CHAPTER – V

COOPERATIVE HOUSING ACTIVITIES IN INDIA
In the long history of civilization, man has passed through various stages of development moving from primitive methods of production and exchange of goods and services on barter basis to monetized economy, from private ownership based on the individuals' entrepreneurial initiatives, for public ownership where the means of production were controlled by the government and its sponsored institutions with imposed regulated prices and distribution of goods and services. Collective ownership through participative and inclusive approach by groups of individuals as cooperatives are the other major forms of organizations in this process of evolution.

5.1.1 Private Enterprises
The concept of money and ownership of property at the later stage of development eventually gave rise to inequality in the distribution of wealth and incomes amongst the people and brought in an economic system called capitalism. The broad features of capitalism are private ownership of the means of production and management of the instruments of production for private gain. While private enterprise has the advantage of profit as an incentive to production and the private owner his/her best efforts for the advancement of the enterprise, it has certain disadvantages too. Inequal distribution of wealth creates a gulf between the rich and the poor and there is a tendency of
ever-growing and ever-widening gulf in the process. Profit motive in private enterprise is generally so misused that it leads to the exploitation of the worker as well as the consumer.\footnote{1}

\subsection*{5.1.2 Public Enterprises}

Gradually when the disadvantages of the private enterprise get pronounced, an alternative system comes up which includes socialism and communism. Socialism is a scheme of social organization which places the means of production and distribution in the hands of community and replaces competition by association. This system attaches more importance to the state which becomes an institution not merely for the maintenance of law and order but also for handling production and distribution of goods and following policies as may be conducive to the welfare of the people in general. In a socialistic country, employment becomes the responsibility of the State. Limited resources of the country are put to rational use and so to minimize the wastage at every level. Education, medical facilities and other welfare services also get priority as general welfare measures. The drawbacks of such a system are that since the emphasis is on social gain, rather than on private profit, there is little incentive for hard and sincere work. The creative spirit in production, in the process, lacks inadequate finances at the disposal of the government obstructs rapid development. As a consequence, and prices do not settle at an optimum level.\footnote{2}

\subsection*{5.1.3 Cooperatives – An Intermediate Path}

Among the divergent economic systems, cooperation acts as a balancing factor. It is said to be ‘a double edged axe which
strikes at the same time at the dead abstractions of the socialistic State and at the sterility of individualism'. Cooperation has been defined by H. Calvert as a 'form of organization in which persons voluntarily associate together on the basis of equality for the protection of the economic interests of themselves'.

Cooperation is, thus, similar to other forms of enterprise in so far as it also aims at doing business and efficiently too. It also combines in itself the plus points of capitalistic as well as of socialistic forms of organization. A cooperative society enables the members to put in their best to obtain a higher standard of living for themselves without exploiting others. It honors human values and also provides incentives. In a cooperative society, there is a complete amalgamation of interests of workers and their employers and consumers of products. This harmonization of interests leads to mutually beneficial policies and becomes a method of making self-help effective and practicable.

The balancing role of cooperation in the Indian economy has been described in the First Five Year Plan as thus 'if planning is to avoid excessive centralization and bureaucratic control and, at the same time, to hold in check self centered acquisitive instinct of the individual producer or trader working for himself, the encouragement of cooperative enterprise must be given the highest priority'.

"I know of no other Instrument so potentially powerful and full of social purpose as the cooperative movement. It helps people to
help themselves” Smt. Indira Gandhi, the late Prime Minister of India had told the Sixth Indian Cooperative Congress in 1971.4

5.2 Principles of Cooperation

The word ‘Cooperation’ is derived from the Latin word ‘cooperari’ which means, working together with others. Cooperation is a special method of doing work jointly. It suits the poor more than the rich. Cooperators being generally persons with small resources, place more stress on their willingness to work hard than on the money they possess. The concept of cooperation, thus envisages a group of persons having one or more common economic needs, who voluntarily agree to pool their resources – both human and material and use them for mutual benefit, as an enterprise managed by them on democratic lines.

Mr.C.R.Fay defined a cooperative society as “an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership may share its rewards in proportion to the degree in which they make use of the association”.5

V.L.Mehta, a veteran cooperator of India, looked upon cooperation in a wider context of voluntary improvement of economic condition of the people by the people themselves and described it as: “one of the aspects of a vast movement which promotes voluntary association of individuals having common needs who combine towards the achievement of common economic needs”.

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Cooperative principles have been formulated on the basis of experience gained by the workers in the cooperative movement in various countries. A Committee set-up by the International Cooperative Alliance in 1937 stated the following as the "Rochdale Principles" of cooperation. They are:

- Voluntary and Open Membership;
- Democratic Control;
- Limited Interest on Capital;
- Distribution of Surplus to Members in Proportion to their Transactions;
- Political and Religion Neutrality;
- Cash Trading;
- Promotion of Education;
- Mutuality

The above principles were formulated from the point of view of consumer's cooperatives. With changing socio-economic conditions, ICA on the request of International Cooperative Congress held at Bournemouth in 1963, appointed a Commission to formulate the fundamental principles of cooperation. Thus in 1966, Cooperative Principles were reformulated. These were:

- Voluntary & Open Membership
- Democratic control
- Dividend on purchase
- Limited interest on share capital
Again due to various political and economical changes in various countries and further diversification and to preserve the cooperative identity and values, the ICA Congress held at Manchester in 1995 brought out a statement on cooperative identity with seven revised cooperative principles. These are:

**1st Principle: Voluntary and Open Membership**

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**2nd Principle: Democratic Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

**3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or
all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible, benefitting members in proportion to their transactions with the cooperative, and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If any enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public particularly young people and opinion leaders about the nature and benefit of cooperation.

6th Principle: Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, regional, national and international structures.

7th Principle: Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.
5.3 History of Cooperative Growth in India

The cooperative movement in India was introduced as a state policy and owes its origin to the enactment of the Cooperative Societies Act, 1904. The Indian organizers of the movement had little experience and scarce knowledge and the people at that time were uneducated and mostly rural, thus spread of movement became all the more tough.

The Act of 1904, provided for the organization of primary credit societies and stress was laid on the promotion of agriculture credit only. The special feature of the societies was that the Government was the prime mover of the movement. The movement was not only initiated by the Government, but was also supported by Government loans. In 1909, government loans formed 22% of the working capital of societies. Gradually the movement expanded and the Act of 1904 was found insufficient to cope with the expanding movement. A new Act was passed in 1912 and important changes were made in the Act of 1904.

With the new Act, the movement started with a renewed promise. With the establishment of the Central Banks, primary societies ceased to be dependent on Government loans. The novel experiment of multipurpose societies began which later became a recognized pattern for the whole of India. Societies were started among the labour classes and attempt at cooperative housing was also made. Under the reforms of 1919, cooperation became a transferred subject to States where after, cooperation made a rapid progress in various states. Bombay State gave a lead by passing the Bombay Cooperative Societies Act in 1925,
incorporating provisions to suit local conditions. But in 1929, the world economic depression set in and gave the movement a rude shock. Over-dues in societies mounted up and liquidation of societies had to be resorted to in certain areas. Also a very important event of this period was the establishment of the Reserve Bank of India in 1935. But gradually the conditions improved and an important landmark of this period was the setting up of the Cooperative Planning Committee which drew up plans for the development of cooperative movement in various spheres. It fixed targets of bringing 50% of villages and 30% of population into the fold of cooperation in a 10 year period.

The attainment of independence in 1947 and the consequent establishment of National Government in the country came in as a fountain of inspiration for the cooperative movement also. A series of Five Year Plans have since been launched with the object of building up through democratic means a rapidly expanding economy and social order based on justice and equality for all. The Plans aim at building up what has been called as ‘mixed economy’ in which the private as well as the public sectors play an equally important role. In order to eliminate the drawbacks of both these sectors, cooperative sector has been given importance and has been considered as the balancing factor between the two main sectors.

As cooperation has the benefit of combining in itself the freedom and opportunity for the small man with the advantage of large scale management, it has been recognized as the principal agency of development in various fields such as agriculture, irrigation, small industries, distribution, housing and construction.
The First Five Year Plan stated that 'in a regime of planned development, cooperation is an instrument which while retaining some of the advantages of decentralization and local initiative, will yet serve willingly and readily the overall purposes and targets of the plan. It is an indispensable element of planned economic action in a democracy'. The Indian Cooperative Movement comprises of 549,119 primary cooperatives with 229 million members as given in Table 5.1.

Table-5.1: Indian Cooperative Movement at a Glance (2002-2003)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>Primary Agriculture and Credit Coops.</th>
<th>Primary Non-Credit Coops.</th>
<th>Other Coops.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of Cooperatives</td>
<td>145,928</td>
<td>399,934</td>
<td>3,257</td>
<td>549,119</td>
</tr>
<tr>
<td>2.</td>
<td>Membership of Cooperatives (Million)</td>
<td>150.553</td>
<td>64.827</td>
<td>14.13</td>
<td>229.510</td>
</tr>
<tr>
<td>3.</td>
<td>Share Capital (Rs. Million)</td>
<td>102,791.8</td>
<td>56,655.5</td>
<td>64,496.7</td>
<td>223,944.0</td>
</tr>
<tr>
<td>4.</td>
<td>Working Capital (Rs. Million)</td>
<td></td>
<td></td>
<td></td>
<td>3,827,496.4</td>
</tr>
<tr>
<td>5.</td>
<td>Reserves (Rs. Million)</td>
<td></td>
<td></td>
<td></td>
<td>300,504.0</td>
</tr>
<tr>
<td>6.</td>
<td>Deposits (Rs. Million)</td>
<td></td>
<td></td>
<td></td>
<td>1,975,633.1</td>
</tr>
<tr>
<td>7.</td>
<td>No. of National level</td>
<td></td>
<td></td>
<td></td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Cooperative Federations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>No. of State level Cooperative</td>
<td></td>
<td></td>
<td></td>
<td>367</td>
</tr>
<tr>
<td></td>
<td>Federations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>No. of District level Cooperative</td>
<td></td>
<td></td>
<td></td>
<td>2,890</td>
</tr>
<tr>
<td></td>
<td>Federations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Indian Cooperative Movement - A Profile 2004, National Cooperative Union of India.

5.4 Evolution of Cooperative Housing Movement

The origin of the cooperative housing movement in the country dates back to the beginning of the twentieth century. The first cooperative housing society in the country was set-up in 1909 in the state of Mysore (now Karnataka) and was known as the Bangalore Building Cooperative Society. The State of Bombay (Mumbai) (now Maharashtra) also took initiative in this field and
set-up a non official body, the Bombay Cooperative Housing Association in 1913 which did a pioneering job in propagating cooperative housing and framed a set of model bye laws that became a guiding force in the organization of several other primary cooperatives. It was also the first to bring in governmental participation in financial affairs of housing cooperatives. The 1930s saw worldwide political and economic upheavals which significantly affected all development, including that of the cooperative housing sector. The overall progress of cooperative housing movement remained quite negligible till the fifties, largely on account of the absence of an adequate organizational set-up to guide its development and an effective legal and administrative framework to facilitate and coordinate its functioning.6

The progressive era of housing cooperatives began only in the 1950s with the impetus for growth coming from two major resources. On the one hand, the cooperative housing movement received explicit support in successive Five Year Plans. On the other hand, a strong institutional network within the cooperative housing sector came to be gradually articulated. Cooperative Acts were enacted in various States and Union Territories. These Acts facilitated the registration of housing cooperatives at the grass root level. Apex Cooperative Housing Finance Societies were also formed in a number of States and Union Territories to coordinate the activities and to mobilize housing finance for the primary societies.7 The membership of Apex Cooperative Housing Federations has increased from 30,420 in 1998-99 to 30,691 in 2002-03 (See Table 5.2).
Table – 5.2: Membership of Apex Cooperative Housing Federations during last 5 Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>30,420</td>
</tr>
<tr>
<td>1999-2000</td>
<td>30,526</td>
</tr>
<tr>
<td>2000-2001</td>
<td>30,582</td>
</tr>
<tr>
<td>2001-2002</td>
<td>30,637</td>
</tr>
<tr>
<td>2002-2003</td>
<td>30,691</td>
</tr>
</tbody>
</table>

Source: Handbook of Housing Statistics compiled by NCHF, 2004

The present three-tiered vertical organization of the cooperative housing sector crystallized in 1969 with the setting-up of the National Cooperative Housing Federation of India (NCHF) with the objective of creating a forum for guiding and coordinating the activities of housing cooperatives in the country.

Broadly speaking, primary housing cooperatives facilitate the housing endeavours of their members in two ways.

- Either the construction of houses is taken up on a cooperative basis and dwelling units, upon completion of construction, are allotted to members.

- Or resources are mobilized on a cooperative basis and individuals construct their own houses.

Housing supply through the cooperative sector has reached all sections of the society. Furthermore, the cooperative housing sector has effectively catered to the less affluent sections of the society with comparatively higher proportion of the housing finance mobilized as well as dwelling units constructed for lower income groups and economically weaker sections. Thus on the whole, the cooperative housing sector is largely for the benefit of the poorer sections. There has been increasing role of housing
cooperatives in rural areas. The cooperatives involve beneficiary participation in labour and material mobilization and also using simple indigenous technology and local materials.

In a nut shell, the cooperative movement has been playing a substantial role in national development. At one level, it has touched all sectors of economy and has access to funds, markets, technology and other national and international supports. At another level, the benefits of cooperative movement have been even more far reaching, extending beyond economic development to the promotion of leadership, better community life and higher social values. The cooperative sector has emerged as a perennial source of social and political leadership strengthening the democratic fabric of the country.

5.5 Advantages of Cooperative Housing

Houses are acknowledged as vital components of social and economic development of a nation. Besides providing shelter to the citizens, the large volume of capital expenditure involved in their construction, the multiple industrial/production activities of various construction materials, their commercial activities of trade, storage and transportation, abundant employment opportunities generated for skilled and unskilled workers etc. make housing activities vital for the economic growth of the country.

‘House’ is a basic necessity. Everyone whether rich or poor, whether in rural areas or urban areas – needs a house to protect his/her life and property and also to promote his/her well-being. Unfortunately, for millions of people in India, the desire of
owning a house remains only a long cherished dream, unfulfilled largely due to the poor socio-economic conditions prevalent among the masses. The country, as a whole, is confronted with a housing problem of a very high magnitude. In general, the housing problem has two distinctive characteristics – quantitative and qualitative. While the housing problem in the rural areas is, by and large, qualitative in nature, the problem in the urban areas is largely quantitative.

It is clear that housing, considering its utmost social and economic significance, cannot be left to the private corporate sector alone which is guided predominantly by the motive of profit. It is also clear that even as the involvement of the state in financial, technical and all related aspects is necessary, the resource constraints of the state sector make public/cooperative participation in housing supply not only desirable but perhaps even inevitable. Over the years the potential role of the cooperative housing sector as a willing and able partner in the national endeavour of providing shelter to the needy people has become widely accepted. In fact cooperative housing societies have come to be acknowledged as being an organisational form best suited for securing people’s participation in supply, maintenance and management of housing stock. In India, the cooperative housing sector has grown successfully over the years and now extends to practically every nook and corner of the country – be it in rural areas or urban areas, hills or plains. The members of housing cooperatives are drawn from every walk of life – artisans, skilled and unskilled workers, farmers and agriculturists, white collar workers, doctors, engineers etc. cutting across the barriers of income, caste, creed, language or
religion, and, in fact, representing a cross-section of the Indian masses.

The benefits of cooperative housing are of particular relevance to developing countries where the need for better shelter is, typically, growing at a faster rate than what the local public institutions can handle. The governments in developing countries have, realised that Government action alone will never solve their housing problem and that every resource, including those of the private sector and the prospective participants, must be employed. As a result there has been a gradual shift in the focus of shelter programmes away from provision of built housing to assisting low-income families in shelter construction and upgradation through programmes such as sites and services, squatter or slum upgrading and home improvement. These programmes offer affordable solutions and, to be successful, require an ongoing dialogue between the local institutions and the project participants themselves. The cooperative action is being increasingly recognized as an ideal mechanism for securing the involvement of people and for utilizing their self-help or sweat equity in the whole process of home building. Further, the cooperative housing can provide not only shelter and housing, but also a mechanism to bring additional and needed services to the community, including health-care, recreational, transport, educational and environmental services. The promotion of employment opportunities is another area where housing cooperatives are having an impact. The most important advantage is that housing cooperatives offer poor people an opportunity to participate in a democratic decision-making process which
directly affects their family and community, the maintenance of
the project, the development of different social and economic
activities for the members of the community etc.

Following are the main advantages of cooperative housing:

(i) Community Participation

The cooperative housing complexes are role models of
community living and bonhomie. They do celebrate
national/local events, observe important National Days such as
Independence Day, Republic Day and hoist the National Flag
and re-dedicate themselves to the cause of the development of
nationhood. The housing cooperatives are also regularly
arranging sports/cultural programmes in which the residents
enthusiastically participate. The events like on-the-spot painting
competitions, elocution contests, debates, races, games, quiz
contests etc. are very popular among the residents especially the
children. Another set of activities relate to the programmes
being organized on the occasion of religious days – Deepavali,
Dushera, Christmas, Eid etc. in which a large number of people
gather and exchange greetings of friendship and camaraderie.

Housing through cooperative is a very satisfying experience.
Besides enabling the construction/acquisition of a house, it also
affords an opportunity to channelize human initiatives,
enterprise, supervisory capabilities and facilitate
personnel/household savings for the objective of acquiring the
housing unit. The houses which get constructed through such
intense personal supervision and labour participation, tend to
get designed to satisfying the functional needs of a person/household. It also ensures application of cost-effective technologies, better quality materials and aesthetic designs; the resultant housing unit emerges as a durable house at economical cost with best functional utility and tailor-made for the needs of the household.

The houses through cooperatives are thus a more satisfying experience in terms of affordability, durability, utility and reliability. Collateral benefits which accrue to people through cooperative housing activities are multifarious – better living environment through better accessibility to household services and basic amenities of drinking water, drainage, sewerage and waste disposal, improved physical infrastructure support of internal roads, electricity and higher quality/quantity of social infrastructure components of schools, hospitals, dispensaries, parks and playgrounds etc., all of which form part of a well planned human settlement.

(ii) Economy in Construction Cost

The low average cost of cooperative housing units seems to have made voluminous savings on various housing inputs by way of low land costs because of bulk purchase of land areas, combined internal development of local roads, drains and sewers, provision of common services and amenities for the entire group of members of a cooperative as opposed to the same being extended to individual/private/independent housing units spread to very large areas, bulk procurement of materials, voluntary management of construction works etc. The cooperatives have
so far facilitated the production of about 2.4 million units (See Table 5.3) and as per the cost estimates, it shows that the sector has effected substantial saving amount to the national economy.

(iii) Improvement in Quality of Life

The housing cooperatives and the housing units which they have facilitated to construct have certain unique features. Not only they are ‘planned’ developments but they also provide various housing related essential infrastructure support. The facilities especially the neighbourhood conveniences such as local shopping centers, community centres, banks, police stations, post offices, parks, playgrounds, schools, hospitals etc. are some such vital social and community infrastructure which enhance the living environment around houses. In fact, these facilities, when they are adequately and conveniently available, facilitate a building to get transformed into a place of living i.e. a house; so basic are these needs for human settlement.

(iv) Special Housing Action Plans: Two Million Housing Programme

The Government has evolved a new Two Million Housing Programme under which it has proposed to construct 20 lakh additional housing units – 7 lakh in urban areas and 13 lakh in rural areas – every year. Cooperatives have been assigned the task of facilitating 1 lakh houses each year under this programme. The NCHF has been monitoring the cooperative efforts and it is seen that during the first 6 years of the scheme, about 5.81 lakh houses have been completed.
**Table-5.3: Gross Housing Activity by Institutions in the Cooperative Sector up to 2004**

<table>
<thead>
<tr>
<th>State/Region</th>
<th>Apex Housing Federations</th>
<th>Other Cooperatives (Banks, Sugar Mills etc.)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>51,449</td>
<td>3,171</td>
<td>54,620</td>
</tr>
<tr>
<td>Assam</td>
<td>7,974</td>
<td>90</td>
<td>8,064</td>
</tr>
<tr>
<td>Bihar</td>
<td>21,300</td>
<td>11</td>
<td>21,311</td>
</tr>
<tr>
<td>Delhi</td>
<td>41,516</td>
<td>185</td>
<td>41,701</td>
</tr>
<tr>
<td>Goa</td>
<td>4,339</td>
<td>6,736</td>
<td>11,075</td>
</tr>
<tr>
<td>Gujarat</td>
<td>232,836</td>
<td>8,081</td>
<td>240,917</td>
</tr>
<tr>
<td>Haryana</td>
<td>21,128</td>
<td>8,275</td>
<td>29,403</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1,187</td>
<td>-</td>
<td>1,187</td>
</tr>
<tr>
<td>J &amp; K</td>
<td>1,959</td>
<td>199</td>
<td>2,158</td>
</tr>
<tr>
<td>Karnataka</td>
<td>33,538</td>
<td>36,765</td>
<td>70,303</td>
</tr>
<tr>
<td>Kerala</td>
<td>144,415</td>
<td>137,098</td>
<td>281,513</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>26,470</td>
<td>698</td>
<td>27,168</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>217,568</td>
<td>71,455</td>
<td>289,023</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>271</td>
<td>870</td>
<td>1,141</td>
</tr>
<tr>
<td>Manipur</td>
<td>989</td>
<td>-</td>
<td>989</td>
</tr>
<tr>
<td>Mizoram</td>
<td>-</td>
<td>632</td>
<td>632</td>
</tr>
<tr>
<td>Orissa</td>
<td>22,495</td>
<td>20</td>
<td>22,515</td>
</tr>
<tr>
<td>Punjab</td>
<td>96,700</td>
<td>2,937</td>
<td>99,637</td>
</tr>
<tr>
<td>Pondicherry</td>
<td>4,037</td>
<td>-</td>
<td>4,037</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>29,378</td>
<td>857</td>
<td>30,235</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>1,024,721</td>
<td>1,626</td>
<td>1,026,347</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>22,635</td>
<td>15,155</td>
<td>37,790</td>
</tr>
<tr>
<td>West Bengal</td>
<td>17,216</td>
<td>1,200</td>
<td>18,416</td>
</tr>
<tr>
<td>Multi-State Region</td>
<td>-</td>
<td>17,927</td>
<td>17,927</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>2,024,121</strong></td>
<td><strong>313,988</strong></td>
<td><strong>2,338,109</strong></td>
</tr>
</tbody>
</table>

Source: Study on Housing Activities in the Organized Sector; NCHF, 2004

### 5.6 Organizational Structure of Housing Cooperatives

Over the years, the cooperative housing sector in India has evolved as a well defined organizational hierarchy comprising of primary cooperatives, district federations, state level federations and the National Cooperative Housing Federation of India.
These hierarchical levels are discussed in the following paragraphs.

(a) **Primary Level**

A housing cooperative is a legally incorporated organized group of people who desire to develop their houses with collective efforts. After registering with the Registrar of Cooperative Societies under the concerned State Cooperative Societies Act, a primary housing cooperative attains legal status as an autonomous institution to undertake business on behalf of its members for housing development. As stated earlier, 92,000 such cooperatives are registered across the country now.

(b) **District Level Federations**

The District-level cooperative housing federations are involved in assisting primary housing cooperatives of a given district. Such federations exist in the States of Maharashtra, Gujarat and U.P.

(c) **State Level Federations**

The State level apex cooperative housing federations play a significant role in providing financial assistance to primary housing cooperatives and in some States also to individuals in their respective jurisdiction. They provide guidance on technical matters, help them in procuring building materials and assist them in general coordination and supervision of their activities.
(d) National Cooperative Housing Federation of India

The National Cooperative Housing Federation of India (NCHF) was set-up in the year 1969 on the recommendations of the “Working Group on Housing Cooperatives” appointed by the Government of India with the objective of:

- providing a common forum for dealing with technical, financial and practical problems relating to cooperative housing and to devising ways and means of solving them.

- propagating and popularizing cooperative housing movement on sound cooperative principles and promoting such ideas, through publications and periodicals, news-bulletin and journals, and exchanging statistics and information relating to cooperative housing.

- co-coordinating and guiding the working of member organizations and rendering services to housing cooperatives in respect of planning and construction etc. of houses and making available expert advice/services for this purpose.

- promoting apex cooperative housing federations in those States where such organizations do not exist.

The following services are offered by NCHF:

- Assists State-level federations in raising their resources from Life Insurance Corporation of India, National Housing
Bank, Housing and Urban Development Corporation and other funding agencies.

- Assists State Governments/Union Territory Administrations in the matter of setting up of apex cooperative housing federations.

- Provides a common forum to member federations to discuss problems of housing cooperatives and other allied matters.

- Conducts research studies on various aspects of cooperative housing.

- Organizes need-based training programmes for the personnel of housing cooperatives for upgrading their knowledge and skills, thereby improving their efficiency.

- Provides guidance to apex cooperative housing federations and primary housing cooperatives on technical and legal matters.

- Assists housing cooperatives on general insurance.

- Publishes books, journals and other periodicals for updating knowledge of the personnel of housing cooperatives (Khurana, 2001).

5.7 Accounting and Audit Management in Housing Cooperatives

The audit is one of the important links in the long chain of disciplinary and regulatory departmental functions operating in
the cooperative field. The accounting and audit management reflects the true health of cooperatives and members are assured that accounts are properly maintained. The housing cooperatives are formed on cooperative basis to provide dwelling houses to members at economical cost. The economy in cost of acquisition of a house to individual member is possible due to the support to housing cooperatives extended by the government in the form of remission in stamp duty on conveyances executed in favour of housing cooperatives in some states, supply of raw materials at controlled rates and financial assistance, besides economies of mass scale construction. The housing cooperatives are, essentially, formed to avail of all or some of these advantages. The objectives with which a society is registered and the type of its construction have a vital bearing on the relationship between a member and the society.

5.8 Avoiding Mismanagement in Housing Cooperatives

The activities of housing cooperatives are complex, as they involve multi-disciplinary inputs from engineering, architectural, managerial, legal fields etc. Also they involve large sums of money. The complexity of activities makes them susceptible to numerous problems arising from oversights and misjudgements. The involvement of large sums of money generally imparts considerable seriousness to these problems. In this context it becomes crucial to analyze the typical causes of failure of cooperative housing projects and to identify suitable precautionary measures. In general, projects of housing cooperatives may fail due to one or more of the following reasons:

(i) Unmanageable size of scheme.
(ii) Lack of proper planning.
(iii) Unforeseen difficulties.
(iv) Legal difficulties.
(v) Bad Management.

5.9 Planning, Execution and Implementation of Cooperative Housing Projects

Planning and execution are two different but integrated stages of any project planning. Planning stage precedes the execution stage. Following are the main activities during the planning stage:

(a) Evolving a Building/space requirement Programme.
(b) Land acquisition
(c) Appointment of a Contract Advisor
(d) Appointment of an Architect

5.9.1 Land Acquisition

After the housing co-operative is registered, the first and foremost task of its Management Committee is to find suitable land for construction of the housing project. Land is a scarce resource, and in most parts of the country, particularly in the urban areas, it is very difficult to obtain suitable land at reasonable prices.

While searching for land, the housing co-operative has to be careful on its suitability to its members in terms of location, price, neighbourhood, social and physical infrastructure available in the locality, accessibility and such other factors
which are very important to a housing project. The selected land should be acceptable to members of the housing co-operative.

Housing co-operatives may obtain land for their housing schemes from the Government, local authorities and private owners on leasehold or freehold basis. The legal aspects like ascertaining legal capacity of the transferor/transferee, examining the title deeds etc. are given utmost care, while acquiring land so as to avoid any legal problems in the future.

**5.9.2 Mobilizing Resources**

A co-operative which proposes to take up a housing project must from the very inception think to arrange large sums of money. This need not necessarily mean that all should come from members, but unless adequate funds are likely to be available from some source and on reasonable terms it is not advisable to go any further with the project. This means that inquiries must be made carefully and with certainty from the very beginning both (i) as to the amount which members are able and prepared to contribute; and (ii) as to the other sources of funds. It is essential to ascertain the amount, period and rate of interest of loan and mode of its repayment and security etc.

**Sources of Funds for Primary Housing Cooperatives**

The important sources of funds available with the primary housing co-operatives for their housing programmes are:-

- Share capital;
- Members contribution;
• Deposits from members; and
• Loans from financing agencies.

(a) **Share Capital**

Share capital is the initial investment made by members for the organisation of society as well as for creation of the financial base for starting the activities of their housing co-operative.

(b) **Members Contribution towards Cost of House**

Another source for mobilising funds by a housing co-operative is by raising a part of its required capital by way of deposits from members. These deposits or contribution towards the cost of a member's flat or house are generally known as down payments. The funds that a housing co-operative can generally raise by this method are to the extent of 30 to 50% of their total capital requirement.

(c) **Deposits from Members**

Housing co-operatives are empowered under their bye-laws to accept fixed deposits from their members. However, very few housing co-operatives can make use of this source for raising funds. In view of the Reserve Bank's restriction, housing co-operatives are not authorised to raise their funds by accepting deposits from the members of the public who are not their members.

(d) **Loans from Financing Agencies**

The primary housing co-operatives can raise their funds by way of loans from the following agencies mainly through apex co-operative housing federations:
(i) Apex Cooperative Housing Federations/Corporations.

(ii) Life Insurance Corporation of India

(iii) Housing and Urban Development Corporation.

(iv) National Housing Bank

(v) Commercial/Co-operative Banks and their housing subsidiaries.

(vi) Housing Development Finance Corporation and other Housing Finance Companies.

(vii) Government Housing Programmes/Government Schemes for Employees of Government Undertakings, etc.

5.10 Housing Cooperatives and National Integration

National Integration is a psychological and educational process, involving the development of a feeling of unity, solidarity and cohesion in the hearts of the people, a sense of common citizenship and feeling of loyalty and consolidation of a community with the objective of ensuring the well being of its members as well as of developing its distinctive personality to make its contribution to mankind. The degree of integration of a community is related to several factors including the dominance of political system of the community over the subcultures within it, the efficiency of the political institutions and processes in meeting the expectations, the ease and frequency of political communication among the members of the community.
The role of housing cooperatives in fostering national integration can be viewed at two levels. One by the very process of participatory involvement through which they supply housing, housing cooperatives can become instrumental in bringing people together and in creating some kind of community cohesion that transcends linguistic, cultural and religious boundaries. Second, by virtue of being community based organisations at the residential level, they have the potential to play a substantial and continuing role in collective educational efforts for improving social values in general and other goal oriented social developmental inputs in particular\textsuperscript{10}.

In the multi-racial and multi-lingual Indian society, the core of which rests on the spiritual oneness of man, it is the duty of each and every citizen to strengthen the image of "one nation, one people". The integrated efforts are necessary to prevent anti national and communal activities and to take the nation towards the goals of peace and prosperity. In this regard, housing cooperatives as need-based organised community groups, can play a substantive role.

A study on National Integration and Housing Cooperatives conducted by the National Cooperative Housing Federation of India (NCHF) confirms that not only do housing cooperatives meet a basic physical need for shelter through provision of housing per se, they also cater to a basic social need for neighbourhood by fostering harmonious community behaviour. They provide a forum for, on the one hand, character building and promotion of leadership qualities in individuals and, on the
other hand, collective action in various spheres of community life. Their membership and even management is open to all communities and, in this way, they foster national integration directly by bringing people from different communities together. It is hardly surprising that cooperative housing societies have not demonstrated any incidence of communal violence, riots etc.

In principle, housing cooperatives can play a substantial role in national development through their significant role as a housing sub system and also in national integration by virtue of their inherent principle of community cooperation and their potential as mechanisms for collective education at the neighbourhood level which is the first school for character building and inculcation of higher social values (Khurana, 1993).

5.10.1 The Potential Role of Housing Cooperatives in Housing Finance Delivery

The housing cooperatives are an effective and powerful medium for promoting affordable housing with full participation of their members. The cooperatives can be used as catalytic agents to draw households’ savings into housing sector as a whole and at the same time serving the beneficiaries directly. Involvement of beneficiary families in the process of shelter supply also guarantees improved consumer satisfaction, which in turn, promotes cost recovery. The housing cooperatives are far more efficient in recovery than governmental and semi-governmental agencies. This is so not only because of people’s involvement at all stages, but also because of the fact that the movement cannot continue in the absence of cost recoveries as housing federations do not have access to subsidies to cover bad debts. It may also
be added that the Cooperative Act provides a much superior recovery mechanism than what is available to other Housing Finance Institutions inasmuch as it provides for an arbitration and recovery procedure wherein normal courts can be bypassed, thereby avoiding protracted legal proceedings.

5.10.2 Cooperative Housing under National Housing and Habitat Policy

In the National Housing and Habitat Policy (NHHP) 1998, the housing cooperatives have been assigned a significant role both for spearheading the cooperative housing movement in the country through mobilizing the housing initiatives of the people through self-help and household savings and also imparting training in managerial skills and adoption of cost-reduction techniques so that a larger section of the people will have access to affordable houses. In order to encourage these housing efforts by the cooperatives, during the 10th Five Year Plan, they require the various supports to meet the target effectively. Thus the total house construction by the housing cooperatives would be involving an amount of around Rs.10,000 crores during the 10th Five Year Plan period. Housing cooperatives envisaged to construct/finance about 6.25 lakhs houses in different parts of the country during the 10th Plan Period.

5.10.3 Government as Facilitator

The Habitat Policy envisages that the Central Government would take steps to bring in legal reforms, including formulation of effective foreclosure laws and devise macro economic policies, to
enable flow of resources and technology to the housing and infrastructure sector. The Government envisages to evolve parameters for optimal use of available resources keeping in view the crucial issue of ecological balance in the environment and towards this end, it is to provide fiscal concessions for housing, infrastructure, innovative and energy saving construction materials and methods and also envisages to set-up a regulatory mechanism to ensure that the concessions are correctly targeted and utilized. Most significantly, the Policy envisages the role of the Government as the promoter of a secondary mortgage market for housing finance in the country to combat the growing needs for resources in the fund-deficient housing sector. The National Housing Bank has achieved substantial progress in this area.

The State Governments need to come forward by way of liberalizing the legal and regulatory regime to give a boost to housing and supporting infrastructure and promote participation of private sector and cooperatives in housing activities. The immediate task in hand for the State Governments can be to undertake appropriate reforms for easy access to land and promote decentralized production and availability of building material. The State Governments were also expected to facilitate training of construction workers by converging other development programmes through Building Centres and other agencies and empower the local bodies to discharge their responsibilities in regulatory and development functions. The full potential of the 73rd and 74th Constitutional amendments as envisaged has to be utilized.
5.11 Growth and Achievements of Housing Cooperatives

The growth of the cooperative housing movement is reflected in the increase of number of cooperative societies from over 5,500 in 1959-60 to about 92,000 in 2002-03, with expansion of membership from 3.2 lakhs to 66 lakhs. The Working Capital has also gone up from Rs. 55 crores to Rs. 5500 crores during the corresponding period. At present, there are 25 apex cooperative housing federations at the State level, which meet the financial requirement of primary housing cooperatives and also extend promotional support to them. These apex federations are affiliated to the NCHF, at the national level. The NCHF has been providing a common forum for dealing with technical, financial and other practical problems relating to housing cooperatives and devising ways and means of solving them. Promotion of apex federations in those States where such organisations do not exist, promotion of cooperative housing through publications, periodicals, research, training and exchange of information etc. are other objectives of the NCHF. Upto 31st March, 2004, the apex federations have mobilised a sum of Rs. 8134.29 from LIC, NHB, HUDCO, Commercial and Cooperative Banks, etc. and disbursed loans of Rs.8761.25 crores to housing cooperatives and individual members, thereby assisting in the construction of approximately 22.42 lakh dwelling units.

The housing cooperatives do a lot more than providing housing facilities. In fact, the community and social facilities which they provide within the housing complexes or close to residential areas, enhance the quality of living environment.
Not only catering to affluent sections of the society, cooperative housing sector has provided affordable houses to low income groups and EWS category. A study conducted by National Cooperative Housing Federation of India (NCHF) has also revealed that out of the total housing units constructed by housing cooperatives, under the cooperative housing federations, about 75% units have gone to economically weaker sections and lower income groups, 18% to middle income groups and only 7% to higher income groups. Thus, on the whole, the cooperative housing sector is largely for the benefit of poorer section\textsuperscript{14}.

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