CHAPTER-III

Organizational Structure of Housing Finance in India
3.1. INTRODUCTION

Housing is recognised as the basic necessity by the Indian Constitution. Article 3 of the Indian Constitution lays down that "The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justice, social, economic and political shall inform all the institutions of national life". Further Article 47 provides that "The State shall regard the raising of level of nutrition and standard of living of its people and improvement of public health among its primary duties". To secure social, economic, political justice and to raise standard of living of all citizens, decent housing becomes an essential element. But in India even after 63 years of Independence, we are struggling for a decent housing. The First Plan Document endeavoured to prove that “Housing being the residual subject falls in the Union List. The Law Ministry pointed much later that housing is deemed to be in State List mainly because State elements on allied subjects like Town Planning and Slum Clearance have stood the test of time.” Thus under the Constitution, housing falls in the State List. That is why every state has its own housing policy.

Housing provides essential services for the survival of human race. In fact, of all man's material environment, the house in which he lives is undoubtedly of greatest economic and cultural importance. The importance of housing in India has been gradually increasing and can be understood from its contribution in national income and its share in capital formation and employment generation. To provide adequate housing amenities and facilities to all the countrymen is to contribute to achieve social equality. And in a country like India which is a socialistic pattern of society known as welfare state, reasonable housing standard for the economic masses is a yard stick of economic and social justice.

The housing sector is one of the key components of the urban economy where the bulk of housing investment takes place. Combining housing investment and housing services, the share of Gross National Product originating in the sector is usually between about 10-15 percent. The housing sector is thus a key economic sector and must therefore be perceived and managed as an integral part of overall economic management.
It is estimated that approximately one-fourth of the world's population does not have adequate shelter and live in extremely unsanitary and unhygienic conditions. The housing problem being a manifestation of poverty is naturally very chronic in the developing countries where an essential two-thirds of the population live below the poverty line. As a result of the explosive increase in population, low income levels, low rate of addition to the housing stock, inadequate maintenance of the existing housing stock, etc., the housing stock has been assuming more and more alarming proportions in many developing countries, and it became a chronic problem as a corollary of poverty. The process of economic development itself contributes to this condition by creating a demand for an even greater urban population of skilled and unskilled workers and the relative glamour of the city entices the poor, from the rural areas.

Indian scenario is not different from one, prevailing in the most developing countries in Asia, Africa and Latin America. According to United Nations (UN) estimates, over 33 per cent of the population in less development countries is homeless. In many big cities in developing countries about 50 per cent of the population lives in slums. Unfortunately, in a great majority of developing countries, housing is too often perceived by governments solely as a welfare issue, requiring the transfer of physical or financial resources to low income households unable to house themselves adequately. Available resources, however, are rarely inadequate. As a result, government housing agencies limit their beneficiaries, ignoring the interests of most of the population. By focusing on a small and limited housing agenda, these agencies fail either to perceive or manage the housing sector as a hole. In India, housing is necessity shading into a luxury. It supply does not fully meet the present needs of the Indian population, whether in terms of location, size, tenure, type or facilities due to inadequate attention having been paid to this important sector.

In the first 25 years of post independence, India concentrated on agricultural development only after the industrial revolution and the continuous shifting of rural population to the urban areas, the need for development of housing sector has been emphasized. It is always a dream to own a house, however a majority of the population does not have the required financial assistance to own a house. Eyeing this as an opportunity, many firms have opted for extending housing loans not only to
boost their bottom lines but also to reduce the prevailing demand and supply gap. The genuine demand arising out of the individual need for housing, together with the present boom in the housing sector, it is all set to provide a platform for the housing finance companies to carve out a piece of fortune. What remained as a very low-profile sector in India is suddenly witnessing activity that is promising a bright future. Out of India's new housing units, 20 per cent are financed through the Housing Finance Institutions (HIFs).

With the gap between the required number of houses and the actual, government identified housing sector as a core and it is only with the timely intervention of the government that housing finance has become a major industry in India. With the establishment of National Housing Bank, the government has provided the much-needed boost to this sector. At present out of 380 odd HIFs in India, 43 Housing Finance Companies (HFCs) are registered with the National Housing Bank (NHB). This number is going to increase in the near future with the industrial growth. Throughout the second part of the last decade, this sector has witnessed a growth of over 30 per cent and promises to grow the same rate in the next couple of years. Recognizing the growing need of housing finance in India, the government has emphasized on housing and housing finance in its Ninth Five Year Plan. This is the first time that India has emphasized on housing sector following reports that there is a short fall of more than 20 million units.

Even the Asian Development Bank has embarked on a two-fold strategy for India's housing sector. One is focusing on providing funds to financial intermediaries who in turn, lend to individual borrowers at the household level. The second objective is combining slum upgrading and micro credit schemes for lower income groups in its state level specific integrated urban development projects. These latest developments in the housing sector has made housing finance one of the growth drivers for the Indian economy in the last decade what earlier remained as an isolated segment has now transformed itself into a core sector. Housing finance in India is getting recognition as a specialized finance product, with the efforts of Housing Finance Companies and the subsidiary outfits of banks specializing in this area.

To regularize the housing finance sector in India, the government has set up Housing and Urban Development Corporation (HUDCO) in 1970. It was soon
followed by setting up of the Housing Development Finance Corporation (HDFC) in 1978 in the private housing finance sector with the support of ICICI, the International Finance Corporation and the Aga Khan Fund. The major objective behind setting up of HDFC and HUDCO has been to enhance the residential housing stock by providing an avenue for housing on a systematic and professional basis. Another inherent objective was to increase the flow of resources to this sector by integrating the domestic housing sector with the capital markets. Till 1988, HDFC was the only formal HFC company operating in India and it is after 1988, the banks and insurance companies forayed into this sector.

With the entry of insurance giants like Life Insurance Corporation of India in 1989 and General Insurance Corporation in 1990 the sector witnessed a three-fold increase in activity. Almost at a similar point of time, public sector banks also forayed into this sector i.e. Canara Bank’s Can Fin Home, State Bank of India, SBI Home Finance. No doubt, the market has immense untapped potential as well as growth. In the last five years, the housing finance market in India has been witnessing a growth of over 30 per cent and it is expected that this will continue in the next couple of years. According to an independent survey, about 60 per cent of the Indian households approach informal sources of financiers to borrow funds. It is estimated that if the present rate of growth of population continues, then by 2010 India would require on an average 2.5 million to 3 million additional houses annually. At present only 20 per cent of the new houses construction is financed by the formal HFCs. If at least 50 per cent of this informal market turns into formal market then it means a huge fortune for the players.

Housing finance industry did not have much formal introduction because traditionally, as far as the builders are concerned, financing of construction is largely done through advances from customers. Therefore, the issue of housing finance applies to customers which in turn will affect the demand for housing. In early eighties salaried individuals who wanted to buy flats did not have many institutions to approach for finance. Raising finance for acquiring a house was a painful process, as the house hunt itself. Only a few institutions in the market were there to help individuals to acquire finance, and that too at exorbitant rate of interest. The few HFCs in the market were HDFC and a few back, and small number of NBFCs. Moreover
their reach was largely restricted to the major cities and they were known to a select few. The rates of interest ranged between 12 to 18 per cent and it was basically a seller's market but now if see the present situation of the housing market there is sea change in the recent years specially last two decades. The development of housing finance system in India in the form of an institutionalised and formal housing finance super structure is relatively of a recent origin.

In the current scenario, housing finance system in the country represents a few players like Government and its Housing Agencies, General Financial Institutions, Insurance Sector, Banks and Specialized Housing Finance Companies, Cooperative Housing Societies and Employers in public and private sector extending housing finance and staff quarter facilities to their employees. In addition there is a large informal sector, which meets over two-third of the housing finance in the country. This segment represents mainly self-help resources for housing finance (personal saving, sale of assets, loan from friends and relatives, etc.) and rudimentary undeveloped and loose conglomerates formed by similarly placed persons. Such informal arrangements help individuals (mostly low-income casual workers in informal sector) to obtain short-term, small amount loans for various purposes including housing without elaborate requirements of the formal sector. However there is very little integration of the informal segment with the formal institutionalised system.

The financial system designed to mobilise financial household savings is heavily loaded in favour of the public financial institutions, which have overriding exclusive position privileges to access public deposits. The specialized HFI’s play a very marginal role in terms of deposit mobilisation at present on account of various discriminations faced by them vis-a-vis the competing institutions in the form of TDS, etc., and also due to their limited geographical spread. In addition to the specialised HFIs, the co-operative housing finance societies which act as conduits for the allocated credit, are significant in the housing finance system of the country.
3.2. GOVERNMENT INITIATIVES TO DEVELOP HOUSING SECTOR IN INDIA

- 1970: HUDCO was established in 1970, as a fully owned Government of India enterprise with a view to ameliorate the housing conditions in the urban and rural areas of the country, and assist various agencies dealing with housing and urban development in a positive manner.

- 1978: The Finance Minister announced the very graciously to launch HDFC at the inaugural function held in Bombay on Dassera Day, Oct. 22, 1977. Formally it was launched and started operation on July 18, 1978.

- 1987: India's Insurance Act was amended to allow LIC and GIC to directly issue mortgage loans.

- 1988: NHB was created to implement Government's new vision of the housing finance system. It is an apex housing development institution created to regulate, monitor and foster housing finance market. NHB gets its funds from long-term loans from RBI, LIC, USAID, bonds, equities and profits from mobilising household deposits.

- 1989: RBI began to allow commercial banks to make large loans for housing without an interest rate on loan quantity cap.

- 1990: RBI asked commercial banks to devote 1.5 per cent of their incremental deposits to direct mortgage lending for housing and/or loans to housing finance intermediaries.

- 2000: Increase in tax deduction on deduction on interest on loans for self-occupied houses from Rs. 30000 to Rs. 75000. National Housing Bank scheme for interest rate concessions for small borrowers. NHB Act to be amended to introduce foreclosure laws and legislate primary and secondary mortgage markets.


- Commercial banks instructed to lend up to three per cent of incremental deposits for housing.

- Increase in built-up area for self-owned dwelling units from 1,000 sq. ft. to 1500 sq. ft. in cities other than Mumbai and Delhi.
• HFCs to be taxed on actual basis instead of accrual basis, liberal tax treatment of income on NPAs.

• Proposal to increase flow of credit to HFCs. Depreciation rate on new dwelling units purchased by business sector for employees increased from 20 to 40 per cent.

• 2001: To boost up housing in India, the Union Government in the 2000-01 Financial Year budget proposed a 20 per cent rebate of tax under section 88 of the Income-tax Act, which would now be available for repayment of housing loans upto Rs. 20,000 per year as against Rs. 10,000 earlier. Earlier, the exemption from tax on long-term capital was not available if the capital gain from transfer of capital assets was invested in a house, if one house was already owned. The restriction was removed. Even if the tax payers own one house, they can make an investment in a new house and claim exemption from capital gains tax on sale of capital assets.

➤ Bharat Nirman Programme

The Government of India launched its Bharat Nirman Programme as a time bound plan for rural infrastructure in partnership with the State Governments and Panchayatraj Institutions for the period 2005-09. The programme envisages development in irrigation, roads, rural housing, rural water supply, rural electrification and rural telecommunication, in a target oriented manner.

The Bharat Nirman Program of Government of India has made impressive progress during 2007-08. On each day of the year, 52 villages are provided with telephones and 42 villages are electrified. On each day of the year, 4,113 rural houses are completed. For Bharat Nirman, Rs. 31,280 crore has been allocated [including the North Eastern Region (NER) component] as against Rs. 24,603 crore in 2007-08.

➤ Golden Jubilee Rural Housing Finance Scheme

The Golden Jubilee Rural Housing Finance Scheme (GJRHFS) was launched in the year 1997-98 with a view to provide the people living in the rural areas an improved access to the housing finance. The Scheme provides for construction of new dwelling unit or upgradation of the existing one. The Scheme is implemented through
various Prime Lending Institutions (PLIs) namely Housing Finance Companies (HFCs), Public Sector Banks (PSBs) and Cooperative Sector Institutions. NHB is the monitoring agency and fixes annual targets for each PLI. A total of 2,58,265 units were financed by HFCs and PSBs as against the target of 3,50,000 units during the year 2008-09. During the period 1997-2009, a cumulative total of 24,71,454 dwelling units have been financed as against the target of financing of 26,30,000 dwelling units indicating achievement of around 94 per cent over the twelve year period. The Scheme is being closely monitored by NHB.

➤ The Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

JNNURM is the largest initiative, introduced by the Government of India in 2005-06, to address the problems of infrastructure projects relating to water supply including sanitation, sewerage, solid waste management, road management, urban transport, redevelopment of old city areas, slum improvement, rehabilitation, environmental improvement and basic services such as community toilets and housing at affordable prices for economically weaker sections and low income group of the society.

➤ Indira Awas Yojana (IAY)

The major objective of planned economic development in India has been the removal of poverty and improving the standard of living of its citizens. It is well recognized that poverty can only be eradicated effectively by the active involvement of the poor in the growth and development process of the country. With this major objective a scheme named Indira Awas Yojana (IAY) launched with the primary objective to provide grant for construction of houses to members of Scheduled Castes/Scheduled Tribes, freed bonded labourers and also to non-SC/ST rural poor below the poverty line. Against a target of 60 lakh houses, 41.13 lakh houses have been constructed up to December 2007, and the cumulative number is estimated at 51.77 lakh houses by the end of March, 2008.

The Government of India has always endeavoured towards providing shelter to its citizens with focus on Economically Weaker Sections and Low Income Group. Towards this end, the Government run Indira Awas Yojana (IAY) is in operation since 1985-86 with a view to providing financial assistance for construction up-gradation of
dwelling units to the Below Poverty line (BPL) rural households belonging to the Scheduled Castes, Scheduled Tribes and freed bonded labourer categories. From the year 1993-94, the scope of the scheme has been extended to cover non-Scheduled Castes and Scheduled Tribes of rural BPL house hold families. The Scheme also intends to provide benefits to the families of ex-servicemen.

Up to 31st May, 2008, about 181.51 lakh houses have been constructed under the Scheme since its inception with an expenditure of Rs. 36,900.41 crore. During 2007-08, Central allocation for Rural Housing was Rs. 40,322.70 crore. The target for construction/up-gradation of IAY houses was 21.27 lakh. Against this target, 19.88 lakh houses were constructed/upgraded by incurring an amount of Rs. 5,458.01 crore (including State's share). The Government of India took several initiatives during the year to fulfil its objectives of providing Affordable Housing to All. The year 2008 witnessed a lot of policies and programmes focussed on poor. One was widening of Minimum Alternate Tax (MAT) base to provide some incentive to the housing sector. Rural housing is an important component of the Bharat Nirman. Under the Programme, 60 lakh houses were to be constructed from 2005 to 2009. During the year 2007-08, a total of 15.52 lakh dwellings have been constructed under Bharat Nirman.

Consequent to the announcement made by the Union Finance Minister in the Union Budget 2007-08, RBI raised the limit of housing loans under the Differential Rate of Interest (DRI) Scheme from Rs. 5,000 to Rs. 20,000 per beneficiary. In May 2008 the limit on bank loan for housing was enhanced to Rs. 30 lakh from Rs. 20 lakh by RBI for the purpose of applying concessional risk weights for capital adequacy purposes under both Basel I and Basel II framework.

To promote the functioning and competencies of RRBs, RBI permitted them to directly finance the housing sector up to Rs. 20 lakh, irrespective of the area with the approval of their Board. The National Housing Credit (Long Term Operations) Fund was established by the Reserve Bank in terms of Section 46 D(1) of the Reserve Bank of India Act, 1934 in January 1989. A token contribution of Rs. 1 crore was made to the Fund out of the Reserve Bank's income during 2007-08.
The housing finance sector was dominated by informal resources till the late eighties. There were few lenders of housing loans which included Life Insurance Corporation of India, Housing and Urban Development Corporation (HUDCO), Housing Development Finance Corporation (HDFC), and Apex Cooperative Housing Finance Societies (ACHFS) with no particular support existing for the formal sector. The main aim was to channelize resources to housing sector through budgetary allocations especially for Economic Weaker Section (EWS) housing/ housing for migrated population. The housing finance industry has grown robustly over the last few years. This is due to the fact that the housing finance industry is very competitive today; lending rates are at an all time low and lenders are offering attractive packages to customers.

The National Housing Bank (NHB) was established in 1988, as a wholly owned subsidiary of Reserve Bank of India (RBI) to operate as a principal agency to promote HFCs both at local and regional levels and to provide financial and other support incidental to such institutions and for matters connected therewith. The National Housing Bank provides funds to housing sector through its refinance scheme for banks, HFCs and state level ACHFS. Under the ambit of the NHB, institutional credit disbursals are being made through 43 HFCs. Commercial banks are the largest mobilizers of savings in the country. Several commercial banks had set up housing financing subsidiaries which functioned as independent units with support from their parent bank. The market share of the HFCs is less as compared to commercial banks. Commercial banks are now gaining a larger share of market. The growth is mainly attributed to their large network, access to low cost deposits, which have helped in offering home loans at lower interest rates. This in turn is affecting the housing finance companies. The HFCs market is dominated by large players such as HDFC, LIC Housing Finance Limited, Can Fin Homes, Dewan Housing Finance Limited, Sundram Home Finance, Repco Home Finance, GRUH Finance Limited etc.

> **Formal Sector**

At present, the need for housing finance in India is largely being fulfilled by the 43 HFCs registered with NHB and the 27 Public Sector Commercial Banks. Apart from these, various other institutions are also involved with housing finance. The
following types of institutions are in operation for extending housing loans to the Indian borrowers in the formal sector:

(a) Scheduled Commercial Banks;
(b) Housing Finance Companies and Specialized Housing Finance Institutions;
(c) Scheduled Co-operative Banks (Scheduled State Co-operative Banks, Scheduled District Co-operative Banks and Urban Co-operative Banks);
(d) Regional Rural Banks;
(e) Agriculture and Rural Development Banks;
(f) State Level Apex Co-operative Housing Finance Societies, and
(g) Non Banking Finance Companies / Self Help Groups.

Informal Sector

In our country, the informal sector has played a significant role in extending financial assistance for housing, especially to the poor and low-income households. The informal sector has been in a position to expand its activities because of the inaccessibility of the formal sector to the poor and the low-income group people. The informal sector has been quite successful despite several disadvantages because of the absence of cumbersome formalities.

Among informal sources the lion’s share is accounted for by the households’ personal savings. The other informal sources are the own money of households adjusted by disposing off their other physical assets like own savings and borrowings from relatives, friends and money lenders. The reference to provision of housing loans to employees and sale of houses on hire purchase basis is also worth mentioning under informal sector though it is not easy to judge the extent of contribution made by this group to the housing sector due to non-availability of accurate information.

3.4. HOUSING FINANCE ORGANISATIONAL STRUCTURE IN INDIA

The Indian financial system after independence expanded rapidly and at the same time experienced reasonable stability. Most investment was made by through individual savings directly with only a small portion of savings through financial institutions. An organized institutional housing finance system was lacking. Informal
agencies have played a significant role in financing the housing activity. The last six
decades have seen significant institutional development in the area of housing finance
in our country. India has now a national level public sector institution, Housing and
Urban Development Corporation (HUDCO), was established in 1970 and catering to
all income groups in an integrated and financially viable composition. In the private
sector, the Housing Finance Development Corporation (HDFC) was established in
1977 and it is the first primary housing such as LIC, GIC and commercial banks have
institution catering to individual loan requirements. There are also moves to set up
more HDFC type institutions in the country.

HFIIs have been increasing in number both in the public as well as in the
private sector. In addition to the housing development, finance is extended as a part
of governmental regulation on investment patterns. Institutions established
specialized housing finance subsidiaries to undertake direct household mortgage loan
operations. The National Housing Bank has been set up by the Government of India
with the primary role of mobilizing deposits required for the housing sector through
local saving and loan associations.

3.4.1. Co-operative Housing Societies and Housing Finance

It was generally admitted by the architects of India that co-operatives can act
as an effective media for the economic reconstruction of the country. Hence attempts
were made by the planning commission to develop the co-operative movement as a
self reliant one, by augmenting the resources through mobilization of savings in urban
and rural areas, promoting integrated rural development by strengthening the links
between credit, supply of inputs, processing, marketing and distribution of essential
commodities and developing the weaker section of the community.

The concept of the co-operatives as an institutional mechanism for satisfying
various needs of the people is premised on the principles of 'self-help' as well as
'collective effort'. Housing Co-operatives have a prominent place in the co-operative
movement in the country. The co-operative sector has played an important role in
providing housing to its members and has made a significant impact across the
country. The co-operative sector is expected to play a lead role, particularly in land
acquisition, allotment of land and housing sites to encourage group housing and the
development of amenities in their projects, as envisaged in the National Housing and Habitat Policy.

The National Co-operative Housing Federation of India (NCHFI) is a nationwide organization of the Indian co-operative housing movement. It was founded by the Apex Co-operative Housing Federations in September 1969. The basic thrust of its formation was to have an organization at the national level to assume the responsibility of promoting, developing and coordinating the activities of housing co-operatives in the country. The NCHFs operates through 26 Apex Cooperative Housing Federations in the states. There are nearly 90,000 primary cooperative housing societies with 6.5 million individual members.

> **NCHFI Objectives**

The objectives of NCHFI are:

- to promote a common forum for dealing with technical, financial and practical problems relating to housing co-operatives and to devise ways and means of solving them;

- to raise funds by borrowing or otherwise;

- to grant loans or advances to members;

- to promote Apex Co-operative Housing Federations in those states where such an organization do not exist; and

- to procure, manufacture, stock and supply building material to housing co-operatives and the general public.

The co-operative housing structure consists of primary housing co-operative at the grass root level and Apex Co-operative Housing Federations (ACHFs) at the state level. ACHFs at the state level are affiliated to NCHFI, with their growth strategies, policy formulations and evolving housing programmes besides interfacing with various institutions to channelise finance for these federations for onward lending to competitive borrowers. In addition, NCHFI also helps the ACHFs in improving these financial, organizational and technical capabilities.
3.4.2. Housing and Urban Development Corporation (HUDCO) and Housing Finance

Housing and Urban Development Corporation (HUDCO) was set up on April 25th, 1970 in the public sector. It is a limited company, fully owned organization of the Government of India. HUDCO is a specialized financial institution to fund state government, their specialized agencies, like housing boards, urban development corporations and municipal bodies for their urban infrastructure projects. But ever since it has entered the individual housing finance sector, the entire scenario has changed. The main change was interest rates that had actually begun when HUDCO had started giving housing finance for 11.5 per cent and the interest rates come down to 8.81 per cent. HUDCO has been financing urban infrastructure projects in water and sewage, roads, area development and housing in a big way. HUDCO was instituted with the objective of providing long-term finance for construction, housing undertaking urban development programmes and infrastructure facilities.

HUDCO’s assistance covers the housing needs of all income categories of the society mainly Economic-Low Income Groups and High Income Groups. It also assisted extensively in the provision / rehabilitation of service, drainage, solid waste disposal, road network, socio-cultural infrastructures buildings for health, education and recreation and shopping and marketing facilities and also provides loans for construction of hostels for working women. HUDCO has played a major role in the implementation of the National Housing Policy (NHP). It has been entrusted with the implementation of the priority programmes of the ministry like low cost sanitation, night shelter for footpath dwellers, shelter up gradation under Nehru Rozgar Yojana, and the rural housing and urban minimum needs programme.

Objectives of HUDCO

The objectives of HUDCO are outlined as follows:

- to finance and undertake housing and urban development programmes in the country;
- to finance or undertake wholly or partially in setting up of new industrial towns;
- to subscribe the debentures and bonds to be issued by the state housing and urban development boards, improvement trusts and development authorities;
to administer the money received from time to time from the Government of India and other sources as grants or otherwise for the purpose of financing or undertaking housing and urban development programmes in the country;

to organize housing and urban development programmes in India with special emphasis on low cost housing;

to develop new townships and their infrastructural needs; and

to facilitate consultancy services within India and abroad.

3.4.3. Housing Development Finance Corporation (HDFC) and Housing Finance

Housing Development Finance Corporation (HDFC) was often described as an extraordinary company, run for ordinary Indians. It was India’s premier Housing Finance Company and one of the most successful and most admired financial institutions in the country. HDFC has done well in a business that no other business group in the country had thought of venturing into. Even the housing finance market looked increasingly crowded in early 2000. HDFC’s business model was robust.

History of HDFC

Hasmukhbhai Parekh incorporated HDFC as a public limited company on 17th October 1977. In 1976, after his retirement from ICICI, he put together a blueprint for a housing finance bank. On recognizing the need for a specialist housing finance institution in the country, he decided to venture into the resource intensive and unexploited area of business. He first convinced the government about the need for an institution solely for providing housing finance in the country. As a result of his committed efforts, HDFC was established in 1977. The Company’s mandate was to provide housing finance to individuals, co-operative societies and the corporate sector. Its equity capital was subscribed by the Indian Business Community (Rs.45mn), an Indian Public Issue (Rs.40mn), Industrial Credit and Investment Corporation of India (ICICI) (Rs.5mn), International agencies like the International Finance Corporation (IFC), Washington (Rs.5mn), an affiliate of the World Bank also subscribed to the equity of HDFC. The IFC also provided a loan of US$4 million in the beginning to HDFC. And through public issue it could collect Rs.10 crore in the beginning. Thus, the concept of specialist housing finance institutions was well received by the
government, international agencies, financial institutions and public. But its low share of equity ensured that the fledgling organization had sufficient independence. Hasmukhbhai’s towering stature also helped in minimizing interference. It aims at promoting ‘home ownership’. Over the last three decades, HDFC has turned the concept of housing finance for the growing middle class in India into a world-class enterprise with excellent reputation for professionalism, integrity and impeccable service. HDFC provides various schemes like home savings plan, home loans, home improvement loans, short term bridging loans and loans under NRI scheme. The HDFC normally provides the loan for a period of 5 to 15 years. The repayment period is not be, ordinarily, extended beyond the age of retirement of the borrower or his/her reaching 65 years of age, whichever is earlier. The repayment is equated in monthly installments comprising principal and interest.

A pioneer and leader in housing finance in India, since inception, HDFC has assisted more than 3.5 million families to own a home of their own, through cumulative housing loan approvals of over Rs. 2.98 trillion and disbursements of over Rs. 2.42 trillion as at March 31, 2010. HDFC has a wide network of 283 offices (which includes 66 offices of HDFC’s wholly owned distribution company HDFC Sales Private Limited) catering to over 2,400 towns and cities spread across the country. It also has offices in Dubai, London and Singapore and service associates in the Middle East region, to provide housing loans and property advisory services to Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs). HDFC’s unrelenting focus on Corporate Governance, high standards of ethics and clarity of vision, percolate through the organization. Trust, integrity, transparency and professional Service are the important pillars of the brand HDFC and most importantly, people - both employees and customers - are its brand ambassadors.

Resources mobilizing by HDFC

Raising of mobilizing resource was the main challenge. Apart from equity capital, HDFC raises loans from IFC, ICICI, LIC, GIC, UTI and banks. It also mobilizes funds from the public in the form of deposits. HDFC, along with a US$ 4 million, line of credit from a promoter (IFC) and government guarantees on long-term external funding from bilateral and multilateral financial institutions.
HDFC also has a robust deposits mobilisation programme. HDFC has been able to mobilise deposits from over 10 lakh depositors. Outstanding deposits grew from Rs. 1,458 crore in March 1994 to Rs 23,081 crore in March 2010. In addition, HDFC has received 'AAA' rating for its deposit products for highest safety from both Credit Rating Information Services of India Limited (CRISIL) and ICRA for sixteen consecutive years. Over the years, HDFC has emerged as a financial conglomerate with its presence in the entire gamut of financial services including banking, insurance (life and non-life), asset management, real estate venture capital and more recently education loans. Today, HDFC is recognised as one of the best managed companies in India and is a model housing finance company for developing countries with nascent housing finance markets. HDFC has undertaken several consultancy assignments in various countries across Asia, Africa and East Europe to support and establish their housing finance institutions.

Subsidiaries and Associate Companies of HDFC Ltd.

HDFC Bank
HDFC Asset Management Company Ltd.
HDFC Standard Life Insurance Corporation Ltd.
HDFC Sales.
HDFC ERGO General Insurance Company Ltd.
Other companies Co-promoted by HDFC.

3.4.4. Insurance Corporations and Housing Finance

The Life Insurance Corporation Housing Finance Limited (LICHFL) as well as General Insurance Corporation of India (GIC) support housing activity both directly and indirectly. LICHFL is one of the largest housing finance companies in India having one of the widest marketing networks with more than 2000 branches and 65 area offices of LIC and also access to more than half a million agents in the country. It was promoted as Life Insurance Corporation on 19th June 1989 and a public issue was made in 1994. It provides house loans at an attractive rate of interest. LICHFL facilitates home loans to Resident Indian as well as Non-Resident Indian (NRI) along with providing various facilities to their esteemed customers like Green Channel, step-up EMI's as well as special facility to NRI's in the Gulf region. LICHFL, Resident Indians and NRI's can avail of home loans for several purposes, like purchase,
construction, repairing and renovation or for purchasing a plot. Pensioners can also avail the benefits of LIC Home Loans. LIC Griha Prakash and Griha Laxmi loans are for purchase and construction of properties and the maximum loan offered can go up to Rs. 1 crore. In both the cases, the housing finances up to a maximum of 80 per cent of the cost of the property which is inclusive of agreement value, stamp duty and registration charges. The maximum loan amount can be up to Rs.10 lakh and the loan to property cost does not exceed 5 per cent of cost of repairs or 25 per cent of market value of property, whichever is lower. LIC Griha Prakash loans are meant for extension of residential units and the loan amounts range from Rs.25, 000 to Rs.1,00,00,000. In 2010, it provided major finance to individuals ranging up to 90 per cent and the remaining to others. The maximum repayment period can be up to 20 years or retirement age or 70 years of age, whichever is the earliest.

➢ LIC Marketing Net Work in India

- 6 Regional Offices and 130 marketing units across the country.
- 13 Back Offices spread across the country conduct the credit appraisal and administrative functions.
- International office in Dubai and Kuwait.

➢ Performance of LIC HFL

During the period under review, the company sanctioned Rs.18043 crore and disbursed Rs.14853 crore in the individual loan category registering a growth of 66 per cent and 70 per cent respectively. Outstanding Mortgage Portfolio as on March 30, 2010 was Rs.38081 crore as against Rs.27679 crore as on March, 2009, showing a growth of 37.58 per cent. The company’s total interest income for the quarter ending March, 2010 was Rs.3283 crore as against Rs.2748 crore in the corresponding quarter last year registering a growth of 19 per cent. Profit after tax for quarter ended March 2010 was Rs.662 crore as against Rs.532 crore in the quarter ending March 2009, showing a growth of 25 per cent9. The NHB has revised the NPAs recognition norms with effect from 31st March, 2005. As per the new norms, a loan is classified as a NPA if it is 90 days overdue, as against six months past due (earlier norms) in the previous year. The Gross NPA declined from 1.07 per cent in 2008-09 to 0.69 per cent in 2009-10. The Net NPA declined by 0.21 per cent to 0.12 per cent during the period.
3.4.5. Commercial Banks and Housing Finance

The commercial banks have been the largest mobilize of household savings in the country. But these banks did not enter the housing finance sector till the late sixties. The RBI being the apex body of commercial credit has been effecting changes from time to time to meet the household needs of the society. Housing, which was one of the sectors untouched by commercial banks till their nationalization, has now become an important segment of commercial credit provided by public as well as private sector banks. Although during the initial years of nationalization, the role of commercial banks in providing housing finance was by and large absent. Since 1970s, the scope of investment by commercial banks has been expanded to extend financial services for housing activities to individual households and to provide term loans at concessional rates of interest to the public housing agencies.

The role of commercial banks in providing housing finance to various income groups of house builders has been commendable. In fulfilling social obligations, there have been three important initiatives as far as housing finance is concerned. First, increasing the number of participatory institutions, i.e., commercial banks in India and outside the country the number of group of commercial banks has increased from three i.e. State Bank of India (SBI) and its subsidiaries, Nationalized Banks (NBs) and Other Scheduled Commercial Banks (OSCBs) – during the 1970s to four with the entry of Regional Rural Banks (RRBs) during the 1980s. Similarly, during the 1990s, Foreign Commercial Banks (FCBs) were allowed into the domain of housing finance, in addition to the major Indian commercial banks. Inclusion of RRBs and FCBs was
to respectively augment the supply of finance and ensure competitive environment for the Indian banks, and subsequently bring down the cost of housing credit gradually. To provide impetus to rural housing was the principal motive behind the inclusion of RRBs. Earmarking of funds exclusively for housing activities and upward revision in the scale are a welcome step in the context of huge requirement of funds at competitive price to meet the financial needs of the non-poverty groups and have-nots. In the course of over 30 years of nationalization of commercial banks, the RBI has directed the banks to earmark funds exclusively for the purpose of financing housing and the scale has been revised twice so far.

> Criticism

Housing finance system, in general, and commercial banks, in particular, is not free from criticism. Rather, it is intriguing to note that the housing finance system is catering only to the needs of groups in urban areas that can afford housing and has left out the common person’s financial needs. Rural financial needs for housing remain untouched. The position of commercial banks is not different from that of housing finance system, as far as housing finance is concerned, although the former has a huge network of institutions in rural areas. Commercial banks too were hesitant to finance housing (owing to its long-term nature) especially in rural areas during the first two decades of nationalization.

3.5. NATIONAL HOUSING BANK (NHB)

National Housing Bank is the most important source of indirect finance in formal housing sector. The NHB that provides refinance to all the HFBs finds itself a very respectable place in the housing finance sector. The idea of forming an apex institution for housing finance in India has been evolved over a period of time. Right from 1971, on the recommendations of the study group appointed by the Banking Commission and the working group on housing finance, which was appointed by the RBI, felt that the housing problem was so acute that there was a need for a specialized system to address the needs of the housing sector. The working group recommended the establishment of a well-developed financing institution in the country exclusively to serving the housing sector. The working group’s proposal to create a specialized institution for housing finance at the national level came to occupy centre stage in order to promote the utilization of public funds and to take up the task of promoting
decentralized financial institutions which will serve all groups of people in the country. Based on the above recommendations a proposal to set up the NHB was initiated by the Ministry of Urban Development.

The NHB was established on 9th July 1988 under the National Housing Act 1987, to function as an apex bank, on the lines of the Industrial Development Bank of India (IDBI) and the National Bank of Agriculture and Rural Development (NABARD). The National Housing Bank Act envisages that NHB is the primary agency to promote housing finance agency at regional and local levels and to provide financial and other support to such agencies. The NHB (Amendment) Act, 2000 has vested the bank with wide power to regulate the HFCs. NHB has been striving towards the goal of 'Shelter for All'. The motto of NHB is 'Small Man First'. The Authorized and Paid up Capital of the bank at present is Rs.350 crore, wholly owned by the RBI. The central government is now authorized to increase the Authorized Capital up to Rs 2000 crore. Moreover, the central government, scheduled banks, public financial institutions can subscribe to increase the share capital and other institutions approved by the central government besides the RBI.

3.5.1. Objectives of NHB

As an apex institution, the principal aim of NHB's involvement in primary lending institutions falling into various categories to serve as dedicated outlets of assistance to the housing sector. Specially, NHB has set for itself the following major objectives.

✓ to provide a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population;
✓ to make housing more affordable;
✓ to establish a net work of housing finance outlets to adequately serve different regions and different income groups;
✓ to encourage public to emerge, primarily, as facilitation and suppliers of serviceable land;
✓ to encourage flow of credit and real resources to the 'small man first';
✓ to upgrade the housing stock in the country; and
✓ to augment the supply of land and building material for housing.
3.5.2. Functions of NHB

The functions of NHB are specified below:

- **Promotion and Development**

  NHB is entrusted with the task of promotion and development of HFCs. It also conducts training programmes for the HFCs and financial assistance and faculty support to the National Cooperative Housing Federation for organizing training programmes in the fields of housing co-operatives.

- **Regulation and Supervisions**

  As per the regulatory and supervisory authority in the field to housing finance, the NHB Act has vested NHB with the following powers:

  - Power to inspect;
  - Power to collect information;
  - To regulate or prohibit issue of prospects or advertisement soliciting deposits of money;
  - To collect information from housing finance companies and to issue directions (Sec 31).

- **Financing**

  As an apex bank, the NHB provides both direct finance and indirect finance for the housing sector.

3.5.3. Programmes and Schemes

Various programmes and schemes have been implemented by NHB since 1990. Some of the important features of these programmes and schemes are listed below:

- **Home Loan Account Scheme (HLAS)**

  The NHB formulated Home Loan Account Scheme (HLAS) in July 1989 with a few important features like,

  - to encourage saving in advance of the decision to acquire a house;
  - to provide housing loans at cheaper rates, particularly to the low income category.
Capital Gains Bonds Scheme (CGBS)

Under the Finance Act, 1989, NHB launched its Capital Gains Bonds Scheme (CGBS) on July 20th, 1990. This scheme is expected to enable NHB to mobilize funds at a comparatively lower cost, which can be utilized in providing the financial assistance to HFIs at a lower rate of interest. The bank has mobilized Rs.155 crore under this scheme. The features of this scheme are that wealth tax exemption, have a maturity period of three years, and carry 9 per cent interest per annum.

Land Development and Shelter Projects (LDSP)

Under NHB guidelines, commercial banks and HFIs have a right to provide finance for projects like LDSP to public agencies such as Housing Boards, and Area Development Authorities (ADA), Co-operative Societies and Professional Developers.

Rural Housing Scheme (RHS)

NHB grants loans to public and private institutions under Rural Housing Scheme provided the borrowing institution proposes the scheme.

Golden Jubilee Rural Housing Finance Scheme (GJRHFS)

In order to tackle the problems of growing needs and housing shortage in the rural areas of the country, the Union Finance Minister announced in his budget speech 1997-98, the formulation of the Golden Jubilee Rural Housing Finance Scheme (GJRHFS) by NHB 1997-98. The scheme is being implemented through scheduled public sector commercial banks, State Co-operative Banks, RRBs, dedicated HFCs and ACHFS and also through the co-operative Agricultural and Rural Development Banks (ARDBs).

Training

As a part of the training and developmental activities, NHB has been conducting training programmes for the personnel of HFCs / public agencies apart from providing design and faculty support to banks/HFCs for conducting training programmes.
• NHB's endeavor has been to design and conduct training programmes for the personnel of primary lending agencies engaged in providing housing finance viz. HFCs, Scheduled Commercial Banks, ARDBs, ACHFS, Development Authorities, Housing Boards and the like.

• NHB has extended training assistance for implementing agencies and awareness building programmes to ensure effective implementation of the scheme.

3.5.4. Role of NHB in Housing Finance

The NHB continued its support and assistance in promoting a healthy housing finance sector in the country. The NHB completed twenty two years of functioning as the apex institution to promote the housing finance system and provide financial and other support to HFls in the country. The NHB has been undertaking measures for capacity building for the housing finance system and for improving the credit absorption capacity of the sector. The bank continued to expand its financial assistance to the housing sector by introducing innovative products and liberalized schemes in tune with market demand. The thrust for the development of the secondary mortgage market was renewed and the bank's efforts were continued to introduce mortgage credit guarantee in the country. The sanctions and disbursements of NHB by the year ended 30th June, 2010 are Rs. 12,715 crore and Rs. 8,160 crore respectively.

3.6. INSTITUTIONAL SETUP OF HFls SELECT FOR THE STUDY

The present study aims at to analyze the housing finance provided by different HFls in Andhra Pradesh. Among the HFls -- SBI, ICICI Bank, HDFC Bank and LICHFL are purposively selected for the study because they belong to different institutional categories; wide coverage; and dominant share in the quantum of housing finance.

3.6.1. State Bank of India (SBI)

> Evolution of SBI

The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2 June 1806. Three years later the bank received its charter and was re-designed as the Bank of Bengal (2 January 1809). A unique institution, it was the first joint-stock bank
of British India sponsored by the Government of Bengal. The Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27 January 1921.

*Imperial Bank*

The Imperial Bank during the three and a half decades of its existence recorded an impressive growth in terms of offices, reserves, deposits, investments and advances, the increases in some cases amounting to more than six-fold. The financial status and security inherited from its forerunners no doubt provided a firm and durable platform. But the lofty traditions of banking which the Imperial Bank consistently maintained and the high standard of integrity it observed in its operations inspired confidence in its depositors that no other bank in India could perhaps then equal. All these enabled the Imperial Bank to acquire a pre-eminent position in the Indian banking industry and also secure a vital place in the country's economic life.

In 1951, when the First Five Year Plan was launched, the development of rural India was given the highest priority. The commercial banks of the country including the Imperial Bank of India had till then confined their operations to the urban sector and were not equipped to respond to the emergent needs of economic regeneration of the rural areas. In order, therefore, to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state-sponsored bank by taking over the Imperial Bank of India, and integrating with it, the former state-owned or state-associate banks. An act was accordingly passed in Parliament in May 1955 and the State Bank of India was constituted on 1 July 1955. More than a quarter of the resources of the Indian banking system thus passed under the direct control of the State. Later, the State Bank of India (Subsidiary Banks) Act was passed in 1959, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries (later named Associates).

*Transformation Journey in State Bank of India*

The State Bank of India, the country’s oldest Bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits is today going through a momentous phase of change and transformation. The bank is entering
into many new businesses with strategic tie ups – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services, structured products etc – each one of these initiatives having a huge potential for growth.

The Bank is changing outdated front and back end processes to modern customer friendly processes to help improve the total customer experience. With about more than 11000 branches and another 5100 branches of its Associate Banks already networked, today it offers the largest banking network to the Indian customer. The Bank is also in the process of providing complete payment solution to its clientele with its over 21000 ATMs, and other electronic channels such as Internet banking, debit cards, mobile banking, etc. With four national level Apex Training Colleges and 54 learning Centres spread all over the country the Bank is continuously engaged in skill enhancement of its employees. It presently has 82 foreign offices in 32 countries across the globe. It has also 7 Subsidiaries in India – SBI Capital Markets, SBICAP Securities, SBI DFHI, SBI Factors, SBI Life and SBI Cards - forming a formidable group in the Indian banking scenario. It is in the process of raising capital for its growth and also consolidating its various holdings.

3.6.2. ICICI BANK

**History**

ICICI Bank was originally promoted in 1994 by Industrial Credit and Investment Corporation of India (ICICI) Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46 per cent through a public offering of shares in India in fiscal 1998. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank.
After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

> Corporate Profile

ICICI Bank is India's second-largest bank with total assets of Rs. 3,634.00 billion (US$ 81 billion) at March 31, 2010 and profit after tax Rs. 40.25 billion (US$ 896 million) for the year ended March 31, 2010. The Bank has a network of 2,528 branches and about 6,000 ATMs in India, and has a presence in 19 countries, including India. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States,
Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Its UK subsidiary has established branches in Belgium and Germany.

3.6.3. HDFC BANK

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai. HDFC Bank commenced operations as a scheduled commercial bank in January 1995.

Promoter

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment. HDFC Bank was incorporated in August 1994, and, currently has an nationwide network of 1,725 Branches and 5,016 ATM's in 780 Indian towns and cities.

3.6.4. Life Insurance Corporation Housing Finance Limited (LICHFL)

LICHFL is one of the largest HFC in India. Incorporated on 19th June 1989 under the Companies Act, 1956, the company was promoted by LIC of India and went public in the year 1994. The Company launched its maiden GDR issue in 2004. The Authorized Capital of the Company is Rs.1500 Million (Rs.150 crore) and its paid up Capital is Rs.950 Millions (Rs.95 crore). The Company is recognized by NHB and listed on the National Stock Exchange (NSE) and Bombay Stock Exchange Limited (BSE) and its shares are traded only in Demat format. The main objective of the
LICHFL is providing long term finance to individuals for purchase / construction / repair and renovation of new / existing flats / houses. The Company also provides finance on existing property for business / personal needs and gives loans to professionals for purchase / construction of Clinics / Nursing Homes / Diagnostic Centres / Office Space and also for purchase of equipments.

The LICHFL possesses one of the industry's most extensive marketing network in India: Registered and Corporate Office at Mumbai, 6 Regional Offices, 13 Back Offices and 181 marketing units across India. In addition the company has appointed over 773 Direct Sales Agents (DSAs), 3400 Home Loan Agents (HLAs) and 615 Customer Relationship Associates (CRAs) to extend its marketing reach. Back Offices spread across the country conduct the credit appraisal and administrative functions. Today the Company has a proud group of over 10,00,000 prudent house owners who have enjoyed the Company's financial assistance.

3.7. INSTITUTIONAL SETUP FOR HOUSING IN A.P.

3.7.1. Andhra Pradesh Housing Board

The Aandhra Pradesh (A.P) Housing Board has come into existence with effect from 1st July, 1960 under the A.P. Housing Board Act, 1956 by merging the erstwhile City Improvement Board and erstwhile Town Improvement Trust of Twin Cities. The Ex-City Improvement Board was formed in 1911 as a result a large scale devastations which the City of Hyderabad suffered due to the Moosi Floods in 1908. Its main function was to attend to general improvement of city, opening out congested areas and forming of roads, construction of houses by removing slums and improvement of general sanitary conditions to safeguard public health. The Town Improvement Trust of Secunderabad was formed in the year 1931 with more or less similar objectives with emphasis on development of lands.

The main objective of the Housing Board is to provide housing accommodation to the needy citizens at an affordable price. The Andhra Pradesh Housing Board is engaged in the following activities:

- Construction of houses under integrated / Composite Housing Schemes and allotment of houses under Lower Income Group, Middle Income Group and Higher Income Group categories;
• Self-Financing Scheme for Higher Income Group and Middle Income Group Sites and Services; and
• Construction of shops, Commercial Complexes and Multi-storied Buildings to be let out on rent to augment financial resources of the Board.

3.7.2. A. P. State Housing Corporation

During 1977, a severe cyclonic storm hit two coastal districts and several people became shelter less. To rehabilitate such victims, during 1979 Government of A.P formulated the Housing Corporation. It was decided to construct only permanent structures.

➢ Objectives

- Andhra Pradesh is the first State in the country which has established an exclusive organisation to achieve the objective of providing shelter to all;
- Mobilizes loans from various financial institutions for implementation of housing programmes;
- Plays the role of facilitator in the construction of houses by providing technical and financial assistance;
- Since 1979 as on 31st March, 2007, 65.22 lakhs houses have been constructed in the state under different central and state fully and partially subsidized schemes;
- Propagates cost effective and eco-friendly construction materials and technologies in the construction of houses;
- Imparts training for skills up-gradation through Nirmithi Kendras;
- Encourages institutional production of alternative construction materials; and
- Recover loans from beneficiaries in installments by motivation.

3.7.3. A.P.HOUSEFED

Prior to 1968 the Co-operative Housing Finance was implemented by the Government of Andhra Pradesh out of its budgetary provisions. Due to stoppage of budgetary support by the government to housing co-operatives, all the Primary Co-operative Housing Societies in the State have come together and organised an Apex organisation namely A.P. Co-operative Housing Societies Federation Limited,
Hyderabad to avail loans from financing agencies and disburse the same to the members of the Primary Co-operative Housing Societies. Thus, the A.P. HOUSEFED was registered as an Apex Co-operative Society under the Andhra Pradesh Co-operative Societies Act, 7 of 1964 (T.A.337) during the year 1968. Its area of operation is extended to the entire State of Andhra Pradesh. Its main object is to finance housing societies. As on today it has got 1429 primary societies as members, of which 819 are borrowing members. The Head Office and the Hyderabad Regional Office are located in its own Building situated at Baghlingampally, Hyderabad and the other two Regional Offices are located in rented buildings at Kadapa and Vijayawada.

3.7.4. Integrated Novel Development in Rural Areas and Model Municipal Areas (INDIRAMMA)

Hon. Chief Minister of Andhra Pradesh Dr. Y.S. Rajasekhar Reddy launched the historic INDIRAMMA programme to create a novel rural/urban Andhra Pradesh through development of villages and municipalities in an integrated manner. Government have been implementing many programmes over the years for development of infrastructure and on individual welfare. Since there is always a universal aspiration of all the people to be part of this developmental process, the impact of the programmes implemented so far is not quite visible due to the scattered nature of the distribution of the resources. As of now, there is hardly any objective, equitable and verifiable criteria in selection of towns and villages while implementing the programmes. An ad-hoc allocation of money for various programmes has come into vogue instead of using village as a unit for integrated planning. Even while sanctioning programmes and welfare measures all the genuine requirements of the villages/towns are not being considered, resulting in avoidable dissatisfaction among the public. Thus the approach is open ended and not focused.

Keeping the above in view, Andhra Pradesh Government have taken a decision to take up development of model villages and towns with an intention to saturate certain identified basic needs of the people and the village/town infrastructure in an integrated and focused manner. This is planned to be achieved in a period of three years. This new model of development is named as "INDIRAMMA" (Integrated
Novel Development in Rural Areas & Model Municipal Areas) to fulfil the dreams of our former Prime Minister, Smt. Indira Gandhi.

The objective of this programme is to saturate the basic needs in respect of the identified activities in all the villages and towns over a period of three years. Such development model will ensure overall development of the villages/towns in a transparent manner covering additional areas every year. The primary aim of this programme is to provide in every village pucca houses, drinking water supply, individual sanitary latrines, drainage, power supply to every household, road facilities for transport, pensions to eligible old age persons, weavers, widows and the disabled, primary education to all, special nutrition to adolescent girls/pregnant and lactating women and better health facilities in all the villages over a period of three years in a saturation mode, This shall improve the living standards of the people significantly.

This programme will be taken up in all the mandals simultaneously. Taking up Gram Panchayats covering one third of the population in the mandal every year, all the Gram Panchayats will be covered over a period of three years. 8026 Gram Panchayats have been selected for the first phase of the programme starting on 1st April 2006 and the remaining Gram Panchayats will be covered during subsequent two years. Government is ready to launch the programme from 1st April 2006 and Gram Sabhas will be held in the selected Gram Panchayats from 6th February 2006 to give details of the specific activities to be taken up in the village under the programme.
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