike the other housing agencies, it invites the full involvement of its members right from the registration to the completion of construction and maintenance.

As it is a form of organized self-help by the people to house themselves, its development considerably reduces the burden on the public housing agencies.

The operational details of Apex Co-operative Housing Federations are displayed in the Table 3.1.
**TABLE 3.1**
Operational Details of Apex Co-operative Housing Federations  
(As on 31-03-2004)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Apex Federation</th>
<th>Membership No.</th>
<th>Share Capital (Rs in Lakhs)</th>
<th>Borrowings (Rs in Lakhs)</th>
<th>Loans (Rs.in Lakhs)</th>
<th>House Construction (Nos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>1424</td>
<td>1239.67</td>
<td>23695</td>
<td>28293.7</td>
<td>13345.55</td>
</tr>
<tr>
<td>2</td>
<td>Assam</td>
<td>400</td>
<td>993.68</td>
<td>6987.96</td>
<td>6037.76</td>
<td>4785.26</td>
</tr>
<tr>
<td>3</td>
<td>Bihar</td>
<td>1333</td>
<td>979.52</td>
<td>10470.31</td>
<td>16203.91</td>
<td>13345.55</td>
</tr>
<tr>
<td>4</td>
<td>Chandigarh</td>
<td>105</td>
<td>63.03</td>
<td>900.00</td>
<td>900.00</td>
<td>900</td>
</tr>
<tr>
<td>5</td>
<td>NewDelhi</td>
<td>1291</td>
<td>900.00</td>
<td>23837.00</td>
<td>56589.40</td>
<td>51920.74</td>
</tr>
<tr>
<td>6</td>
<td>Goa</td>
<td>212</td>
<td>320.71</td>
<td>4390.00</td>
<td>6269.63</td>
<td>5475.76</td>
</tr>
<tr>
<td>7</td>
<td>Gujarat</td>
<td>6102</td>
<td>2060.20</td>
<td>47239.45</td>
<td>31313</td>
<td>31313</td>
</tr>
<tr>
<td>8</td>
<td>Haranaya</td>
<td>388</td>
<td>984.17</td>
<td>11917</td>
<td>13810</td>
<td>12219</td>
</tr>
<tr>
<td>9</td>
<td>Himachal Pradesh</td>
<td>65</td>
<td>112.98</td>
<td>1813.71</td>
<td>1800.60</td>
<td>1605.5</td>
</tr>
<tr>
<td>10</td>
<td>Jammu &amp; Kashmir</td>
<td>54</td>
<td>154.43</td>
<td>7563.9</td>
<td>7039.40</td>
<td>6962.71</td>
</tr>
<tr>
<td>11</td>
<td>Karnataka</td>
<td>810</td>
<td>406.00</td>
<td>1083.45</td>
<td>12374</td>
<td>10348</td>
</tr>
<tr>
<td>12</td>
<td>Kerala</td>
<td>207</td>
<td>2650.76</td>
<td>63585.42</td>
<td>88385.12</td>
<td>88312.32</td>
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<td>13</td>
<td>Madhya Pradesh</td>
<td>1044</td>
<td>800.30</td>
<td>18577.49</td>
<td>16422.62</td>
<td>15668.3</td>
</tr>
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<td>14</td>
<td>Maharaashtra</td>
<td>11809</td>
<td>2695.01</td>
<td>70621.61</td>
<td>76869.14</td>
<td>64054.21</td>
</tr>
<tr>
<td>15</td>
<td>Manipur</td>
<td>156</td>
<td>163.96</td>
<td>700.82</td>
<td>1091.62</td>
<td>719.33</td>
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<tr>
<td>16</td>
<td>Meghalaya</td>
<td>32</td>
<td>83.81</td>
<td>102.54</td>
<td>84.87</td>
<td>79.48</td>
</tr>
<tr>
<td>17</td>
<td>Orissa</td>
<td>98</td>
<td>671.92</td>
<td>8887.13</td>
<td>13470.62</td>
<td>9195.33</td>
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<td>18</td>
<td>Ponicerry</td>
<td>55</td>
<td>594.50</td>
<td>5168.17</td>
<td>6752.40</td>
<td>6506.59</td>
</tr>
<tr>
<td>19</td>
<td>Punjab</td>
<td>342</td>
<td>3946.09</td>
<td>86895.65</td>
<td>71855.13</td>
<td>70370.77</td>
</tr>
<tr>
<td>20</td>
<td>Rajasthan</td>
<td>1351</td>
<td>287.22</td>
<td>5133.50</td>
<td>5300.16</td>
<td>4427.65</td>
</tr>
<tr>
<td>21</td>
<td>Tamilnadu</td>
<td>787</td>
<td>17,423.42</td>
<td>370625.80</td>
<td>420248</td>
<td>420248</td>
</tr>
<tr>
<td>22</td>
<td>Uttarpradesh</td>
<td>1385</td>
<td>1698.03</td>
<td>27895.00</td>
<td>26795.49</td>
<td>22496.4</td>
</tr>
<tr>
<td>23</td>
<td>West Bengal</td>
<td>1035</td>
<td>553.79</td>
<td>5569.17</td>
<td>9063.16</td>
<td>7539.45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>30485</td>
<td>43354.92</td>
<td>813429.1</td>
<td>916966.73</td>
<td>876125.4</td>
</tr>
</tbody>
</table>

Source: [http://www.nchfindia.net/Achieve.htm](http://www.nchfindia.net/Achieve.htm)

**Note:**

**Membership** – Includes primary societies of Apex federation of concerned state.

**Share Capital** – Includes Primary societies of Apex federation and State Government of concerned Apex Institution

**Borrowings** – From LIC, NHB, HUDCO, State Government, Floating Debentures, Deposits from primaries, Commercial and Co-operative Banks and others.

**House Construction** – Includes House under construction 2,36,325
3.8.2 State Level – Apex Co-Operative Housing Federation

Second level housing co-operative society is the apex co-operative housing federation at state level. The apex co-operative housing federations play a significant role in providing financial assistance to primary housing co-operatives in their respective jurisdiction. They provide guidance on technical matters, help them in procuring building materials and assist them in general co-ordination and supervision of primary co-operative housing society activities.

In Tamilnadu, the Apex Institution is called, “The Tamilnadu Co-operative Housing Federation Limited, X- 406” (TNCHF). The inception was in 1959 with five members, out of whom four were primary house mortgage banks and one individual member.

“One of the strikingly successful and shining examples of what an effective role an Apex Co-operative Housing Federation can play in improving the environmental and economic status of a common man is the “Tamilnadu Co-operative Housing Federation”

The main funding agencies of the federation are the Life Insurance Corporation of India (LIC), Housing and Urban Development Corporation of India (HUDCO), National Housing Bank (NHB) and the Government of Tamilnadu.

This federation is engaged in both urban and rural housing. For implementing rural housing it has organized 196 Taluk level Co-operative Housing Societies and through them it has financed 7,41,767 houses as on 31.03.2004.
The Federation during its tenure rendered a useful and fruitful service to the people of Tamilnadu. When we compare the performance of the Federation with those of the other State Federations in India like mobilization of share capital, raising of funds from credit agencies, issue of loans to the primaries, number of houses constructed and the like, the achievement of the Federation is very impressive and spectacular. The Federation had won the National Award continuously from 1992-93 to 2000-01 for implementing various housing schemes in a successful manner and bagged the award of Best Managed Apex Federation Award for the years 1994-95 and 2000-01. The operational performance of TNCHF during the research period is shown in Table 3.2.
### TABLE 3.2


(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Members</th>
<th>Borrowing outstanding at the end</th>
<th>Loans issued during the Year</th>
<th>Loans outstanding against Primary Societies</th>
<th>Reserve Fund</th>
<th>Investment</th>
<th>Profit</th>
<th>Rate of Dividend (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary Societies</td>
<td>Individuals</td>
<td>Paid up Share Capital</td>
<td>Loans from Various Institutions</td>
<td>Fixed Deposit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993-1994</td>
<td>632</td>
<td>16</td>
<td>1</td>
<td>5263.53</td>
<td>50841.90</td>
<td>1551.65</td>
<td>13407.28*</td>
<td>63913.19</td>
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<tr>
<td>1994-1995</td>
<td>633</td>
<td>17</td>
<td>1</td>
<td>6086.98</td>
<td>61503.04</td>
<td>1677.14</td>
<td>17669.07*</td>
<td>76180.78</td>
</tr>
<tr>
<td>1995-1996</td>
<td>641</td>
<td>17</td>
<td>1</td>
<td>7048.78</td>
<td>70684.72</td>
<td>1901.23</td>
<td>20472.94*</td>
<td>90656.49</td>
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<tr>
<td>1996-1997</td>
<td>650</td>
<td>16</td>
<td>1</td>
<td>7246.02</td>
<td>89936.07</td>
<td>218.49</td>
<td>21269.26</td>
<td>106074.28</td>
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<tr>
<td>1997-1998</td>
<td>681</td>
<td>15</td>
<td>1</td>
<td>8827.67</td>
<td>110786.67</td>
<td>902.32</td>
<td>27866.08</td>
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<td>1998-1999</td>
<td>705</td>
<td>16</td>
<td>1</td>
<td>11248.64</td>
<td>133085.66</td>
<td>2624.98</td>
<td>45171.45**</td>
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<td>1999-2000</td>
<td>729</td>
<td>16</td>
<td>1</td>
<td>12848.53</td>
<td>167005.24</td>
<td>1259.94</td>
<td>52405.14**</td>
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</tr>
<tr>
<td>2000-2001</td>
<td>745</td>
<td>-</td>
<td>1</td>
<td>18074</td>
<td>208326.17</td>
<td>1421.05</td>
<td>58705.19**</td>
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<tr>
<td>2001-2002</td>
<td>759</td>
<td>-</td>
<td>1</td>
<td>20019</td>
<td>223899.97</td>
<td>2154.34</td>
<td>32621.17**</td>
<td>256842.77</td>
</tr>
<tr>
<td>2002-2003</td>
<td>774</td>
<td>-</td>
<td>1</td>
<td>20493.39</td>
<td>215422.74</td>
<td>2318.06</td>
<td>29846.36**</td>
<td>257645.80</td>
</tr>
<tr>
<td>2003-2004</td>
<td>786</td>
<td>-</td>
<td>1</td>
<td>17423.42</td>
<td>213720.27</td>
<td>2231.02</td>
<td>20982.73</td>
<td>252102.89</td>
</tr>
</tbody>
</table>

* Inclusive of Subsidy  ** Including Building loan and Site loan to Primaries

Source : TNCHF ANNUAL REPORT 2003-04
3.8.3 District Level – District Co-Operative Housing Federations

Third level housing co-operative society is the District co-operative housing federation at the district level. The district level co-operative housing federations are involved in assisting primary housing co-operatives of a given district. Such federations exist in the States of Maharashtra, Gujarat and U.P.

3.8.4 Primary Level – Primary Co-Operative Housing Society

The Primary co-operative housing societies are at the primary level, which provide assistance directly to the members out of the assistance from apex co-operative housing federations. A co-operative housing society is a legally incorporated organized group of people who desire to develop their houses with collective efforts. After registering with the Registrar of Co-operative Societies under the concerned State Co-operative Societies Act, a Primary housing co-operative attains legal status as an autonomous institution to undertake business on behalf of its members for housing development.

3.9 PRIMARY CO-OPERATIVE HOUSING SOCIETY

The present study is mainly confined to Primary level of Co-operative Housing Society functioning in Tirunelveli District.

Housing co-operatives of the Primary level are functioning under various names namely, Tenant Ownership Housing Societies, Tenant Co-partnership Housing Societies, House Mortgage Societies, and House Construction/House Building Societies.
In the present study area, a PCHS is called House Building Society, functioning under the category of Urban Co-operative Housing Society or Taluk Co-operative Housing Society.

Thus, there are various types of housing cooperatives at the base level, but the main aim of the societies is to provide financial assistance to help the members construct their housing units or purchase houses or flats, undertake repairs or renovations of houses or discharge prior debts on houses. The home loan is repayable within a period of 7 to 10 years at Equated Monthly Instalments (EMI’s). Some of the societies purchase lands and allot them to various income categories under the first-come first-served basis and also provide loans for construction of houses.

3.9.1 Co-operative Housing Societies and Area of Operation in Tirunelveli District

During the study period, 35 CHS had already been organized. One was registered during the middle of the study period (1999-2000). Among these 36 societies, the last started society was not taken into account for this research. Among the remaining 35 societies only 25 societies (17 Urban societies and 8 Taluk Societies) were considered for the study because 10 societies were dormant.

The Urban Co-operative Housing Societies cover a distance of 5 KMS and Taluk Co-operative Housing Societies function throughout the taluks in the district. The name, inception and area of operation of the selected societies are shown as Annexure I.

3.9.2 Functions of Primary Co-operative Housing Societies

The Services provided by the Primary Co-operative Housing Societies to their members are enumerated below.
• To maintain the books of accounts and other relevant documents.

• To hear complaints from members

• To recover loans from members and repay to TNCHF within the prescribed period.

• To supervise execution of the project

• To prepare Statement of accounts, audit and compliance report for placing before the general body.

• To prepare annual report and work performance for ensuing year for placing before the general body and

• To maintain estates.\(^{14}\)

3.9.3 Organisational Structure of Primary Co-operative Housing Society

The organisation Structure of the Co-operative Housing Society vary. But the General Organization Structure of the Society consists of Special Officer/ Board of Directors, Secretary, Accountant, Senior Clerk, Junior Clerk and Office assistant.

The Co-operative society has prescribed a Degree with Co-operative training as minimum educational qualification for the post of secretary and the rest of the personnel may have formal education (S.S.L.C or Higher secondary education) with co-operative training.
3.9.4 Management

The Co-operative Housing Society is managed and controlled by a Board of Directors. The Board (Head of the Institution) controls, supervises and co-ordinates the activities of the society. In the absence of an elected Board, a Special Officer appointed by the Government of Tamil Nadu, takes over the functions of the board. During the research study period, the term of 3 years (short of 3 months) the society was functioning under Board of Directors i.e. 1998-99 to 2000-01 and for the rest of the study period it was controlled by a Special Officer.
It has a Governing council or Board to which the members elect their representative under democratic principles. The tenure of a Board is 3 years. The Board consists of President, Vice-president and five directors. The secretary is the executive who is the senior most personnel of the respective society. The Board exercises such power and performs such duties as may be conferred or imposed on it by the Co-operative Societies Act, Rules and Bye-laws.

3.9.5 Powers of Primary Co-operative Society

The Primary co-operative housing societies do not have much power. The main duty of the primary co-operative housing society is to forward the loan documents of the members to TNCHF. The sanctioned loan is distributed in three instalments to the members by TNCHF through primary co-operative housing society. The next major work of Primary co-operative society is to recover the loan from the members and repay it to TNCHF within the prescribed period. For the effective performance of these assigned duties, they possess the following powers.

- To elect Chairman, Vice-Chairman and Secretary. (If elected)
- To raise loans or deposits from members or the public.
- To Sanction all working and miscellaneous expenditure.
- To compromise and settle or contest in a court of law or by arbitration any dispute arising during the course of housing co-operative transaction.
- To borrow or to raise funds in the manner as has been laid down in the bye-laws for the healthy growth of the housing co-operative.\(^{15}\)
3.9.6 Source of Funds

The funds available to the primary cooperative housing societies for their housing programmes are:

- Share capital: members contribution
- Fixed Deposits from members
- Loans from Apex Co-operative Housing Federation

The Apex cooperative Housing Federation raises its finance from the following sources.

(a) Investment in share capital by primary cooperative housing societies, State Governments and other cooperative institutions.

(b) Loans from the Government, Life Insurance corporation of India, National Housing Bank, Housing and urban Development corporation, Commercial and cooperative Bank etc.,

(c) Issue of debenture guaranteed by the Government.\(^{16}\)

3.9.7 Pattern of Financial Assistance

The housing loans are given to different classes of borrowers. The maximum loan available to the borrowers is fixed by the society on the basis of their Income, the plinth area to be constructed and schemes offered by the Cooperative Housing Society.
<table>
<thead>
<tr>
<th>Income Category</th>
<th>Monthly Income (Rs.)</th>
<th>Maximum Loan (RS.)</th>
<th>Maximum Plinth area to be constructed</th>
</tr>
</thead>
<tbody>
<tr>
<td>EWS</td>
<td>Rs.2100</td>
<td>Rs.25,000</td>
<td>35 C.m./ 377 Sq.fit</td>
</tr>
<tr>
<td>LIG</td>
<td>Rs.2101 to 4500</td>
<td>Rs.1,00,000 (or) 36 times of monthly income (Which ever is less)</td>
<td>55 C.m./ 592 Sq.fit</td>
</tr>
<tr>
<td>MIG</td>
<td>Rs.4501 to 10,000</td>
<td>Rs.2,00,000 (or) 48 times of monthly income (Which ever is less)</td>
<td>95 C.m./ 1022 Sq.fit</td>
</tr>
<tr>
<td>HIG-A</td>
<td>Above Rs.10,000</td>
<td>Rs.6,00,000 (or) 48 times of monthly income (Which ever is less) in Municipal, town panchayat and panchayat area</td>
<td>190 C.m./ 2000 Sq.fit</td>
</tr>
<tr>
<td>HIG-B</td>
<td>Above Rs.10,000/-</td>
<td>Rs.7,00,000 (or) 48 times of monthly income (Which ever is less) in Corporation limit</td>
<td>190 C.m./ 2000 Sq.fit</td>
</tr>
</tbody>
</table>

Source: TNCHF circular dated 10.6.1999

The rural (Taluk) cooperative housing society provided loans to EWS and LIG and MIG Income Groups only. But the urban cooperative housing society offers loans to all income categories.

3.9.8 Schemes Offered by the Cooperative Housing Society

i) Rural Housing Schemes for Economically Weaker Sections

This scheme is intended to provide affordable houses to people whose annual income does not exceed Rs.25,200. This income ceiling was changed by the federation over the period of time. The members may avail a loan maximum of Rs.25,000 and a sum of Rs.12,000 by way of subsidy. The members eligible are Handloom Weavers, Beedi workers, Agricultural labourers, Village artisans and the like. In order to reduce the cost of the houses to suit the buying capacity of this income group, TNCHF suggests the
adoption of the various cost reducing methods innovated by the Central Building Research Institute, Housing and Urban Development Corporation of India (HUDCO).

Acting with a long term perspective of improving rural housing stock by TNCHF, many schemes have been implemented through TCHS in rural areas since 1978-79. Since its inception as many as 6,64,486 houses have been constructed for EWS in rural areas through housing cooperatives with total financial assistance of Rs.392.66 crores up to 31st March 2004.

(ii) Special Housing Scheme (VAMBAY) for Weaker Sections in Urban Areas

This scheme was mainly intended to the improvement of the urban slums in 2000-01. Under this scheme a sum of Rs.60,000/- per house in respect of slums in cities and Rs.40,000 in other urban and rural areas were allotted. Out of which, 50 per cent of loan amount was provided by way of subsidy from Central Government, 10 per cent of the loan amount was contributed by individual contribution by member and the remaining 40 per cent (HUDCO Loan) has to be paid in 15 years.

As on 31.3.2004, under this scheme a total of 7,299 houses (includes 2,626 houses in rural areas) were constructed in Tamilnadu. The total financial assistance under this scheme was Rs.26.83 cores including subsidy.

(iii) LIG and MIG Schemes in Rural Areas

The Low Income Group (LIG) housing scheme is meant for those whose annual income is between Rs.25,200 and Rs.54,000. The main aim of this scheme is to sanction loan to LIG people within their purchasing power.
The Middle Income Group (MIG) housing scheme is for those people having an annual income between Rs.54,000 and Rs.1,20,000. The maximum loan amounts fixed under LIG and MIG group were Rs.1,00,000 and Rs.2,00,000 respectively with effect from 10.06.1999.

As on 31.3.2004, the TNCHF has provided financial assistance of Rs.502.30 crores to 77,281 houses for these two income groups under rural housing scheme through TCHS in Tamilnadu.

(iv) Urban Housing Schemes

Since inception in 1959-60, TNCHF has provided a loan assistance to the members under the various income categories like LIG, MIG and HIG through the Urban Co-operative Housing Societies. In the year 2002-03 onwards they sanctioned EWS loan (VAMBAY Scheme) only.

In the Higher Income Group (HIG), a person earning an annual income above Rs.1,20,000, is eligible to get a maximum of Rs.6,00,000 as loan in Municipal area and Rs.7,00,000 in Corporation limits.

Since inception, UCHS have provided a loan assistance of Rs.3,035.29 crores for the construction of 3,11,024 houses in urban areas as on 31.12.2004.

(iv) Extensions, Repairs and Renewal of Existing Houses

A new scheme for undertaking extension and repairs to the existing houses was introduced with the financial support from HUDCO during the year 1998-1999 with a ceiling of Rs.1,00,000/- per house. As on 31.12.2004 hitherto 59,147 houses have been assisted with the loan of Rs.52.06 crores.
(vi) Mortgage Loan

For discharge of prior debts or repairs in the existing houses and other important expenses, a maximum sum of Rs.5,00,000 lakhs is being sanctioned by the Federation as house mortgage loan. This loan amount is disbursed in a single instalment.

3.10 PROCEDURE TO AVAIL HOUSING LOAN FROM PCHS

The primary Co-operative Housing Societies (PCHS) follow certain procedures in the enrolment of members, sanction of loans, disbursement of loans and repayment terms and so on. They are described below:

3.10.1 Membership

Any individual who is 18 years of age, either residing within the area of operation of the society or having a vacant house site within the area of operations of the society shall be eligible for admission as a member.

The corporate bodies like 1) Religious institutions, 2) Educational institutions, 3) Medical institutions, 4) Social organizations, 5) Canteens, (6) Partnership firms, 7) Joint – stock Companies, 8) Shops and establishments, 9) Local bodies may also become members of the Society.17

3.10.1.2 General Qualification

An individual can be admitted to membership of a housing co-operative society provided he fulfills the conditions as stipulated in the Act, rules and bye–laws of the co-operatives as summarized below.

1. An individual who is competent to contract under section 2 of the Indian contract Act, 1872.
2. An Individual who possesses the qualification as required by the byelaws of the co-operative society.

3. An individual who resides permanently within the area of operation of the housing co-operatives or intends to reside.

4. An individual who declares whether he owns any plot, flat or accommodation in his own name or in the name of any other family member.

Under the above circumstances he must state the reasons for becoming a member of housing co-operatives.\(^{18}\)

The eligible member should register his / her name as member in the concerned society by remitting Rs.10/- for nominal value of share and filled membership form.

3.10.2 Conditions to Avail Loan

The member in a particular co-operative society is eligible to apply for a housing loan through the concerned society only when he/she has owned a housing site, that is, at least 2 cents. The size of site i.e. in length and breath shall accommodate a plan acceptable to the society.

To avail housing loan, the members have to produce original land value documents, legal opinion certificate, Plan estimate, Income certificate, Date of birth certificate and the like, along with loan application Form to concerned PCHS. Loan applications from the members are received and verified in all respects by the officials of the concerned societies. If the officials are satisfied, the applications are subjected to site verification by the Co-operative Sub-Registrar of the jurisdiction. After getting the genuineness of the applications verified, the society may register mortgage of housing
site, then recommend the application and forward it to TNCHF, Chennai for sanction of loans.

3.10.3 Expenses in Availing the Housing Loan

The members of the co-operative housing society should pay the following expenses in connection with availing the housing loan.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application Fee</td>
<td>10</td>
</tr>
<tr>
<td>Entrance Fee</td>
<td>25</td>
</tr>
<tr>
<td>Admission Fee</td>
<td>100</td>
</tr>
<tr>
<td>Book and Forms</td>
<td>20</td>
</tr>
<tr>
<td>Legal opinion fee</td>
<td>100</td>
</tr>
<tr>
<td>Registration fee</td>
<td>1% of loan amount</td>
</tr>
<tr>
<td>Service charges</td>
<td>0.5% of loan amount</td>
</tr>
</tbody>
</table>

Service charges charged on 0.5% on sanctioned loan stands cancelled from 10.7.2002 except for EWS loan from HUDCO – VAMBAY Scheme.

3.10.4 Loan Sanctioning Procedures

The maximum amount of loan sanctioned would be 75 per cent of the estimated cost of construction of house plus cost of land. The applicant is expected to contribute the remaining 25 per cent of the estimated cost at his own risk. The main criteria are the age of the Applicant, his monthly income, savings and engineer’s estimation. For the sanction of loans TNCHF has prescribed a maximum time limit of 21 days from the date of receipt of loan application from members of the concerned PCHS. Legal advisors examine the property documents and they approve land title. The services of Co-operative
Sub-Registrar are also used in the valuation of property and loans are disbursed on the basis of his recommendation. Loans for discharge of prior debts and repairs to the existing houses are limited to Rs.5 Lakhs and are repayable in 10 years.

Loans for construction of new house and additional construction or purchase of flats are limited to Rs.5 lakhs and are repayable in 10 Years. The housing loans are sanctioned on the security of registered mortgage and the member has to spend 1 per cent of loan amount as registration charge.

3.10.5 Rate of Interest

The rate of interest on housing loan charged during the research period is shown in Table 3.4

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Primaries pay to TNCHF (Includes GIS ½%)</th>
<th>Members pay to primaries (Includes GIS ½%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Housing Scheme-Construction of new house, purchase of Flats and new house</td>
<td>10.50 %</td>
<td>11.50 %</td>
</tr>
<tr>
<td>Rural Housing Scheme-Construction of new house (LIG and MIG)</td>
<td>10.50 %</td>
<td>11.50 %</td>
</tr>
<tr>
<td>E.W.S. (Vambay loan - HUDCO LOAN)</td>
<td>11.00 %</td>
<td>12.00 %</td>
</tr>
</tbody>
</table>

Note: GIS – Group Insurance Scheme
Source: TNCHF circular dated 1.2.2004

In the initial period the society charged slab rates of interest but it was abolished and a revised 11.50 % p.a. flat rate for all loans remained in force till the end of the study period. The Government and the Registrar from time to time, determine the rate of interest to be charged on the housing loans provided by the cooperative housing society.
The interest rate on housing loans is changed based on the interest rates of the financing agencies for the funds granted by them to the TNCHF. The rate of interest is charged with effect from first instalment.

The rate of interest includes 0.5% towards Insurance premium and 0.5% towards profit margin of the society. Interest is calculated on monthly rest basis.

3.10.6 Disbursement of Instalment of loan amount

After getting the information of sanction of loan by TNCHF through the concerned society, the loanee can start the construction work. The loan funds are released by the TNCHF in three phases on getting the inspection report from the concerned society. About 40 per cent of the loan amount is released on the completion of basement level. The remaining 60 per cent of the loan is released in two stages equally i.e. at the completion of lintel level and at the completion of roofing respectively as per the norms laid down by the Registrar and TNCHF. The TNCHF has prescribed a date line of 15 days for release of the instalment amount after receiving the inspection report from the concerned society.

The first instalment of the loan sanctioned is released by cheque from the concerned society. As per the bye-laws of the co-operative housing society, a share capital of 7 per cent of the sanctioned loan is deducted from the first instalment. The share capital is eligible for dividend in the profit of the society.

The second and subsequent instalments shall be paid only after the board has satisfied itself that the instalment already drawn had been properly utilized and that the work actually done, together with the value of the site, represented expenditure exceeding
by at least 25 per cent of the actual amount already drawn from the society for construction.

3.10.7 Repayment Period

The repayment period fixed for its members depends upon their age and earning capacity. The minimum period of repayment of the housing loan is seven years and the maximum period of repayment of the loan is 18 years for all types of income category and all schemes offered by cooperative housing societies excepting loans under VAMBAY Scheme for Economically Weaker Sections (EWS), repayable within a maximum period of 15 years.

The repayment period of loan depends on the age of the borrowers, as indicated in Table 3.5.

<table>
<thead>
<tr>
<th>Age of Borrower</th>
<th>Repayment period W.e.f 1.4.1987 (in years)</th>
<th>Age of Borrower</th>
<th>Repayment Period W.e.f 10.3.2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 45 years</td>
<td>18</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>45- 50 years</td>
<td>15</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>50 – 55 years</td>
<td>10</td>
<td>Upto 55 years</td>
<td>10</td>
</tr>
<tr>
<td>Nearing 58 years</td>
<td>7</td>
<td>Nearing 58 years</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: TNCHF circular dated 20.2.1987 & 04/06/2002

3.10.8 Equated monthly Instalment (EMI)

The members start repaying the loan amount either after one month of the completion of the construction work or after 12 months of the release of the first
instalment of the loan, whichever is earlier. The EMI includes the principal and the interest on the principal. The payment has to be made on or before 15th of every month.

3.10.9 Repayment Terms

The repayment of the housing loans is made through remittance of cash/cheque. Most of the borrowers either personally come to the housing society or send some one else to remit the same.

3.10.10 Default and Penal Interest

The members who enjoyed the housing loans are expected to repay the loans regularly. If any member fails to pay the EMI, he is reminded about the pending EMI for the first three consecutive months by sending reminders. If even after that the default continues, the member is visited by the society officials and reminded. But if the member is negligent to the reminder, legal action is initiated by the co-operative housing society against the defaulter.

It is the practice of the co-operative housing society, for any default in payment of EMI, to charge an additional interest of 1.5%, over and above the rate at which the loan has been issued. From the calculation of penal interest, the number of days is counted from the 10th of the defaulted month to the date of payment of EMI.

The penal interest is calculated as follows:

\[
\text{EMI} \times \frac{1.5}{100} \times \frac{\text{No of days of Default}}{365}
\]
3.10.11 Pre-Payment Procedure

It shall be given to the borrower to repay at anytime a larger sum than the prescribed instalment or to discharge the whole loan taken by him in a single payment. Repayments other than those made on the due dates of the prescribed instalments are classified as follows.

- Payment on the due date of a sum in excess of the EMI – Such excess payment shall at once be credited in reduction of principal, but no post-ponement of any future instalment will be allowed nor the amount of subsequent instalment reduced.

- When an amount being not less than 1/4th of the loan is repaid, by a member it shall be credited to principal outstanding in his loan account and the Board may on the request of the member and with the prior approval of the financing agency (TNCHF) refix the EMI payable by the member with reference to the balance of loan and the period remaining thereafter, provided no further fixation shall be within 12 months of such refixation.

3.10.12 Transfer of Loan Account to other Finance Institution

Some times the borrowers will transfer their loans to bank/financial institutions. In this connection, TNCHF has laid down some procedures for the PCHS. If transfer of loan account is made within 3 years from the disbursement of 1st instalment, the Society should charge extra interest @ 1.5% p.a on the loan for the remaining term period. This facility is not available to EWS beneficiaries.
3.10.13 Group Insurance Facilities

The housing co-operative societies provide Group Insurance facilities to its members against all risks, free of cost to the extent of the loan amount outstanding. In the event of the death of the borrower at any time during the tenure of loan, the borrowers' family will be relieved from the liability of loan including the interest claim.

3.10.14 Release Deed

The loanee of housing co-operative has to register documents at the time of availing the loan. Likewise, Documents are released after the payment of loan amount, which includes principal and interest.

Apex federations have prescribed the maximum time limit for the return of documents to affiliated societies within 10 days from the date of receipt of loan clearance certificate from the concerned society.

3.11 SUMMARY

A Co-operative society is a form of voluntary organization. It enables people to attain effective realization of higher and more prosperous standard of living, characterized as three B's, better living, better business and better Farming. In essence, Co-operation is self-help made effective by the organization. It naturally relies on honesty and integrity of members for the economic amelioration of the weaker sections of the population. It follows democratic management and solves common problems for all, particularly the housing problem in the country.
REFERENCES

4. Ibid., pp.2.43-2.44.