CHAPTER- VII

Conclusions And Recommendations

The present study has attempted to examine the need and the importance of informal finance for housing in the rural and the urban areas of Karnataka. The study has examined into the various aspects of informal finance for housing with reference to its emergence, importance, organization, style of functioning, terms and conditions, extent of finance for housing, its advantages and limitations. Earlier to this, the study attempted to look in detail the Formal housing Financing System in terms of their organization, resource mobilization, financial structure, coverage of members, extent of finance to housing and their limitations. The following are the findings of the study.

Findings of the study

1. Housing as a priority sector, that has gained reorganization in the global atmosphere in 1987 with the United Nations declaration of the year as the "International Year for Shelter" and it received further emphasis once again in December 1988, when the United Nation General Assembly proclaimed the "Global Strategy for Shelter to the Year 2000" (GSS). In the light of the call given by the United Nations, The Government of India drafted the "National Housing Policy" (NHP) in 1988, which was restated in accordance with the developments in the national, and the international scene and implemented in 1990. The Housing Policy of 1992, which could get the Parliament approval in August 1994, followed this. This Policy has relevance due to the fact that this policy can give direction to the unattended issues of housing, especially in the context of "The New Economic Policies" initiated in the country from the
year 1992 onwards. “The National Housing and Habitat Policy” which was implemented in the year 1998 is the policy, which has been implemented currently. This aimed at nothing less than a “Housing Revolution”. Despite the various housing finance institutions and the public intervention for over half a century it is disheartening to note that there is a severe gap between the demand for and the supply of the housing stock. As per the 2001 census, there is a total housing shortage in India around 151.29 lakhs, out of which, 115.98 lakhs, is in the rural areas and 35.31 lakhs in the urban areas.

2. The housing finance system in India is a three-segmented system consisting of the public sector, The Private Sector and the Informal sector. The Formal finance system for housing involves the budgetary allocations, General Financing Institutions (GIC, LIC, PF.), Scheduled Commercial Banks, Cooperative Housing Societies and the specialized Housing finance Institutions both in the public and the private sector. Apart from the National Housing Bank, which functions on the directives of the Reserve Bank of India and the Housing and Urban Development Corporation, which is a techno-, financing institution in the public sector. The informal source of housing finance includes all those sources, which are not bound by any regulations or legal framework.

3. Budgetary allocations are an important source of finance to housing. The government through the five-year plans has been making an attempt to address the problem of housing shortage. The Five-Year Plans implemented in India is been used as medium to implement the various public housing schemes, although a concrete housing policy was put forth only in the late 1980s. The
Investment in the housing by public sector increased from Rs250 crores during the First Five Year Plan to 1,50,000 crores in the Ninth Five Year Plan. Through these plans the government implements its various schemes to address the problem of housing shortage especially in the rural areas.

4. The commercial banks with its huge resource base has been catering to a wide range of population in the housing sector to a great extent more so after the incremental deposits of the commercial banks were increased from 1.5 per cent to 3 per cent during 1999-2000. The contribution of the All Scheduled Commercial banks has over a period increased manifold. Total outstanding credit by the commercial Banks in 1991 was to the extent of Rs 3,297.28 crores towards housing, which increased to Rs.18, 524.88 crores in 2000. This is because of the fact that the total allocation to the housing sector in the total bank credit has increased. Bringing about an increase from 2.65 per cent in 1991 to 4.03 per cent in 2000. The area-wise distribution of the contribution of the All Scheduled Commercial Banks shows that they are more urban/metropolitan biased. As a result of which a large chunk of their lending is deployed to these areas. During the decade of ‘9’s the share of the metropolitan areas runs to an average of 36 per cent and 33 per cent in the urban areas. The remaining 20 per cent and 11 per cent have been deployed to the semi-urban and the rural areas respectively. Thus, the contribution of these banks to date is very minimal in the rural areas.

5. Of recently there has been spurt in the Specialized Housing finance institutions. The Specialised Housing Finance Institutions are institutions catering only to housing sector. There are 28 Specialised Housing Financing
institutions established both in the public sector (NHB, HUDCO and others), and in the private sector (HDFC, Dewan Housing Corporation and others). The National Housing Bank was established in 1987, with an objective of promoting a sound and healthy, viable and cost effective housing finance system to cater to all the segment of the population. The bank as an Apex body for housing finance channelising credit through the 28 specialized housing finance companies. The Housing and Urban Development Corporation established in 1970, is wholly owned organization by the Government of India. HUDCO, being a techno-financing organization with the objective to provide loans and technical support to the state and city level is an agency to promote housing and infrastructure developments. The housing cooperatives functioning at the Apex and primary levels is been playing a crucial role in providing for housing. The loan sanctioned by these societies has increased from Rs 525.29 crores in 1997-98 to Rs.705.33 crores in 1999-2000. Recently almost all the nationalized banks through their subsidiaries have entered financing of housing in a big way (Can-Fin Home Ltd., SBI Home Finance Vysya Bank housing finance and many others). In all, there are 28 Housing Finance Companies (HFCs) registered with the NHB.

6. The Formal Housing Finance System is providing around 75-80 per cent of the finance of the cost of construction, while the other 20-25 per cent is harnessed from various other sources. Put together, the total housing finance provided from the formal institutions comes to an average of 20 to 25 per cent. Most of the people specially those in the rural areas, and the illiterates are unaware of the formal financial institutions nor the specialized housing finance companies
set up to finance housing. However, persons who are better educated, employed, have received housing advances from their employers. Own savings' is the most important source of housing finance. The dependence on savings is particularly high among the low-income households.

7. The informal finance for housing has been playing a vital role in providing financing for house construction. Moneylenders, Zamindars, friends and relatives, petty businessmen are the main informal financiers. The other sources of informal financing for housing are by mortgaging of house, selling jewellery, selling property, partly selling the present site, own savings and others. Operational techniques adopted by the informal financiers differ to a certain extent in the rural and the urban areas. Mortgage of land, pledging of ornaments and “labour-tying” are more prevalent collateral securities demanded in the rural areas. Pledging of ornaments, pledging of additional sites are the securities normally demanded in urban areas. Hire-purchase agreements do exist in certain circumstances. The instruments used for lending are demand Promissory note, post-dated cheques. The informal sources of housing finance are more popular among the poorer section of the society, in general, and the Economically Weaker Sections (EWS), in particular. The easy accessibility, simple procedures, quick processing, round the clock lending practices, lending for the social purposes, demand of very less collateral security are some of the benefits of the informal finance that has popularized it specially among the EWS households.
8. The two types of interest charged by the informal financers are the 'Flat rate of interest' and 'Reducing balance rate of interest', the rate of interest charged differs from rural to urban areas. On many occasions, when the finance is borrowed from the friends and relatives no interest is charged. The informal borrowing is repaid at frequencies of monthly, quarterly, half-yearly or annually. Generally lenders prefer half-yearly repayment. Annual repayments are not a popular mode of repayment. The informal source of housing finance adopts repayments by way of labour tying', which is exclusive in its kind especially in the rural areas. This is a situation where the borrower pledges his labour for borrowing. Non-repayment makes the borrower a slave for life, by confiscating all his property, and making him shelterless. This is very much true in the case of the poorest of the poor. The informal finance for housing despite its number of drawbacks has been thriving and will thrive in the future days to come in the absence of a strong formal financing system sans its rigidities.

9. The informal borrowings are normally repaid in cash, kind or both. On an average, the most preferred method is the repayment by way of cash, followed by way of both cash and kind. The repayment of the loan during the time of harvest or any convenient time is also encouraged in the informal borrowings. The interest rates charged by the informal source of housing finance is exorbitant, ranging from 1 per cent to about 10 per cent per month. However, the interest on the money borrowed from friends and relatives is too low and many a times no interest may be charged at all.
10. Informal source of finance coupled with own savings constitute the most important source of housing finance especially among the poor and low-income households. While all the respondents agree that the informal sources of finances are easily accessible, a majority of them both in the rural and the urban areas prefer informal finance for housing for its working and performance, interest rate, accessibility, repayment convenience. Thus, there exists a dualistic housing finance market wherein there is a very high degree of dependence by the poor and low-income households on own savings and informal /non-institutional sources and on own savings and formal institutional sources by the relatively high and middle-income group of households. The limitations of the informal finance has many a times raised the issue of integrating it with the formal source, or bringing it under some sort of regulations, whereby they become more accountable and at the same time restrict the exploitation of the borrowers. However, in general, integration has been opposed by and large as it further restricts the availability of finance for housing.

11. Karnataka, which is one of the states of India like any other state, has been a witness to the functional and structural changes at the National level. The policies and programmes are implemented in the state to provide shelter to the needy. As per the 2001 census the total stock of census houses was 1.38 crores, out of which the residential houses account for 0.95 crores. Of the residential houses, 0.61 crores houses were in the rural and 0.34 crores in the urban areas. The total estimated housing shortage was around 12 lakhs in Karnataka. Qualitatively speaking the quality of the houses in Karnataka has
improved as the percentage of kutcha houses has declined drastically both in the rural and the urban areas. The percentage of the kutcha houses in the rural areas has declined from 49.80 per cent in 1981 to 12.33 percent in 2001. Likewise in the urban areas also it has declined from 21 per cent to 4.21 per cent during the same period. The semi-pucca houses have marginally increased in the rural areas whereas it has considerably declined in the urban areas. The semi-pucca houses in the rural areas have increased from 44.60 per cent in 1981 to 45.07 per cent in 2001. On the other hand, the semi-pucca house has declined from 55.20 per cent in 1981 to 17.85 per cent in 2001. A very large growth can be seen with respect of the pucca houses both in the rural and the urban areas. In the rural areas, the percentage of pucca houses has increased from 5.60 per cent in 1981 to 42.60 percent in 2001. Likewise, there is has been an increase in the number of pucca houses from 23.80 per cent in 1981 to 77.90 per cent in 2001 in the urban areas.

12. The major players in the housing finance in Karnataka like elsewhere in the country are the budgetary allocation by the Government, General Housing finance institutions, Scheduled Commercial Banks, Cooperatives, HUDCO, State Housing Boards, and specialized Housing Finance institutions in the rural and the urban areas. Apart from this the Government of Karnataka has separated the Housing Department from the Composite Department of Housing and Urban development to give priority to the various public housing schemes. The Housing Department implements its schemes through the various organizations like the Rajiv Gandhi Housing Corporation Ltd., (RGRHCL), Karnataka Housing Board (KHB), Karnataka Slum Clearance
Board (KSCB) and the Karnataka Nirmithi Kendra (KARNIK) caters mainly to the Economically Weaker Sections through the public housing schemes.

13. Although there is a spurt in the various institutions both at the national and the state levels to finance housing, the reach of the institutions is restricted. This is so because of the fact that these institutions are bogged down by various drawbacks. The formidable of the drawbacks being the demand for collateral securities, procedural rigidity, white-collared biased, urban-biased, long periods of processing and sanctioning of loans, the rigid rules, the lethargy on the part of the bank men, in addition to inadequate finance have further added to the problems of the households. In this sense, even the ‘eligible’ households are not adequately covered by the formal housing finance system. As such, the formal housing system has not been able to reach all the sections especially the Economically Weaker Sections of the society. It is at this juncture that the limitations have been responsible for the emergence of the informal source of housing finance.

14. After a detailed investigation of the secondary data, a detailed and extensive field study was undertaken of the three districts of Karnataka covering a total number of 192 respondents, 120 in the rural and 72 in the urban areas. The study reveals also that on an average, there have 34.16 per cent pucca houses in rural areas 39.35 per cent in urban areas, the semi-pucca houses stood at 45.83 per cent in rural and 36.57 per cent in urban areas. At the same time, around 20.00 per cent in the rural and 23.61 per cent in urban areas owned Kutcha houses. The kutcha houses have been declining both in the rural and the urban areas. The Government has introduced various public housing
schemes for providing shelter for the Economically Weaker Sections. The most popular of the schemes is the 'People's Housing Scheme' with 70.85 per cent in the rural and 81.95 per cent in the urban having benefited by it, followed by the Indira Awas Yojana, where, on an average, 9.15 per cent in the rural and 8.35 per cent in the urban areas have been benefited by it. At the same time the Ambedkar Housing scheme has been benefited by an average of 8.50 per cent in the rural and 3.00 per cent in the urban areas, Likewise, an average of 2.00 per cent in the rural and 4.15 per cent in the urban areas have been benefited by the Asharaya scheme in the rural and the urban areas respectively. The remaining 12.05 per cent has been shared by other schemes.

Future consumption is predomininantly the reason for saving and a very negligible number save for housing. Of the total respondents, on an average, 10 per cent of the respondents in the rural and 7 per cent in the urban areas prefer to save for housing.

15. The cost of construction varies from the rural to the urban areas. The cost of construction has been harnessed from various sources including Government Assistance. Savings and non-institutional sources of housing finance form the most important part of the cost of construction. An average of 76 per cent of the savings and non-institutional sources contribute to the housing finance, followed by the institutional sources, which has contributed an average of 22 per cent in both rural and urban areas and finally, 2 per cent by way of Government Assistance. In the rural areas the contribution of the institutions is the least with only 12.00 per cent of the assistance coming from them. This has left the respondents to pool their savings and the finance from the non-
institutional sources of housing finance, which has contributed, on an average, 85.39 per cent. The scenario is slightly different in the urban areas where the contribution from the institutions is slightly higher with institutions contributing, on an average, 31.99 per cent. The remaining depend on their savings and non-institutional sources for constructing a house, whose contribution amounts to 66.73 per cent.

16. The mode of financing for construction is varied. Savings and non-institutional mode of financing occupies a predominant share, which accounts for 75.55 per cent in the rural and 67.59 per cent in the urban areas. The institutional finance for housing occupies the second place with 15.58 per cent in the rural and 22.22 per cent in the urban areas financing housing and finally the Government assistance amounts to 8.87 per cent in the rural and 9.26 per cent in the urban areas. Thus, the institutional source and the Government Assistance for housing forms a very small percentage of the total housing finance and therefore, the non-institutional finance have gained much importance. One of the causes for the emergence of informal finance for housing is the loan-cost difference. That is, there is a difference between the cost of construction and the financial assistance given by the institutions. An average of 82 per cent of the respondents in the urban and 83 per cent in the rural areas are of the opinion that the loan-cost difference is one of the reasons for the informal finance for housing.

17. The respondents in the present study have borrowed from both the institutional and the non-institutional sources for construction. An average of 37.15 per cent of
the respondents have institutional liability and 62.85 per cent of them non-institutional liability both in the rural and urban areas. Thus, the Non-institutional borrowings are more predominant than the institutional borrowings. The reasons for availing the informal finance are varied. Among them, the most important are; there is no institutional finance given for housing, inadequate institutional assistance, procedural rigidity, and easy accessibility to informal sources. An average of 34.16 per cent in the rural and 12.5 percent in the urban areas have expressed that informal sources exist because the institutional assistance is not available. An average of 13.33 per cent in rural and 9.72 percent in the urban areas expressed that inadequate institutional assistance was also responsible for the thriving of the informal finance. Procedural rigidity of the financial institutions is, according to 12.5 per cent of the respondents in the rural and the urban areas, the reason for the thriving of informal finance for housing. Above all, around 40 per cent of the respondents in the rural and 65.27 per cent in the urban areas feel that the easy accessibility of the informal finance has further enhanced its importance.

18. There are various sources of informal finance of which the moneylenders, Pawn Brokers, Zamindars, friends and relatives and others (petty businessmen, Sahukars, etc.,) are the most important. The share of the moneylenders towards housing is predominant with around 30 per cent of the finance being provided by them in the rural areas and 28 per cent in the urban areas. Friends and relatives form a major segment of the informal source for housing. On an average, 18 per cent of them contribute to housing in both the rural and the urban areas. The contribution of the other sources although is just a little more than 3 to 4 per cent has an important role to play. The respondents expressed
that normally they borrowed from one of these sources but at times they would not hesitate to borrow from more than one source or all the sources. Of the total respondents interviewed, on an average, of 50 per cent of them expressed they would borrow from more than one source.

19. The informal financiers lend on the basis of mutual confidence, their affinity and personal relationships with the borrower. As a result the demand for security is very rare especially when the amount borrowed is small. However, when the amount borrowed is not only big, and the borrower does not have a 'close' relationship with the lender, there is demand for security. The securities demanded by them include buildings (House), site, ornaments, agricultural land/crop and others (domestic articles, livestock, labour etc). Pledging agricultural land/crop is the most commonly prevalent security in the rural areas. An average of 40 per cent of the respondents in the rural areas have borrowed by pledging their agricultural crop/land followed by the demand for pledging for house and site (plots). The situation is slightly different in the urban areas where the demand for pledging of house or sites (plots) tops the list. On an average, 26 per cent have pledged their houses and 20 per cent their sites to borrow from the informal financiers.

20. Like the institutional finance, the informal financiers also charge two types of interest rates, viz, the Reducing rate of interest and the flat rate of interest. The reducing rate is more popular both in the rural and urban areas. The reducing balance rate of interest involves the repayment of principle with the interest, which reduces their burden. Around 71 per cent of the respondents both in
the rural and the urban areas have been borrowing at the reducing balance rate of interest. The flat rate of interest is not a very favourable choice as the interest charged is fixed throughout the period of repayment. A small section of 29 per cent of the respondents have borrowed at the flat rate of interest.

21. The rate of interest charged by the informal financers is exorbitant when compared to the rate of interest charged by the institutions. The interest rates are fixed at the whims and fancies of the financiers. The normally considered factors for fixing interest rates is the affinity of the borrower, his repayment period, the security he has provided, the amount and above all the need for money (urgency). The rate of interest ranges between 1 to 100 per cent p.a. Instances of higher rates of interest are more common in the rural than in the urban areas. On an average, 28 per cent of the respondents in the rural areas are paying an interest between 36 to 60 p.a.. On the other hand around 19 per cent of them have borrowed at the highest rate charged between 84 and 100 per cent. Around 31 per cent of the respondents in the urban areas have borrowed at interest rates of between 24 and 36 per cent, followed by 25 per cent who have borrowed at 36-60 per cent. However, the instance of 100 per cent interest is negligible.

22. The frequency of repayment ranges from monthly to yearly. The annual repayment is not very popular with very few opting for it in the urban areas, and only around 3 per cent in the rural areas preferring it. The most popular frequency preferred by most of the respondents, especially in the urban areas, is the monthly repayment. However, on an average, 68 per cent of the respondents in both the rural and the urban areas prefer to repay on the informal borrowing quarterly. The mode of repayment of the informal finance also differs between the rural and
the urban areas. The repayment in kind is, however, ruled out in the urban areas; whereas certain instances can be traced in the rural areas. The repayment will normally be in the form of crops, articles and in certain cases in the form of labour-tying where the services of the labour are made use of to repay the loan. It goes without saying that the most preferred mode of repayment both in the rural and the urban areas is by way of cash.

23. Informal finance for housing has existed coexisted with the formal institutions. As such the respondents have expressed diverse opinions on the existence, thriving and the popularity of the informal source of housing finance. A majority of the respondents prefer the informal finance for its advantages. An average of 25 per cent in the urban and 26.67 per cent in the rural areas prefer informal finance for its simple way of functioning, quick processing, simple rate of interest charged, its easy accessibility, flexible terms and conditions. However, the informal finance is not without drawbacks. The informal finance has been blamed for its exorbitant rate of interest, exploitation of the borrowers, the extremes that the methods adopted in recovering the loans, the highhanded behaviours of the lenders are just a few to mention. Many a times the extreme measures adopted by the lenders of the informal finance will make the borrower to take the extreme step and commit suicide.

24. The drawbacks of the informal/non institutional source of housing finance have many a time prompted the question of its regularization, legalization or bringing it under some sort of regulation. However, during the course of discussion with the respondents in connection with the present study, it is surprising to note that there are diverse opinions regarding the integration or
the formalizing of the informal finance for housing. In spite of its various drawbacks, a majority of the respondents have expressed that the informal sources should not be formalized. Around 78.1 per cent both in the rural and the urban areas have expressed their unwillingness for integration while a small percentage of 19.6 have expressed their willingness. The opposition is more so in the rural areas where around 55.7 per cent have firmly opposed for integration. Under these circumstances, formalizing or eliminating the informal sources is ruled out. The respondents have suggested that instead of formalizing or regularizing the informal sources, the existing formal finance system should not only be strengthened but also the number of specialized housing finance institutions should be increased. This apart, finance from the local bodies and other sources help minimize the role of the informal finance.

Suggestions /Recommendations
1. Housing sector, despite being considered as a priority sector, has not received the required amount of attention it deserved. In the absence of which the housing sector is faced with a number of problems. One major problem faced by the sector is that of the huge housing shortage both in the rural and the urban areas. The public intervention which has been adopted since independence has contributed very little to address the problem of housing shortage. The need of the hour is, therefore, to implement suitable social housing schemes so as to cover the entire gamut of the needy especially the poorest among the poor. Further, along with the public intervention at the center it would be necessary to involve the local governments so as to make them more responsive and implement suitable action plans at the local levels so as to address the problem of housing shortages.
2. The problem of housing is not just a problem of shortage of housing stock but also a quality based one. A majority of the families live in life-threatening housing stock, which is deprived of the basic housing amenities like drinking water, lighting, toilet etc. Given the huge size of the depilated housing stock, it is important to improve the existing dilapidated stock. Further, it is necessary to extend the assistance from the public housing schemes for the improvements of the dilapidated stock. It is also recommended to earmark a certain percentage of investment for housing improvement. This, along with a time-bound strategy of financial assistance and a subsidy for the owners of life threatening stock accompanied through fiscal incentives, will go a long way in improving the situation. It is further recommended to develop housing development strategies for the redevelopment, renovation of the dilapidated stock. Further, a broad based development is the need of the hour rather than a compartmentalized approach.

3. The formal housing finance system includes the budgetary allocations, the General Financing Institutions, the Specialized Housing Finance Institutions both in the public and the private sectors, and the Cooperatives. However, these institutions have failed to bring about the needed change in reducing the housing deprivation among the poor. The paramount procedural rigidity, the urban biased and the white collared-biased nature, the complexities in its functioning has, however, left by and large, a major section of the deserving population out of the financial system. Further, affordable housing system is a dream, which has yet to be realized. In the above scenario, the development
of a strong household resource base is the need of the hour. In addition, the shift from the capital market to the household sector is recommended to be tapped through housing linked deposits and other institutional mechanisms, which not only makes available resources for investment at a reasonably low cost but also bring a larger number of beneficiaries into the formal financing network. Further, securitization through the mortgage insurance mechanism should be strengthened so as to instill greater confidence in the financial institutions involved in housing activities.

4. The informal finance for housing has been contributing considerably to the housing sector. Despite the enormous growth of the formal finance for housing and the increased flow of funds to the sector, the informal sector is still thriving. This is mainly because of the fact that the formal network has not developed to the extent of either eliminating or reducing the contribution of the informal finance to the housing sector. The informal sector on its part is a non-competitive segment with its huge untapped resource base functioning paralleling. The need of the hour is therefore, on the one hand, to make the informal financiers more responsive and cost effective to the housing sector, and on the other or rather the more important one, is to strengthen the formal financing system for housing.

5. Measures are needed to bring the various informal financiers who till now are independently operating under one umbrella. Efforts are to be made to pool their enormous resources so as to make them more responsive towards the housing needs. This apart, bring the informal financiers to pool their resources in the form of credit unions, or syndicates which are not bound by any regulatory framework minimizes their risk to further encourage their
participation in the housing activities. The informal financiers can be encouraged to play a greater role by:

a. by providing a level playing field for the various players in par with the formal network. Bringing certain amount of uniformity in their functioning so as to equally benefit from their lending:

b. by protecting the resources of the informal financiers so as to reduce their risk. Risk bearing is a basic characteristic feature of the informal financiers. The amount of risk borne by the informal financiers has many a times restricted their operations. In view of this, encouraging them to make use of recognized legally acceptable instruments (cheques, Demand Promissory Notes etc) will secure their resources:

c. by providing a competitive network where the informal networks compete within themselves in terms of interest, services provided and others. Which, in turn, makes them more consumer friendly:

d. by regularizing their operations so that they no longer function under cover as a result of which their contribution can be maximized. That is by licensing their operations on the lines of the private moneylenders and the pawnbrokers where although these lenders are recognized moneylenders they are not bound by either the Reserve Bank Guidelines or any other regulatory framework: and

e. by widening the activities of the informal financiers rather than restricting them to a specified area.

6. Finally, the market for informal finance for housing should be developed in such a way so that the huge untapped, resources are pumped into the housing sector
on the one hand, and bring about a competitive framework which results in a interest
war, service oriented lending, customer friendly attitude on their own , and in the
process, function on the lines of the formal financing system. This change in their
functioning will, in turn, neutralize the differences between the formal and the
informal sources in the long run and thereby bring about an uniformity in the
functioning of both the informal and the formal system.

7. In the above said circumstances where the role of informal finance for housing
cannot be eliminated, it is necessary at the same time to restrict the dependence on
these sources by adopting alternative methods. One such method is by encouraging
Self-Help Groups (SHGs), concept where it is intended to informally pool the locally
available funds and invest in housing activities. Apart from this it is also
recommended to involve the Non-Governmental Organizations (NGOs) who are
bound by social service obligations to provide low-cost subsidized housing on hire-
purchase basis for the vulnerable groups.

8. The informal finance is thriving because of the fact that there is a large section of
the people who are not integrated into the formal finance network. These include the
people with small, unsecured, irregular income, the pension holders, and others. It is
more true in the case of the workers in the informal sectors. Therefore, it is
recommended to bring this section within the formal finance network by laying onus
on the Housing Loan Account Scheme (HLAS), which is operative in most of the
Scheduled Commercial Banks. This scheme not only encourages the low-income
group to save but also provides an opportunity for this particular section to construct
houses through formal assistance.

9. Apart from the numerous financial constraints there are equal number of non-
financial constraints in the smooth and effective development and operation of the
formal housing finance system. These include most notably the tedious and cumbersome system of land administration, particularly in relation to land title processing requirements and validation, without which the mortgage institutions do not normally lend on property. It is at this juncture that the government should intervene to simplify the modalities involved in the land registration and title deed process so as to enable the beneficiaries to seek formal assistance for house construction.

9. The formal assistance is further extended only to those who construct houses on the sites approved by the government or approved by the local development authorities (BDA, MUDA) and others. The houses constructed outside these regulations (Revenue sites etc) are deprived of the formal assistance. The government has to therefore take note of the fact that there is a considerably large section of this group especially in the rural areas. It is, therefore, recommended that the construction of houses on such type of sites is to be considered legal and make provisions for formal assistance.

10. Last but not the least is the need to frame housing policies with broad based initiatives targeting the maximum number of the shelterless, especially in the rural areas.

**Scope for Further Research**

As mentioned earlier, since the present study is based on the primary data collected from three different districts and although the practices under informal financing for housing are, by and large, the same, there can be other set of practices which are area specific and region specific. Since circumstance did not permit to looking into those specific practices, researchers can ponder over these issues and such an attempt should definitely contribute to broad basing policy interventions.
Secondly, since the informal source of finances is playing a critical part in meeting the housing needs of the vulnerable sections, in particular, a comparative study of the informal financing practices of different states would be an important issue in itself for policy making at the regional and the national levels. The future studies can even consider a better method of functioning of the informal financing system in the years to come.