CHAPTER-7

MAHARASHTRA STATE CO-OPERATIVE
HOUSING FINANCE CORPORATION LTD.
CASE STUDY-3
A. History and Growth of MSCHFC:

The history of the co-operative housing movement of the State of Maharashtra covers the period of development of co-operative housing in the erstwhile Bombay State. Attention began to be seriously turned to co-operative housing in the former Bombay State, after the Co-operative Societies Act, 1912 came into force.

B. First Co-operative Housing Society:

The pioneer in the initiation of Co-operative Housing in India was late Shri S.S. Talmaki. He founded the Saraswat Co-operative Housing Society Ltd., at Gamadevi in Bombay in the year 1915, which is the first co-operative housing society of its kind registered in the country. It was based on tenant co-partnership system and even today, stands as a model of successful co-operative housing enterprise and a source of inspiration for similar efforts. This had a moral support of the government and was followed by a declaration by the government that assistance would be available in the form of loans on easy terms and at low rates of interest to co-operative housing societies.

C. The Bombay Co-operative Housing Association:

The City of Bombay was the first to take initiative in the matter in the year 1913, by forming a non-official body, known as the Bombay Co-operative Housing Association, for the
purpose of carrying on propaganda in favour of the co-operative housing movement. The Association later approached the government to grant certain facilities to the co-operative housing societies, but none was granted except long-term loans. Inspite of the success of the pioneer society; many years had to pass before other such organisations could be started. The housing difficulties experienced, after the first World War, particularly in the bigger urban areas, were the immediate cause for considerable interest being shown by the middle classes in the co-operative housing movement.

1. Housing During Pre-Independence Period:

On account of lull in the trade and industry during the period of Great Depression, rents came down in the city of Bombay with a startling and alarming speed. The societies were, however, charging the rent as per the agreed schedules which made them unpopular. Flats began to be vacated in large numbers which had an adverse effect on the societies formed on co-partnership system.

2. Housing After Independence:

Despite the efforts made by the government since Independence to tackle the housing problem, the shortage of housing for the lower income groups in both the towns and villages in the State began to be more and more acute. With greater demand for housing, the Bombay State Government introduced a scheme of grant
of assistance for construction of tenements in 1947. The scheme provided for grant of loans upto 75% of the value of land and 60% of the value of buildings at a rate of interest of 3% per annum, repayable in 70 half-yearly equated instalments. These terms were applicable for tenements having a carpet area of 450 sq.ft. or less and the percentage of loans for larger tenements being 60% and 50%, respectively.

3. Special and Emergency Housing Schemes:

Government also formulated schemes of grant of financial assistance through co-operative housing societies for selected areas of the State to suit the needs of particular classes of people. An emergency housing scheme was started in the year 1947-48 for helping the victims of floods in Ahmednagar District.

D. Classification of Co-operative Housing Societies:

The Bombay Co-operative Societies Act, 1925 defined a housing society as a society formed with the object of providing its members with dwelling houses on conditions to be determined by its bye-laws. However, the Bombay Co-operative Societies Rules, 1927 did not classify housing societies as is done under Rule, 10 of the Maharashtra Co-operative Societies Rules, 1961. The Manual for Co-operative Societies in the Bombay State, 1953, however classified co-operative housing societies into four types viz. (a) Producer's type, (b) Resource type, (c) Tenant co-partnership type and (d) Tenant ownership type.
The credit of initiating schemes of assistance to co-operative housing societies in India ought to go to the late Sir Prabhashankar D. Pattani.

E. Government Policy Towards The Bombay Co-operative Housing Finance Society:

The government had encouraged the formation of the Bombay Co-operative Housing Finance Society Ltd; and its attitude towards the Bombay Co-operative Housing Finance Society Ltd. is well depicted from the messages received by it on the inauguration from the then Minister for Co-operation Mr. M. P. Patil.

Message from Mr. M. P. Patil, Minister for Co-operation reads as under:

"The establishment of the Central Co-operative Housing Finance Society fulfills a long felt want in the history of Co-operative Movement, especially since the Society is to undertake the financing of co-operative housing societies. The government has decided to subscribe 50% of the share capital subject to a maximum of Rs. 50 lakhs. Although, the idea of having a separate co-operative society to finance co-operative housing societies was first suggested in the Mehta-Bhansali Report in 1939; its necessity was keenly felt in recent years on account of increase in the number of housing societies which could not get adequate finance from any other sources".
1. Constitution of The Bombay housing Finance Society Ltd. :

The primary object of the society as laid down in its bye-laws was to grant loans or advances and to invest in debentures issued by the housing societies registered in the State which were members of the Society; and in the case of societies which were not members with the general or special sanction of the Registrar on the security of immovable property or such other security as may be considered necessary. The bye-laws provided for government participation in the share capital of the Society to the same extent as is raised from other source. In addition to the share capital, the society was empowered to raise moneys by the issue of debentures and bonds or by mortgaging any lands, buildings, or other property to the extent of three times the paid up share capital. The management of the Society was vested in a board of directors consisting of 2 nominees of the government, one of them being the Registrar of the Co-operative Societies, Bombay State, two directors to be elected by the scheduled banks who were members; two to be elected by the insurance companies and investment trusts and other financial institutions who were members; two to be elected by co-operative banks and societies other than housing societies who were members; and two to be elected by co-operative housing societies who were members.

2. The Maharashtra Co-operative Housing Finance Society Ltd. :

The Maharashtra Co-operative Housing Finance Society
Ltd., was registered under the Bombay Co-operative Societies Act in 1925 on 15.8.1960 after the bifurcation of the State of Bombay. Its jurisdiction extends to the whole of Maharashtra State. The Society started working after its first general meeting which was held on 10th October, 1960.

Contribution of the Government towards Share Capital of the Society:

The Government of Maharashtra by G.R.No.CSH-2460-K, Co-operation and Rural Development Department dated 20.10.60 granted Rs.15 lakhs as a contribution towards the share capital of the Society.

3. Government Incentives to Housing Co-operatives:

The success of co-operative housing societies is largely due to a number of beneficial measures adopted by the government. Firstly, it exempted the co-operative housing societies from the liability to pay stamp-duty and registration fees in certain cases. Secondly, the provision of Income-Tax Act were not made applicable to income or profit made by a co-operative society or the dividends or other payments received by the members of any such society out of such profits. Thirdly, in the case of personal occupation by tenant-members, the government had granted concessions in municipal and general taxes. Fourthly the assignment of a flat in a co-operative society by its members to an intending purchaser was to be effected by a simple instrument which was both expeditious and inexpensive.
The Maharashtra Co-operative Housing Finance Society Ltd. came into being just at the time when more and more people were turning to the co-operative form of organisation to solve their housing needs. The government also encouraged the formation of these co-operatives by granting tax concessions and other incentives. These concessions and incentives tempted some entrepreneurs to organise co-operative housing societies for their own advantage. The society had therefore to exercise caution in its financing policy and see that the finance provided by it went to needy and deserving people.

Against the above background, the progress of the MSCHFC Society during the three decades 1961-62 to 1991-92 are reviewed and presented in the following table:

G. MSCHFC - The Profile of Its Operations:

The Maharashtra State Co-operative Housing Finance Corporation Ltd., Bombay (MSCHFC) is an apex institution with the entire State of Maharashtra as its area of operation. This institution was registered on 15th August 1960 as the Maharashtra Co-operative Housing Finance Society Ltd. and changed its name to Maharashtra State Co-operative Housing Finance Corporation Ltd., Bombay (MSCHFC) in 1988.

H. Objectives of the MSCHFC’s Lending Policy:

The main object of the MSCHFC is to grant loans and advances to its borrowing primary societies for the execution of
their housing projects. The Society, in order to fulfil the objects, raises the fund required, by way of issue of shares and by borrowings from the Life Insurance Corporation of India and banking institutions like urban co-operative banks. The loaning operations of the Society are, therefore, guided by two principles.

1. To provide to its borrowing primary societies adequate and timely resources and,

2. To ensure safety of the funds advanced, by taking appropriate security for the loans from the borrowing societies.

The first principle of service is therefore guided by the motive of service to its member-societies while the second is by the consideration of safety of the funds advanced.

1. Provision of Timely and Adequate Resources:

The MSCHFC, from the very beginning, has been striving hard to build up its resources so as to enable it to cater to the financial requirements of its member-societies. This, it has tried to achieve by augmenting its owned funds by raising share capital and building up reserves.

The share capital of the MSCHFC has appreciably increased over the period of last 35 years. Similarly, it has created several reserves. These reserves are further growing. The accumulated owned funds comprising share capital and reserves aggregated to the extent of Rs.26,39,000/- as on 30.6.1985. The accumulation of owned funds has enabled the MSCHFC to utilise
them in its lending programmes on an increasing scale, every year. On an average, the MSCHFC has been investing annually its owned funds to the extent of Rs.2,22,27,000/-. The MSCHFC has also been borrowing funds on an increasing scale, every year, to enable it to meet the credit requirements of its members. However, in this matter, the MSCHFC had to function under many constraints. In view of the competing demands on the Life Insurance Corporation of India, it was not in a position to provide funds to the MSCHFC on a progressively increasing scale to match with the increasing demands from the borrowing societies. MSCHFC had, therefore, to be ever in search of additional resources. In this connection, the MSCHFC has succeeded in the recent past in getting funds from the urban co-operative banks on consortium basis. It is hopeful that this additional source of funds would enable it to cope with the increasing demands for funds from the primary societies. In the past, the MSCHFC was not in a position to provide timely funds to its borrowing societies as its lending programme was linked to the availability of funds from the Life Insurance Corporation of India. It was, therefore, necessary that there should be an arrangement for providing finance to the borrowing societies, during interim period, till the MSCHFC was in a position to make long-term advances from the funds received from the LIC of India. MSCHFC therefore, provided in its terms and conditions to
permit its borrowing primaries against the loan sanctioned to them, to avail themselves of short term accommodation for a period not exceeding one year to the extent of the limit of the loan sanctioned from the district central banks, urban co-operative banks or from the district central banks, urban co-operative banks or from the nationalised banks. The MSCHFC also entered into an arrangement with the Maharashtra State Co-operative Bank for cash credit accommodation to enable it to continue to make disbursements against sanctioned loans to the primaries even before the amount of loan sanctioned to it was received from the LIC.

2. Service with Safety:

In its loaning operations, the Society has to give due consideration to the safety of its funds. This has been done by the following methods:

1. Ensuring adequate security for the funds.
2. Avoiding misutilisation of the loans/advances.
3. Ensuring repaying capacity of the borrowing members.
4. Keeping constant watch on the recovery of the dues of the Society.

3. Adequate Security:

The MSCHFC has been granting loans against the security of immovable property, comprising land and buildings which are mortgaged by creating a first charge in favour of it. The MSCHFC has a panel of legal experts, through whom the titles to the properties to be mortgaged are investigated. Guidelines are
issued to the attorneys investigating the title, which provide for the procedure of taking search and making enquiries in respect of all antecedents of the title affecting the marketability and transferability of the property to be mortgaged. A panel of solicitors is appointed in Bombay to investigate into and examine the conditions of title to the properties of the borrowing societies in Bombay. Such work is entrusted in the areas outside Greater Bombay, to an advocate from the panel of experienced advocates maintained for each district.

The security margin of 20% is prescribed for granting loans. In the beginning, the loan were advanced with a security margin of 40%. However, with the appreciation in the value of the immovable property vis., land and buildings, 20% margin is considered to be adequate for the purpose of security.

4. Avoid Misutilisation of Funds:

The MSCHFC appointed expert valuers on its panel who are entrusted with valuation of the construction work. Each society is disbursed the amount of sanctioned loan in four instalments. Each instalment is disbursed on satisfying the conditions which are as under:

1) 20% of the amount of sanctioned loan, as first instalment, after the society has collected and invested 20% of the cost of the scheme in the land and/or construction thereon or where the amount of loan sanctioned is less than 80%, after the amount
equal to the difference between the cost of the scheme and the amount of the loan sanctioned is collected from the members and fully invested.

ii) 30% as second instalment after the amount of loan already disbursed is invested and fully utilised in the construction.

iv) 10% as 4th and final instalment, after the building is completed in all respects. Provided that, at no stage, the amount of loan already advanced together with the amount of loan to be advanced shall exceed the value of construction.

Co-operative housing societies are eligible for additional loan up to 10% of the cost of their scheme for providing common amenities for the benefit of the members such as community hall, school building, library, dispensary, etc. The additional loan to be advanced for such amenities is made available to the societies which have completed the construction of the residential portion of their housing project or where the construction of at least 50% of the houses in such project is completed. The disbursement of additional loan is made in proportion to the completion of the housing project. The loan so sanctioned is subject to the overall limit of 10% of the cost of the scheme and is not to exceed 65% of the cost of the common amenities to be provided in the case of societies from Bombay and 70% in the case of societies from Thana and 80% in the case of other areas of the State or to the extent of such percentage of the cost at which the loan for the residential portion of the scheme is admissible.
or sanctioned. The common amenities so created are also to be mortgaged in favour of the MSCHFC.

To avoid misutilisation of funds, the borrowing society has to invest in the purchase of land and the construction of building its own share of contribution which is equal to the amount of difference between the estimated cost of the housing project and the amount of loan sanctioned. The amount of the first instalment of loan is disbursed after the amount of the prior disbursement is utilised and a certificate in respect thereof is issued by the valuer appointed by the MSCHFC. The rules also provide to ensure that the construction is carried out in accordance with the plans sanctioned by the local authorities concerned and the construction is of a fairly good quality and durable from the point of view of security. Detailed guidelines are issued to architects on the panel of the MSCHFC to be examined with regard to the construction work, with special reference to the following points.

1. The work is to be carried out in accordance with the sanctioned plans and that there should not be any deviations from the sanctioned plans.

2. The estimates of the construction should be reasonable and these should neither be inflated nor deliberately deflated.

3. IOD and the plans should be in the name of the society.

4. Before the last instalment is granted, the society has to
complete the construction in all respects and completion certificate and occupation permission should have been issued.

5. The society has to fully utilise the amount of loan disbursed.

6. The construction carried out is durable and of a good quality from the security point of view.

7. The area of the flats should not exceed the ceiling on the carpet area imposed by the Society.

5. Repaying Capacity:

The members of the borrowing society being persons of limited means, the terms and conditions of the Society provide for linking of the amount of loan advanced with the income of the borrowing members. A ceiling limit is also imposed on the amount of maximum loan that can be sanctioned to an individual member of a society. Besides, a ceiling is also imposed on the carpet area of a tenant, a flat or a house that can be constructed for an individual member of the society with the loan. The main object of the limitations on the loans advanced is to ensure that a loan advanced is within the repaying capacity of the individual member of the society and that there is no extravagant use of the funds of the MSCHFC. The following conditions are applicable in this regard:

1. No loan will be granted to any co-operative housing society for a member whose total income exceeds Rs.36,000/- per annum.

2. The maximum amount of loan that may be advanced by the
M8CHFC in respect of any flat/tenement in a tenant co-partnership type of society or building or a house in a tenant-ownership type of society shall not exceed Rs. 50,000/- subject to stipulation No.10. However, the above limit of the maximum loan to be advanced may be raised in special and deserving cases, with the prior approval of Commissioner for Co-operation and Registrar of Co-operative Societies, M.S., Pune. Provided, however, that in the case of housing societies which are undertaking construction work in mud/mortar, the maximum amount of loan in respect of any such building, or a house shall not exceed Rs. 20,000/- per member subject to stipulation No.10 and further subject to the norms of construction prescribed in this behalf from time to time.

3. The amount of loan sanctioned shall not exceed 80% of the aggregate value of the land and building to be mortgaged to the Finance Society. The maximum limit of loan to any individual member of borrowing society shall be limited to 45 months' income of the said member or Rs. 50,000/- whichever is less.

However, the above limit of maximum loan may be raised in special and deserving cases with the prior approval of the Commissioner for Co-operation and Registrar of Co-operative Societies, M.S., Pune.

3A. Loans to the extent of 100% of the cost of construction (excluding land cost) per house/tenement will be granted provided the members of the applicant society belong to the category of
weaker sections or landless labourers or small farmers and whose monthly income does not exceed Rs.350/- subject however, to the maximum limit of 45 months' income of the member.

3B. Loans to the extent of 90% of the cost of construction (including cost of land) per tenement/house may be granted to the co-operative housing societies formed of the employees of co-operative housing societies, or of government employees provided the employers of the members of such societies undertake to guarantee the repayment by deducting the amount of instalments of repayment of loan regularly from the monthly salary to be paid to employee-members and remit the amount so deducted to the Finance Society immediately towards repayment of the loan.

4. The maximum amount of loan that may be sanctioned to any society shall not exceed Rs.50 lakhs. The borrowing society shall collect from its members, in advance the amount equal to the difference between the cost of the concerned scheme and the amount of loan sanctioned and invest the same in its land and building.

5. No loan shall be advanced to any co-operative housing society for its members, if the cost of construction of a flat or a tenement (excluding land cost) exceeds Rs.1,00,000/-. However, the above limit may be relaxed in special and deserving cases subject to the prior approval of the Commissioner for Co-operation and Registrar, Co-operative Societies, M.S., Pune.
6. No loan shall be advanced to any co-operative housing society in Greater Bombay and Town of Thane for a flat or a tenement with carpet area (excluding balconies and varandah) exceeding 750 sq.ft. In the case of a co-operative housing society situated in Pune City, the carpet area of a flat of a tenement or a house shall not exceed 1,000 sq.ft. and in the rest of the area of the State, the carpet area of a flat or a tenement or a house shall not exceed 1,500 sq.ft.

6. Insurance Cover:

All the mortgaged properties are kept properly insured as to the risk of fire and other risks.
I. Management, Organisation and Administration Set-up:

1. Management Pattern of MSCHFC:

The Management vests in the Board of Directors consisting of:

1. Directors elected by Co-operative Housing Societies (one from each district). 30
2. Director representing backward classes (elected) 1
3. Director representing Economically Weaker Sections (elected) 1
4. Commissioner For Co-operation and Registrar or his nominee 1
5. Government official nominated by Government of Maharashtra 1
6. Director representing the Life Insurance Corporation of India 1
7. Director representing the employees 3
8. Managing Director as Ex. Officio Director 1

Total 39

It may be seen that there are two State-level officers appointed by Government of Maharashtra and one by the financing institution. The working is subject to statutory audit on continuous and concurrent basis by the audit staff of the Co-operative Department, under the Joint Registrar C.S.Audit (Housing Finance) Bombay.

2. Organisational Structure:

The source of democratic authority in a co-operative society is the general body of its members. It is, however, the responsibility of the managing committee to carry on the day-to-day business of the co-operative organisation. The MSCHFC and half decades of its functioning has built up a management of organisation and administrative set-up to cope up with its ex-
Paneling business.

a) General Body:

Subject to the provisions of the Act and Rules, the final authority of the Society is vested in the general body of the members in general meeting summoned in the manner specified in the bye-laws. However, the entire administration and management of the MSCHFC is vested in the Board of Directors.

b) Board of Directors:

The bye-laws of the MSCHFC authorise the Board of Director to exercise all such powers and enter into all such agreements, make all such arrangements, take all such proceedings, and do all such acts and things as may be necessary or proper for the due management of its affairs MSFHFC has been established and for securing and furthering its interests subject to the provisions of the Maharashtra Co-operative Societies Act, 1960.

c) Constitution of Sub-Committees:

The Board may constitute sub-committees or special committees to deal with specific problems or subjects and delegate its own powers to such sub-committees in respect of the subjects to be dealt with.

3. Management and Administrative Control:

Management and administrative control system of the
MSCHFC is divided into two parts viz. (1) policy-framing and decision-making (2) execution of the decisions and carrying out general administration for achieving the goals set out by the policy-framing body. The Board also makes decisions so far as they relate to the framing of policy and giving directions to the executive management to implement the policies.

Execution of all the policy decisions is a responsibility of the executive management which is headed by the managing director/manager. The managing director/manager being in charge of the executive management of the MSCHFC has to take necessary decisions, and steps for the execution of the policies laid down by the Board. He has also to assist the Board in framing realistic policies.

a) Internal Management:

The MSCHFC began to experience the need to have a well set-up organisation for running its internal management. It therefore, endeavoured to create an organisational structure through which managerial performance could be achieved. It therefore built up a mechanism through which functions and duties could be assigned to different people constituting the organisation for carrying out the overall managerial responsibilities.

The organisation for the internal management of the MSCHFC comprises of the managing director and/or manager as the head and rest of the staff under his/their control. The staff and the work is divided into departments each in charge of a separate
duty or chain of duties. Each department has been brought under a head, to whom such powers are delegated as would facilitate him to carry out the responsibilities of his charge. Bye-law No. 70(c) and 70(d) authorise the Board to appoint the managing director and/or manager and other staff and to determine their powers and duties.

The managing director/manager is assisted in the performance of his duties by the departmental heads who are assigned duties pertaining to their respective departments.

b) Division of Functions:

The administrative set-up of the MSCHFC as created comprises the following departments, set out on the basis of allocation of the function.

<table>
<thead>
<tr>
<th>Department</th>
<th>Functional Sub-division</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loan Operations</td>
<td>i) Loan</td>
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<tr>
<td></td>
<td>ii) Law</td>
</tr>
<tr>
<td></td>
<td>iii) Insurance</td>
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<tr>
<td>2. General Administration</td>
<td>i) Administration</td>
</tr>
<tr>
<td></td>
<td>ii) Personnel</td>
</tr>
<tr>
<td></td>
<td>iii) Branch Co-ordination and Statistics.</td>
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<tr>
<td></td>
<td>iv) Recovery</td>
</tr>
<tr>
<td></td>
<td>v) Board</td>
</tr>
<tr>
<td>2. Accounts</td>
<td>i) Cash Book and Receipts</td>
</tr>
<tr>
<td></td>
<td>ii) Ledgers and Payments</td>
</tr>
<tr>
<td></td>
<td>iii) Shares and Dividend</td>
</tr>
<tr>
<td></td>
<td>iv) Computerised Accounts</td>
</tr>
<tr>
<td>2. Audit/Inspection and Planning</td>
<td>i) Internal Audit</td>
</tr>
<tr>
<td></td>
<td>ii) Inspection</td>
</tr>
<tr>
<td></td>
<td>iii) Planning</td>
</tr>
</tbody>
</table>
Each of the above departments is under the control of an officer who is of rank of Deputy Manager, who is assisted in discharging of his functions and responsibilities, by other officers working under him. The entire administrative set up is under the immediate control of the manager who is responsible for working of all the departments and proper co-ordination of their functions. He also exercises such powers and/or duties as are delegated or entrusted to him by the board from time to time.

J. Resource Mobilisation - Sources of Funds:

The MSCHFC raise funds by borrowing from the Life Insurance Corporation of India like its counterparts in others States. The LIC which is the traditional source, has so far sanctioned 54 loans amounting to Rs.342.48 crores. However, even though, the LIC has increased its annual allotments lately, they are still insufficient to satisfy the demand from the MSCHFC. The LIC has advised to diversify sources of funds and not to depend exclusively on their assistance. Accordingly funds have been borrowed from Co-operative Banks with permission of the Commissioner for Co-operation and Registrar, Co-operative Societies, M.S. the Government of Maharashtra and the Reserve Bank of India. Total loans negotiated under this category are to the extent of Rs.167.79 crores. Since raising of long-term funds involved procedural formalities, its bankers. The result is that the borrowing primaries do not have to wait till long-term funds are
raised by the MSCHFC but can get disbursement against instalments sanctioned, uninterruptedly.

1. Loans from HUDCO:

The Housing and Urban Development Corporation has also sanctioned five loans for the co-operative housing projects to the extent of Rs.123.88 lacs for constructing 298 dwelling units. The beneficiaries belonging to EWS, LIG and MIG-I & MIG-II categories, can get advantage of comparatively lower rates of interest.

2. Refinance from National Housing Bank:

So far the MSCHFC was financing its member Co-operative Housing Societies from the loans obtained from the LIC and Co-operative Banks. Now the National Housing Bank has been established which refinances the loans advanced by MSCHFC to its member societies. The MSCHFC gets refinance regularly from the NHB.

Till 1983 the MSCHFC was advancing loans from funds obtained from the LIC. This was also the first institution to form consortium of Urban Banks and is the first in the country to finance housing from long-term funds received through this source. The Government of India has announced the National Housing Policy. The establishment of the National Housing Bank and rationalisation of legal provisions and procedures relating to housing if expedited, at the national level, will help faster growth of the housing sector.
K. Lending Operations : Loan Approvals and Disbursements

Loans are advanced to member co-operative housing societies on the security of the mortgage of land and construction thereon. The title of the property to be mortgaged to MSCHFC has to be investigated and certified by the Solicitors/Advocates appointed on the Panel. Disbursements are made on the basis of reports given by the panel Architects appointed by this Corporation for the purpose. The sanctioned loans are disbursed in four instalments normally. The Twenty one months' period from 1st July 91 to 31st March 1992 witnessed the highest disbursement at Rs.90.95 crores and the MSCHFC desires to perpetuate the rising trend.

L. Implementation of Social Housing Programmes

Association with Government of Maharashtra:

The predecessor to MSCHFC the Bombay Co-operative Housing Finance Society Ltd., was entrusted by the Government Bombay with the implementation of the scheme for financing low income group housing. The decision was taken by the Government in view of the Bombay Co-op. Housing Finance Society’s experience and expertise in administering long-term mortgage credit to housing co-operatives. The MSCHFC, its successor institution which follows the same core methodology has continued to enjoy the confidence of the State Government. It is collaborating with the Social Welfare Department of the State Government in the
### TABLE 7.1

The Maharashtra State Co-operative Housing Finance Corporation Ltd., Bombay
Membership, Loans Sanctioned, Disbursed and Commitments at the end of 31st March, 1992

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Members</th>
<th>L. I. C. Funds</th>
<th>Loans From Other Sources</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Sanctioned</td>
<td>Loans Disbursed</td>
<td>Commitments</td>
</tr>
<tr>
<td>Bombay</td>
<td>1642</td>
<td>939292</td>
<td>824110</td>
<td>115182</td>
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<td>Thane</td>
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<td>251495</td>
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<td>Dhule</td>
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<td>Ratnagiri</td>
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<td>24544</td>
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<td>Jalgaon</td>
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<td>Raigad</td>
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<td>Pune</td>
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<td>Solapur</td>
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<td>Sangli</td>
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<td>44137</td>
<td>33933</td>
<td>10204</td>
</tr>
<tr>
<td>Satora</td>
<td>211</td>
<td>76850</td>
<td>64546</td>
<td>12304</td>
</tr>
<tr>
<td>Ahmednagar</td>
<td>411</td>
<td>160385</td>
<td>121437</td>
<td>38948</td>
</tr>
<tr>
<td>Kolhapur</td>
<td>320</td>
<td>114371</td>
<td>88046</td>
<td>26325</td>
</tr>
<tr>
<td>Aurangabad</td>
<td>523</td>
<td>136148</td>
<td>104250</td>
<td>31898</td>
</tr>
<tr>
<td>Beed</td>
<td>189</td>
<td>80859</td>
<td>60349</td>
<td>20510</td>
</tr>
<tr>
<td>Nanded</td>
<td>376</td>
<td>156334</td>
<td>83610</td>
<td>72724*</td>
</tr>
<tr>
<td>Parbhani</td>
<td>238</td>
<td>92504</td>
<td>70702</td>
<td>21802</td>
</tr>
<tr>
<td>Osmanabad</td>
<td>201</td>
<td>67218</td>
<td>40713</td>
<td>26505</td>
</tr>
<tr>
<td>Nagpur</td>
<td>404</td>
<td>166125</td>
<td>158604</td>
<td>7521</td>
</tr>
<tr>
<td>Amravati</td>
<td>285</td>
<td>124355</td>
<td>88088</td>
<td>36267</td>
</tr>
<tr>
<td>Yeotmal</td>
<td>226</td>
<td>70205</td>
<td>54176</td>
<td>16029</td>
</tr>
<tr>
<td>Akola</td>
<td>283</td>
<td>89325</td>
<td>68936</td>
<td>20369</td>
</tr>
<tr>
<td>Chandrapur</td>
<td>80</td>
<td>33363</td>
<td>25019</td>
<td>8344</td>
</tr>
<tr>
<td>Wardha</td>
<td>128</td>
<td>40201</td>
<td>29730</td>
<td>10451</td>
</tr>
<tr>
<td>Buldhana</td>
<td>103</td>
<td>42587</td>
<td>29662</td>
<td>12925</td>
</tr>
<tr>
<td>Bhandara</td>
<td>101</td>
<td>47261</td>
<td>43985</td>
<td>3276</td>
</tr>
<tr>
<td>Latur</td>
<td>267</td>
<td>113500</td>
<td>91121</td>
<td>22379</td>
</tr>
<tr>
<td>Gadchiroli</td>
<td>11</td>
<td>5120</td>
<td>3699</td>
<td>1451</td>
</tr>
<tr>
<td>Jalna</td>
<td>179</td>
<td>76457</td>
<td>44103</td>
<td>32334</td>
</tr>
<tr>
<td>Sindhudurg</td>
<td>32</td>
<td>19400</td>
<td>18495</td>
<td>905</td>
</tr>
</tbody>
</table>

9773  4064255  3251301  812954  1689785  1381380  308405  5754040  4632681  1121359
implementation of Post War Reconstruction Scheme 219 meant to benefit Scheduled Castes and Tribes. Finance has been made available under the Special Scheme for people affected by floods, ex-servicemen, Freedom fighters, Bidi Kamgars and Journalists.

The MSCHFC from the very beginning has been associated with the Government of Maharashtra in implementation of its social housing programmes. The different programmes in which the Society rendered assistance to the government include Low Income Group housing, Rehabilitation of the Flood Affected Persons and PWR Scheme No.219.

1. Low Income Group Housing Scheme:

Immediately after registration of the Society, the government entrusted to it the implementation of its programme of Low Income Group Housing Scheme. Under this programme, funds were placed at the disposal of the Society to the extent of Rs.39,30,356/- for provision of loans to the housing co-operatives of Low Income Group People. These funds were received from the Bombay Co-operative Housing Finance Society Ltd., and were utilised by that Society for advancing loans to the societies formed by the Low Income Group People. After formation of the Maharashtra State Co-operative Housing Finance Corporation Ltd., the outstanding balance of the loans with borrowing societies situated in Maharashtra was transferred to the Society. The Society recovered the loans from the borrowing societies and repaid the government loan in full.
2. Housing Scheme for Victims of Panshet Dam Flood:

The government introduced a scheme for rehabilitation of victims of the flood which occurred due to sudden breaking out of the Panshet Dam. The said scheme was entrusted to the MSCHFC for implementation in the matter of grant of loans for building houses. Seventy-six housing societies of the flood-affected persons were formed in the first instance and they were to be assisted by the MSCHFC by giving loans. Loans were to be granted for construction of houses as also for development of lands.

The MSCHFC Ltd., granted loans under the scheme to the extent of Rs.1,81,00,000/- to 31 housing societies of flood-affected persons.

3. Scheme for Grant of Loans of Co-operative Housing Societies of Flood-Affected Persons from Areas other than Pune:

The heavy floods which occurred in September, 1969, in the districts of Nasik, Jalgaon, Dhulia, Ahmednagar, Aurangabad, Parbhani, Nanded and Bhir caused heavy damage to the houses of the people living along the banks of the rivers. In order to enable the flood-affected persons to build new houses in safer areas, the government introduced a scheme of construction of houses through co-operative housing societies. The scheme provided for grant of land and financial assistance for construction of houses in the areas affected by the floods, 173 co-operative housing societies having a membership of about 10,000 of flood-
affected persons were formed. Since most of the flood-affected persons did not possess financial resources, the government provided in the scheme for grant of loans to the co-operative housing societies by MSCHFC on 30th June, 1979. The salient features of the scheme are as given below:

1. The MSCHFC will grant loans to the registered co-operative housing societies of flood-affected persons from the 8 districts of Nasik, Jalgaon, Dhulia, Ahmednagar, Aurangabad, Parbhani, Nanded and Bhir.

5. The loans to be granted to the society shall be subject to the following limits:

a) The loan per individual member shall be equal to the cost of construction of the house and the land or 45 times the monthly income of the member or Rs.10,000/-, whichever is the least.

b) The total loan to the society will be the sum total of the loan admissible under (a) to all the members of the society for whom dwelling houses can be provided in the land of the society.

6. The society will be eligible to get subsidy from the government equal to 5% of the loan sanctioned to it by the MSCHFC. This subsidy will be paid on behalf of the society to the MSCHFC as contribution towards shares of the latter of the value of 5% of the loan sanctioned to the society.

7. The loans given by the MSCHFC will carry interest at 9% per annum. Out of this, interest in respect of the loan of Rs.4,000/-
per member, the government shall bear interest of 3.5%. In respect of interest on the amount of loan in excess of Rs.4,000/- per member, the government will bear interest of 2%. The society will thus in effect be required to pay interest at the rate of 3.5% on the amount of loan in excess of Rs.4,000/- per member, the society will have to pay interest at the rate of 7%. If the society pays the instalments of loans of interest regularly, it will be eligible for a rebate of 1/2% (half percent) in interest payable by it.

8. The loan will be repayable within a period not exceeding 20 years as may be fixed by the MSCHFC.

9. Government will agree to bear 50% of the losses, if any, incurred by the on MSCHFC of non payment of loan and/or interest by the co-operative housing societies.

4. Scheme of Assistance to Backward Class Co-operative Housing Societies:

The MSCHFC a trusted agency of the State in the implementation of its social housing programme also came forward in assisting the government in the implementation of its PWR Scheme-219 meant for providing housing accommodation to the backward classes belonging to scheduled class and scheduled tribe. The government revised its old scheme which was known as PWR-219 to adopt to the changing situation and the responsibility of granting loans under the scheme was entrusted to the MSCHFC.
The following are the salient features of the scheme:

1. "The application for loan should be routed through the Social Welfare Department and the Housing & Area Development Board to the MCSHFC. In Bombay, Poona and Marathwada Divisions, the MCSHFC construction of houses for backward class societies is to be carried out by the respective housing and Area Development Boards. These Boards scrutinise the loan applications sponsored by the Social Welfare Department and then forward them to the MCSHFC for sanction. Societies can however, undertake construction on their own.

Only such individuals whose income per month does not exceed Rs.400/500/800 in rural, municipal or corporation areas, respectively, will be eligible to get the benefit of finance. Their names to be recommended and accepted by the Social Welfare Department and the respective Housing and Area Development Boards, and such members to be granted loans by the MCSHFC up to 45 times the monthly income, or 80% of the cost of the tenement whichever is less. The balance of the cost of tenement is to be made good mainly from the government subsidies and the member's contribution.

The loan is to be disbursed in four instalments of 20%, 30%, 40% and 10% of the total sanctioned amount.

Under the scheme, the land is generally made available free of cost by the government or the Housing & Area Development
Boards. Where Housing & Area Development Boards sell the buildings to the borrowing societies on outright basis, the loan amount is directly advanced to the Housing & Area Development Boards on behalf of the borrowing societies. The Housing & Area Development Boards handover the possession of the buildings to the societies when all their dues are received.

The loan advanced by the MSCHFC is guaranteed by the Government of Maharashtra.

The government has placed a ceiling on the cost of a tenement of Rs.4,000/- in rural areas, Rs.5,000/- in municipal areas and Rs.8,000/- in corporation areas. If a backward class member can afford to have a tenement of higher price, he can obtain a maximum loan of Rs.18,000/-, Rs.22,500/-, Rs.36,000/-, in rural municipal and corporation areas, respectively. However, he has to pay interest on the excess of the borrowings over the above ceiling. Similarly, he has to pay interest on the additional loan granted by the MSCHFC, for purchase of shares. The MSCHFC till 30-6-1992 sanctioned Rs.26.80 crores to 434 housing societies (out of which loans of Rs.15.98 crores were disbursed) formed by Backward Class People.

M. The Beneficiaries of Finance:

Loan eligibility is fixed by rules. This has recently been revised at 36 times the monthly income subject to a maximum of Rs.75,000/- per dwelling unit (Rs.1,00,000/- in Corporation areas) or 80 percent of its total cost whichever is less (if
L.I.C. funds are utilised for lending. This again operates with two ceilings:

1. Loan is not sanctioned for a house which costs more than Rs.1,50,000/- (Rs.2,00,000/- in Corporation areas) excluding cost of land.

2. The beneficiary broadly cannot have monthly income exceeding Rs.6,250/-. The conditions for grant of loan which are approved by the Commissioner for Co-operation & R.C.S. act as a built-in to ensure that neither luxury flats nor rich persons can avail of finance.

Separate norms exist if funds utilised are from Co-operative Banks, U.T.I. or the National Housing Bank.

The beneficiaries belong to EWS and preponderantly LIG and MIG income groups. The income categorywise classification of the beneficiaries of loan sanctioned till 31-3-1992 broadly indicates the following pattern:
### TABLE 7.2

**EWS - Benefeciaries**

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Loans Sanctioned under the category (Rs.in lacks)</th>
<th>Percentage to total loans</th>
<th>No. of houses sanctioned as on 31.3.92</th>
<th>Percentage to total houses sanctioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically Weaker Section (Monthly income)</td>
<td>Upto Rs.1050/-</td>
<td>5367</td>
<td>9.33</td>
<td>25502</td>
</tr>
<tr>
<td>Low Income Group (Monthly income)</td>
<td>Rs.1051/- to Rs.2200/-</td>
<td>23729</td>
<td>41.24</td>
<td>95529</td>
</tr>
<tr>
<td>Middle income Group (Monthly income)</td>
<td>Rs.2201/- to Rs.3700/-</td>
<td>25059</td>
<td>43.55</td>
<td>59872</td>
</tr>
<tr>
<td>Higher income Group (Monthly income)</td>
<td>above Rs.3700/-</td>
<td>3385</td>
<td>5.88</td>
<td>12369</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>57540</td>
<td>100.00</td>
<td>193272</td>
</tr>
</tbody>
</table>

The statistics shows that about 95 percent of the beneficiaries belong to EWS, LIG and MIG categories of income groups.

1. **A Dependable Infrastructure:**

   The coming into being of an enlarged Board of Directors on 22nd April, 1982, consisting of districtwise representatives witnessed an unprecedented rise in loan demand from member hous-
ing societies which has since ranged annually between Rs. 30 crores and Rs. 60 crores.

The KSCHFC, keeping in view the specific needs of the co-operative shelter sector, has created a dependable infrastructure by establishing a branch office in all the thirty districts. This has enabled the KSCHFC to reach the services of housing finance to the doorsteps of the membership community. These district establishments have helped accelerate recoveries of loans advanced and will eventually also mobilise savings and the resources for housing at the grass root level.

2. Quest for Funds:

The funds raised from different sources are made available to of repayment of loan in relation to monthly incomes is sometimes high, especially for the beneficiaries belonging to economically weaker sections. The MSCHFC's main endeavour is to raise loans at lower rate of interest with longer repayment period.
### TABLE 7.3

Progress in The Operation of The Maharashtra State Co-operative Housing Finance Corporation Ltd. Bombay

(Rs.in Crores)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>As at the close of</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>30.6.82</td>
<td>30.6.92</td>
</tr>
<tr>
<td>1.</td>
<td>Membership (Number) Primary Co-op. Housing Societies</td>
<td>5507</td>
<td>9921</td>
</tr>
<tr>
<td>2.</td>
<td>Share Capital (Rs.in Crs.)</td>
<td>9.99</td>
<td>26.59</td>
</tr>
<tr>
<td>3.</td>
<td>Reserve and other fund</td>
<td>9.07</td>
<td>18.76</td>
</tr>
<tr>
<td>4.</td>
<td>Loans to Member Societies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>Loans sanctioned (Cumulative)</td>
<td>194.00</td>
<td>595.37</td>
</tr>
<tr>
<td>b)</td>
<td>Loans disbursed (Cumulative)</td>
<td>142.78</td>
<td>472.48</td>
</tr>
<tr>
<td>c)</td>
<td>Loans outstanding receivable from borrowing societies</td>
<td>101.34</td>
<td>318.02</td>
</tr>
<tr>
<td>5.</td>
<td>Loans Raised</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>From Financing Institutions</td>
<td>150.16</td>
<td>483.85</td>
</tr>
<tr>
<td>b)</td>
<td>Outstanding payable to Financing Institutions</td>
<td>96.87</td>
<td>302.40</td>
</tr>
<tr>
<td>6.</td>
<td>No.of tenements for which loan is sanctioned (Cumulative)</td>
<td>122964</td>
<td>196102</td>
</tr>
<tr>
<td>7.</td>
<td>Net Profit</td>
<td>1.25</td>
<td>3.36</td>
</tr>
</tbody>
</table>

* For 21 months ending March 1992.
N. Achievements of MSCHFC:

The MSCHFC has many achievements to its credit over the period of 35 years of its working. It has built up its owned resources comprising share capital and reserves. There has been a steady growth in its owned funds. It has refunded government contribution to its share capital without impairing its capacity to borrow. Inspite of many constraints on its borrowings, its lending operations have shown gradual expansion and progressively more equitable distribution of funds to all the areas of the State. The MSCHFC has also succeeded, in the recent past, in tapping an additional source of funds from urban co-operative banks on consortium basis. With the growth of its owned funds, it has been bringing in its lending operations, its owned resource progressively, on an increasing scale.

1. Membership:

During the period 1990-92, the membership of the Corporation increased by 1028 and was 9773 at the close of the year. Districtwise position at the end of the year is indicated in Table No. 7.4.

2. Resource Mobilisation:

A) The Share Capital, Reserve and other Funds recorded a net increase of Rs.5.01 crore during the year 1992 which together amounted to Rs.45.50 crore all the close of the year.

B) During the period 1990-92, the Corporation has raised loans of Rs.55 crore from Life Insurance Corporation of India. It
Growth Of Membership जिल्हानेहाय संबांध संख्या 31-3-92

Total Members 7501

Source: Annual Report
could accelerate the disbursement of funds to the member housing societies mainly because of the financial support received from the Life Insurance Corporation of India every year. It should be specially mentioned that instalments of loan repayment with principal and interest on loans falling due during the period 1990-92 were paid by MSCHFC on the prescribed dates.

C) During the period 1990-92, the MSCHFC has continued to raise funds from nontraditional sources and raised Rs.57.50 crore accordingly; and repayments have been made on due dates. This amount includes the loan of Rs.15 Crore from the Maharashtra State Co-operative Bank Ltd., loan of Rs.15 crore from Unit Trust of India, Rs.4.86 Lacs by way of deposits and Rs.27.06 crore received as refinance from the National Housing Bank. It is a matter of pride and it is gratifying to note that the Maharashtra State Co-operative Housing Finance Corporation Ltd., is the first Apex Co-operative Housing Finance Institution in India which could get the benefit of loans through Refinance Scheme of the National Housing Bank.

MSCHFC maintained sustained progress in providing finance to the member societies, because of the financial support received from the Unit Trust of India, Life Insurance Corporation of India. The Maharashtra State Co-operative Bank Ltd., Urban Co-operative Banks and the National Housing Bank.
<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>216</td>
<td>2128</td>
<td>5144</td>
<td>8353</td>
<td>8745</td>
<td>9773</td>
</tr>
<tr>
<td>2. Share Capital</td>
<td>-1610</td>
<td>34268</td>
<td>94927</td>
<td>195462</td>
<td>220010</td>
<td>257246</td>
</tr>
<tr>
<td>3. Reserve Fund</td>
<td>2</td>
<td>2508</td>
<td>36204</td>
<td>75297</td>
<td>77471</td>
<td>82109</td>
</tr>
<tr>
<td>4. Other Funds</td>
<td>-</td>
<td>6304</td>
<td>40727</td>
<td>107292</td>
<td>106458</td>
<td>105537</td>
</tr>
<tr>
<td>5. L. I. C. Loans</td>
<td>*(i) Progressive Total</td>
<td>17118</td>
<td>401618</td>
<td>1401618</td>
<td>2451618</td>
<td>2714878</td>
</tr>
<tr>
<td></td>
<td>(ii) Outstanding</td>
<td>17118</td>
<td>349419</td>
<td>932498</td>
<td>1308251</td>
<td>1461700</td>
</tr>
<tr>
<td>6. Loans From Other Financial Institutions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>717034</td>
<td>938784</td>
<td>1421147</td>
</tr>
<tr>
<td>7. Loans to Members</td>
<td>*(i) Advanced during the year</td>
<td>3486</td>
<td>83117</td>
<td>125170</td>
<td>408550</td>
<td>468950</td>
</tr>
<tr>
<td></td>
<td>*(ii) Progressive Total of Loans Advanced</td>
<td>24492</td>
<td>443164</td>
<td>1448829</td>
<td>3254189</td>
<td>3723139</td>
</tr>
<tr>
<td></td>
<td>*(iii) Loans Outstanding</td>
<td>3473</td>
<td>390234</td>
<td>1013412</td>
<td>2226749</td>
<td>2560229</td>
</tr>
<tr>
<td>8. Net Profit</td>
<td>22</td>
<td>1074</td>
<td>12463</td>
<td>10828</td>
<td>17707</td>
<td>33639</td>
</tr>
<tr>
<td>9. Tenements Statistics</td>
<td>*(i) Progressive No. of tenements for which loans sanctioned</td>
<td>-</td>
<td>-</td>
<td>122964</td>
<td>167414</td>
<td>176656</td>
</tr>
<tr>
<td></td>
<td>*(ii) Progressive No. of tenements completed</td>
<td>-</td>
<td>-</td>
<td>55802</td>
<td>74642</td>
<td>78809</td>
</tr>
<tr>
<td></td>
<td>*(iii) Tenements under construction</td>
<td>-</td>
<td>-</td>
<td>67162</td>
<td>92772</td>
<td>97847</td>
</tr>
</tbody>
</table>

* These include Assets and Liabilities ultimately transferred from Bombay Co-operative Housing Finance Society Limited, Bombay.

** The figure of completed tenements where Societies have not lifted the last instalment is not included.

TABLE 7.5

LOAN OPERATIONS ABOUT THE LOAN DEMANDED, LOANS SANCTIONED AND DISBURSED DURING THE YEAR 1988-89 TO 1990-92

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Demand</th>
<th>Loan Sanctioned</th>
<th>Loan Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.of Societies/ Tenable</td>
<td>No.of Applications</td>
<td>No.of Societies/ Tenable</td>
</tr>
<tr>
<td>1988-89</td>
<td>1391</td>
<td>8395</td>
<td>5088</td>
</tr>
<tr>
<td>1989-90</td>
<td>1399</td>
<td>6982</td>
<td>4637</td>
</tr>
<tr>
<td>1990-92</td>
<td>5445</td>
<td>15295</td>
<td>11098</td>
</tr>
</tbody>
</table>

During the Period 1990-92, 5445 proposals for loan were received with a demand aggregating to Rs.110.98 crore. The loan proposals involving an amount of Rs.115.03 crore were sanctioned for 16616 tenements. Disbursement of loans during the period was to the extent of Rs.90.75 crore as compared to Rs.46.89 crore in the year 1989-90. This is the highest disbursement of loan made by MSCHFC in 1992.

3. Loans to Co-operative Societies of Backward Class People:

MSCHFC has sanctioned loans to the extent of Rs.25.99 crore to B.C. Societies. The amount of Rs.16.11 crore was actually disbursed to the societies formed by Backward Classes. The Backward Class housing societies are disbursed loans by MSCHFC with a meagre margin of 1/4%.
MAHARASTRA STATE COOPERATIVE HOUSING FINANCE CORPORATION LTD. BOMBAY

1983-84 TO 1993-94

(CUMULATIVE)

LOANS SANCTIONED  LOANS DISBURSED

(CUMULATIVE)
4. **Progress in Construction:**

Loans have been sanctioned for construction of 193272 tenements till 31-3-1992. Out of these, construction of 87618 tenements had been completed and 105654 were in different stages of construction.

The Board recommends 4.50% dividend for 21 months to member societies on their share capital. The Board recommends the following appropriation of profit:

<p>| A) Profit as per profit and loss accounts for the period 1990-92 | Rs. 3,36,39,730.40 |</p>
<table>
<thead>
<tr>
<th>B) Balance Brought Forward from the previous years</th>
<th>Rs. 165.59</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Rs. 3,36,39,895.99</td>
</tr>
</tbody>
</table>

1. Reserve Fund @ 25%  
   Rs. 84,10,000.00
2. Dividend as per provisions of present restrictions on dividend @ 4.50% p.a. for the period from 1-7-90 to 31-3-92  
   Rs. 1,86,00,000.00
3. Building Fund  
   Rs. 21,00,000.00
4. Bad and doubtful debts  
   Rs. 1,00,000.00
5. Charity Fund  
   Rs. 1,00,000.00
6. Ex-gratia payment to staff which together with Bonus paid @ 8.33% will make a total of 16.67%  
   Rs. 43,29,000.00
7. Balance carried forward  
   Rs. 895.99

Total  
Rs. 3,36,39,895.99
Drawbacks and Failures:

The scheme suffers from some defects & failures which are listed below:

1. Misuse of Co-operative Character:

   Certain concessions and incentives that had been provided by the government to encourage co-operative housing, like tax concessions, exemption from stamp duty and registration fees and availability of loans at low rate of interest, encouraged some builders to promote co-operative housing societies and control their working for their personal gains.

   There was therefore growing tendency to purchase house sites and form co-operative housing societies for profit in cities like Bombay. Because of several concessions and certain distinct advantages conferred on them, compared to other agencies, the co-operative enterprise had attracted such people, who could easily invest a large capital with a view to securing a safe and sound investment. This gave rise to speculative investment in the purchase of land at high cost and sale of flats at fabulous prices.

   Such organisations were being controlled by the profit-motivated builders. Because of many intricate problems involved in planning and implementation of housing schemes, the ordinary members of a society found it difficult to manage its affairs at the initial stage of execution of the building project and had to depend upon the so-called promoter-cum-builder for its
management.

2. Sub Letting of the Flat & Houses:

Another problem that was also faced by these housing co-operatives was the tendency among the members themselves to make disproportionate personal gains. Many instance of sub-letting of the flats or houses in a housing co-operative were witnessed. Many a time, it was the result of acquisitive tendencies of the members.

3. Malpractices as reported by the Mirdha Committee:

The Mirdha Committee appointed by the Government of India had enumerated some of the malpractices which were brought to its notice. They are as follows:

i) A few enterpreneurs organised housing co-operatives for their own advantage and sold housing units at exhorbitant rates to ordinary members.

ii) Some members purchased housing units in order to resell them to others at a large profit.

iii) Sub-letting of premises was resorted to for the purpose of making profit.

iv) Different forms of illegalities or frauds were committed in the transactions of sale or subletting such as selling the same plot to two persons simultaneously.

v) Allotment of housing units were made to members without source of income or need for accomodation so that poorer people
were placed at a disadvantage.

4. Inadequacy of the Sources of Finance:

The MSCHFC was depending upon the LIC as the only source of finance up to the year 1983-84. Nevertheless, it is to be admitted that but for the assistance given by the LIC, the MSCHFC would not have achieved the progress it has made so far. However, due to various competing demands on the funds of the LIC, it had to caution the MSCHFC not to depend upon the resources of the LIC alone but to find out additional sources of raising funds to meet the demands of its borrowing societies to the fullest extent. However, there being no organised market in the country for tapping long-term resources for raising additional funds MSCHFC had often disappoint the primary co-operative societies by refusing to entertain their applications for granting loans. It was only during the year 1984-85, that the Society could tap a new source for additional resources to supplement its borrowings from the LIC. This became possible due to the co-operations extended by the urban co-operative banking sector by providing funds to the Society on consortium basis.

5. Uncertainty in Lending:

According to the procedure of disbursement of the sanctioned loans, the MSCHFC disburses the amount of sanctioned loans in 4 instalments. After the utilisation of the first instalment, the other instalments are released. However, as the MSCHFC itself is depending upon the loans sanctioned and
disbursed by the LIC, it often finds it difficult to meet the demands of its borrowing societies for disbursement of subsequent instalments, which have already utilised in construction the amount already disbursed to them. The borrowing societies are, therefore, compelled to wait for the disbursement of subsequent loan instalments. This position adversely affects the progress of construction of the borrowing societies by unduly delaying the completion of their projects, often resulting in escalation in the cost.

6. Escalation in Cost:

The borrowing societies which prepare the estimates of cost of their projects, on the basis of the prices prevailing on the date of the initiation of their projects, often experience, that due to delay in disbursement of funds, the entire project goes much beyond the original estimates. Many a times, the costs escalate to such an extent that the societies are not in a position to complete their projects unless additional funds are provided to them. Between 1960-70, the Society used to go to the assistance of the borrowing societies by allowing them to revise their estimates of cost and thereby applying for additional loans. However, due to constraints of resources, the Society was not in a position to assist those borrowing primaries, whose project costs had increased over the estimates.
7. **Recovery before Completion of Construction:**

According to the terms and conditions regarding grant of loans, the loan is to be repaid with interest thereon by quarterly equated instalments. Each of the four instalments of the sanctioned loan is treated for the purpose of recovery and repayment as a separate loan and repayment in respect of each instalment starts from first to the fourth, though the housing project financed is not completed, recovery of the loan starts. The borrowing societies have been constantly demanding that they should be given a repayment-holiday during the period of construction or the repayment should start after disbursement of the entire loan. The MSCHFC was convinced about the reasonableness of the demand of the borrowing primaries and it approached the LIC for grant of a repayment-holiday in this regard. However, it was not possible for the LIC to consider the request of the MSCHFC for the repayment holiday as required by the MSCHFC to accommodate the demand of the borrowing societies.

P. **Towards New Realities:**

Since the MSCHFC has been established as an apex organisation to provide continuous and steady supply of funds to the borrowing primaries for the execution of their housing projects, it is necessary that the MSCHFC should have at least sources of borrowing which are both dependable and adequate for providing funds to the housing co-operatives. The pattern of organisation
had been accepted by all ten States and to-day, almost all the States in the country are having apex housing finance societies and primary housing societies. The co-operative housing movement will not be in a position to play its accepted role, if the conditions are not created for these apex organisation to function effectively.

Today, all these apex institutions have been depending upon the LIC as the only source of finance. The Working Group appointed by RBI had also recommended that a consortium approach should be adopted involving commercial banks for financing housing. The Reserve Bank of India has already accepted the recommendations of the Working Group and urban co-operative banks have been permitted to provide funds to the Maharashtra Co-operative Housing Finance Society Ltd. on consortium basis to supplement its resources. As all the urban banks may not have sufficient liquidity, it may not be possible for them to cater to the requirements of the MSCHFC to the extent of its requirements of additional funds. It is, therefore, necessary that the overall banking sector, including nationalised banks and the other commercial banks, should assume the responsibility of providing funds to the apex co-operative housing finance societies to meet their requirements of additional finance societies to meet their requirements of additional funds. Also, a consortium approach on the basis of participation of different banks would not create any difficulties for individual banks in providing finance on
long-term basis to the apex housing finance societies.

In addition to tapping the funds of the banking sector, on consortium basis, the apex co-operative housing finance societies should resort to market borrowings, if conditions are carried for the development of a secondary mortgage market by introducing mortgage insurance scheme as recommended by the Working Group. In this connection, the following recommendations of the Working Group are worth implementing:

a) Mortgage insurance scheme is quite feasible, as the risk involved in mortgage loan can be pre-determined. The advantages of the mortgage insurance facility would be provision of protection to the mortgagee and expansion in the scope of existing primary mortgage market, thus leading to the creation of a secondary mortgage market in the country.

b) The secondary mortgage market is expected to encourage the financial institutions to invest more in insured mortgages, since they would be in a position to discount the mortgage paper in the market in case they need funds urgently.

c) A uniform, simple and familiar mortgage paper should be developed to impart liquidity and attractiveness to the mortgage paper.

The apex housing finance societies can play a very effective and vital role in implementing the housing policy and programmes of the government as their trusted agencies, if only
they are assured of a dependable source of funds they require. The recommendations of the Working Group on utilising the funds of the banking sector on consortium basis will also help to strengthen the financial resources of the apex housing finance societies, the Maharashtra State Co-operative Housing Finance Corporation Ltd. can march forward on the housing front with renewed confidence, notwithstanding its past handicaps.