

CHAPTER – III

REVIEW OF LITERATURE

3.1. INTRODUCTION

A house is not just a roof over four walls. As Pandit Nehru has put it, it is an extension of human personality. Apart from one of the basic human necessity, it is a place where human interactions take place, where children grow and acquire the concepts of morality and decent citizenship. The social quality of life is reflected to a large extent in the state of its housing.

As housing is an important subject a number of studies have been conducted and a number of articles have also been published on this topic covering various aspects of housing. A brief idea of some of the studies conducted and articles published in this area are given in this chapter.

3.2. REVIEW OF RESEARCH STUDIES

In its report on “Methods and techniques of financing housing in Eurpoe” (1952) published by UNO it is pointed out that housing finance is a factor of production quite distinct from labour, materials and risk taking. Finance is required not only for building or buying new houses but also to pay taxes, interest and amortization charges on capital and to maintain the existing houses. House is not an easily salable property. It is less negotiable. It takes long time to realize the proceeds of a house. Hence investment in housing also involves risk.

According to **Charles Abrams, (1964)** there is always a gap between need for housing finance and means available for it. Universally the need for housing finance, is higher than the provision, of housing finance irrespective of

the status of a country i.e., whether it is rich or poor this problem exists. This led the World Bank to declare, “Housing Finance is a bottom less pit”.

Larry Jack Kimbell (1969) in a study entitled “An econometric model of residential construction and finance” raised the questions of the manner in which monetary policy influences specific producing sectors of the economy, in particular those of residential construction and finance” raised the questions of the manner in which monetary policy influences specific producing sectors of the economy, in particular those of residential construction and finance. Builders and mortgage lenders viewed the decline as having been caused by “tight money” and interpreted the collapse as an unfair burden on those industries that face product demands that are relatively interest elastic. This study examines the impact of monetary policy by constructing an econometric model of three markets, those for savings funds, mortgage funds and houses.

R.S.Solanki and K.K Dixit (1972) in a case study entitled “Housing problems in rural India” aimed to find out the actual housing problems in rural India with respect to various cultural and environmental forces that have created them. Amroha Block seems to be one of the developed blocks of western Uttar Pradesh which was taken for the study. In that region the housing conditions are not satisfactory, as the houses have been built according to the needs and facilities, without having any definite plan and arrangement. They are ill ventilated, ill drained, in accessible, unhygienic and disorderly arranged. Most of them lack in facilities and services. i.e., drinking water, electrification, drains and sanitary latrines. The case study has given suggestions as Government should introduce some more housing schemes, as present schemes are quite insufficient. Further housing schemes should be planned for all the villagers who are economically weaker and not for the scheduled castes and scheduled tribes. Government should increase the amount of present home cost

per unit, for house building and new houses should be constructed on a proper site suitable for better site development facilities. Cattle shed should be constructed at a proper distance from the residential houses and should be quite neat and clean.

In an article entitled "A Policy for Housing Finance, published by **B.Pithavadian (1972)** Director, school of architecture and planning, University of Madras identified that housing is not a luxury it is an absolute necessity of life and the productivity and attitude of a nation and its people would be positive and enthusiastic or negative and discontented depending on how well its population has been housed. Housing, therefore leads to a high productivity. If companies have a scheme for housing, it would not be difficult for them to persuade their employees to divert a major part of their bonus towards the hire purchase of units of housing companies, in turn, will do well both for themselves and for their employees to subsidize it to the extent of acquiring land providing all the infrastructure required for a housing colony at their cost. It would, in the long run, be beneficial to the employees and the employer as well. It would reduce the pressure of the houses they are obliged to build for their essential staff. It would create in the employees a sense of loyalty and a sense of belonging, to own a house close to the factory. It would also reduce transportation costs. Similarly as in Singapore, provident fund savings could be diverted towards paying the initial installment towards the hire purchase of a house. Housing should be considered not in isolation but as part of a total activity. All industries may be required to follow a housing policy. If funds raised for housing are used not only for the construction of houses but also for the establishment of the necessary industries required for housing. A comprehensive scheme has been developed in Brazil, where a bank has been set up especially for housing which not only lends money to those who wish to construct but also to those who are interested in producing materials for

construction. There is no fixed rate of interest. The interest a person pays for money borrowed for housing is dependent on his capacity and there are even instances of persons being lent money at zero interest in order to help him to own a house, as stated earlier the subsidy is made up by the projects made from the industry.

Andrew Stern (1972) in a study entitle, “Fluctuations in residential construction. Some evidence from the spectral estimates found that housing stocks form a major and volatile component of fixed investment, and the manner in which they are financed plays a correspondingly important role in the monetary sector. The objective of the study was to find out the interaction of residential construction with changes in the rate of growth of population, waves of immigration, the expansion of rail roads, wars and their aftermaths, and severe depressions in the general economy.

He concluded that there is no significant coherence between construction and either short or long-term interest rates and there is a significant relationship between the construction and population, immigration, the yield on long-term bonds, the whole sale price index and the supply of bank loans. Population and immigration rates were seen earlier to interact with construction on the side demand. Similarly, interest rates, costs of construction and the supply of bank credit are plausible determinants of housing supply, although they may also act upon the demand side.

In a paper presented by **Robert Moore Fisher and Charles J.Siegman (1972)** under the title “Patterns of Housing experience during periods of credit restraint in industrialized countries” it was pointed out that in most cases, private residential construction has been affected more severely by credit restraint than other major branches of the economy. The declines have occurred

despite wide differences among the countries in prevailing institutional arrangements affecting the housing sector.

The following were identified as factors influencing patterns of housing during periods of credit restraint.

- i. Credit restraint may imping on private housing through shortages and high costs of construction credit, permanent mortgage credit, or both
- ii. The pace of private residential construction during periods of credit restraint has moved inversely with the course of industrial investment in the United States as well as in a number of foreign industrialized economies.
- iii. The varied character of institutional arrangements used to mobilise savings and advance them against housing collateral is often said to account for differences in housing patterns form one country to another during periods of credit restraint.
- iv. The strength of housing demand prevailing at the time that credit restraint is introduced.

In an article entitled, “Housing and quality of life” **Sezanami Hidehik (1975)** points out that the need and significance of increasing housing investment are two told. First the consideration of human decency and dignity as well as welfare require sufficient investment to meet the quantitative demand for housing in all countries and secondly as economic development gains momentum and rapidity the societies became increasingly more and more consumer oriented. This changed in economic structure of a growing economy would raise the peoples propensity for better quality housing.

Harold Black and Hewis Mandell (1977) in a study entitled “Monitoring Discrimination in Housing – Related lending” aimed to study whether there is any discrimination existed in the granting of housing related loan. The study of 3,806 home mortgage and 958 home improvement applications revealed little discrimination in either or the terms of such loans on the basis of race, sex, age, or marital status.

In an article published in **RBI bulletin (1979)** entitled ‘Financing house construction in India’ it was stated that commercial banks participation in financing housing in India has been very limited. Commercial banks should be assigned an important role in financing housing. Finance provided by banks for housing includes loan to individuals and institutions like central and state government undertakings, housing boards and local development authorities, co-operative housing societies etc., which are engaged in house building activity as primary and subsidiary function. There are also a few deposit linked housing finance schemes. The home loan provided by banks is limited to the deposit size, the period of maturity etc. The loans are granted subject to rules in connection with mortgage loans. Today a number of public sector banks have one or other type of deposit scheme linked with housing finance. This is a way of attracting deposits from the general public and also contributing towards solving a social issue like housing. Thus these types of deposit schemes are beneficial for banks as well as individuals.

In his article “Rural Housing in India – An over view” **Udaya Bhaskara Reddy (1982)** observed that as the improvement in overall quality of life is linked with that of the development of housing, it should be given top priority. The achievement of social, educational and economic function depends upon the fulfillment of the need of housing The issues of rural housing are discussed in two part in this article. The first part deals with the problem of housing in

terms of both quality and quantitative aspect. The second part brings out the various efforts made by the government to improve the housing conditions of rural people. In rural areas nearly a half of the total household live in one room and slightly more than one fourth live in two room tenements. In addition many people in villages do not have any place to live in two room tenements. In addition many people in villages do not have any place to live and they are categorized as home less population.

In his article “problems and prospects for shelter in urban India” some policy issues **Rakesh Mohan (1982)** identifies three important types of legal obstacles or impediments that are hindering housing investment in India, they are

- a) Rent control legislations
- b) Highly restrictive building by laws and density norms that are usually local or municipal regulations and
- c) Existence of highly restrictive land bases.

The proportion of renters increases as income increase for households in urban areas. This suggests that the rent control benefits the better off.

In a study entitled, “An Evaluation of sources and finance for House construction” **Gopathi (1982)** has given brief ideas about the various schemes of Canfin Homes Ltd., Co-operative Housing and Life Insurance Corporation and their cost. He has highlighted only the procedural formalities and the cost of borrowings of the three schemes selected by the researcher. But the study does not focus any attention from the point of view of borrowers. How ever the present research study aims at ascertaining the awareness and satisfaction of borrowers.

In a study entitled “The urban shelter crisis in India” **Udaya Bhaskara Reddy (1982)** examined the shelter crisis in urban areas in terms of growing shortages, deteriorating quality of housing stock, over – crowding and congestion. Affordability and proliferation of slums and squatter settlements. The two inter linked process of urbanization and industrialization had their greater impact in the form of over crowding. Proliferation of slums, unauthorized colonies growing number of old and dilapidated buildings, inadequate access to basic services etc. Like mass poverty, scarcity of housing has proved an intractable problem and remained an abiding feature of Indian reality plan after plan. He has highlighted that shelter crisis in urban centers of India is severe due to pressure of tremendous increase in population in cities, shortage of developed land, inadequate access to finance, slow pace of construction, various legal and administrative problems, rise in cost of construction materials, and above all the low affordability of people for housing.

In an Article entitled “A Roof over the Head”, **Biswanth Ghose (1985)** has requested that the most crucial need for housing development at the present time is the establishment of a proper and diversified institutional structure for housing finance and construction. The strengthening of the existing institutions like HUDCO and the creation of new institutions like housing co-operatives and building societies would be necessary. The expansion of Housing Development Finance Corporation (HDFC) type of activities could also be considered. He further suggested that while HUDCO could concentrate on the provision of subsidized pattern to the poor sections of the society, the HDFC could continue to cater to the clientele coming largely from fairly well to do sections of the societies. These societies would raise deposits from the public mainly from the would-be house owners and thus stimulate private savings. In addition they should have access to funds from the capital market through

intermediary financial institutions. For this purpose it would be desirable to set up specialized housing finance institutions. Steps should also be taken to develop a secondary mortgage market in housing. Commercial banks should be permitted to participate on a larger scale than hitherto in housing finance activities.

The managing Director of Canfin Homes Ltd., **M.D. Souza (1987)** in an article entitled, "Bank sponsored Housing Finance Companies-Innovation par excellence" pointed out the gap between demand and supply of house and suggested possible ways to minimize this gap. According to him the current housing shortage is 29.3 million and is likely to touch 40 million by the end of 20th century. In his view enormous resources are required to bridge the gap of housing shortage and the availability of resources at present are inadequate. His suggestions include reduction of interest rates on housing loans, land at cheaper rates and lending by housing finance institutions by keeping a margin of 1.25 – 1.50 percent.

Francis Cherunilam and Odeyar D. Higgade (1987) concentrated on the various aspects of housing problem, Government policy and housing programmes through the five year plans and the factors inhibiting progress of housing particularly in India. Their view is that the problem of housing has been going on aggravating and it cannot be solved in the short run.

In a study entitled "Institutional infrastructure for financing home ownership programme" **Vinay D. Lall (1987)** concluded that the question of making a home loan affordable to the poor must be seen not only in terms of the rate of interest charged by the housing finance institutions but also in terms of the various fees levied in the process of approving a home loan, the charges prior to the computation of the repayment installment itself, which is biased in

favour of recovery of the interest amount. Also the fiscal system provides considerable relief to a home loan beneficiary if the / she is an income tax assessee and there by leaving in an element of inequality against a non income tax paying beneficiary.

In an article entitled “Housing in India – problems and policies **Ashok Kumar. N and Lakshmi pathi.V (1988)** observed that the concept of social housing is not peculiar in India alone. Even the developed countries like Germany, USA, UK and France have also adopted under different terminology, such as public housing, council housing etc. The share of private sector in housing in Netherlands is 52.8 per cent. In Spain it was found 90 per cent, in West Germany it was found 75.5 per cent and in Belgium it was 65.6 per cent.

Arupkhan (1990) in his article entitled “Mobilisation of house hold savings – The task ahead of NHB” made a strong plea that the National Housing Bank encourage mobilization of household savings through Home loan Account scheme (HALS). He feels it is the best scheme for the less affluent. He also says that a study made by an expert body has shown that home ownership can be powerful motivation for saving. He also underlined the need for evolving a package of measures to mop up the savings of the household sector.

The review of housing finance system in India suggested that the National Housing Bank (NHB) should encourage mobilization of household savings through HLAS by massive campaign and advertisement. The HLAS is the best scheme for Economically Weaker Sections (EWS) and Low Income Group (LIG) to get a house at affordable rates. It is also explained that availability of finance is not the major constraint, only the system is lacking the motivation. The issues related to financing for housing activity through savings

by NHB can be divided into various parts viz savings by public sector through taxation, savings exclusively by public sector employees, private savings by corporate sector and households savings. He further stressed that house hold sector savings are considerable enough to support housing finance activities.

In a case study entitled “A Financial Analysis of Model Housing Scheme for Low Income Earners in Developing countries” **M.R. Kumarasamy (1990)** highlighted the importance of co-operative movement in solving housing problem. He is of the view that co-operatives are helpful in the socio-economic development at the grass-root level. Apart from that it is the easiest means of satisfying merit wants of a large majority of the population like housing.

Without Government direct support, the low – income earners of the population will find it a herculean task to own a house or even live comfortably as a tenant through out his life. Such Government intervening may be by direct public expenditure by way of subsidies for land, professional and consultancy fees and development of infrastructure in the form of grants-in aid. Because of administrative bureaucracy of Government, it can not efficiently deal directly with each individual. The co-operative housing scheme which is a vessel for mobilising human and material resources at the grass root level will provide an instrument for the Government intervention. act.

Depak Razdan (1990) in an article entitled “Housing – A manageable challenge”¹⁹ observed that, housing for all is a manageable challenge, given the concerted efforts of the people public and private sectors”. National housing policy of the Government recognized that housing is basic human need. The poor availability of different traditional building materials is one of the reasons for low investment in housing. Amendment of acts like urban land ceiling Act

and rent control laws would improve housing sector. The Government plans to bring about appropriate changes in the approaches of the existing financial institutions so as to make them more responsive and accessible to house holds. National Housing Bank (NHB) would be encouraged to concentrate on the promotion and regulation of housing financed institutions in the public and private sector. Mobilisation of household savings, increasing the access of different shelter activities, increasing the reach of the poorer sections to housing loans, and to concentrate on refinancing the operations of financing institution and co-operatives engaged in housing. It was suggested that the Reserve Bank of India should treat housing as priority sector. Emphasis should be made on reducing the cost of housing by various steps, like better land utilization, reduced cost of services, higher densities, promotion of low cost materials and encouragement to incremental constructions by individuals.

In an article entitled 'Housing finance system – The emerging scenario' (1991) Verm R.V opined that the housing finance system has suffered from gross inadequacies in terms of number of institutions serving the sector as well as their scale of operation. The housing finance system in its present shape is far from developed. In a regime characterized by directed credit, the priorities laid down by the government always form an important consideration for determining the volume of resources to be made available to a sector. The housing sector in the past never occupied a place of priority in the scheme of development. As a result resources in adequate measure never followed to the sector. On the other hand the institutions serving the sectors were literally few and far between leaving wide gaps in the system. The premier housing finance institutions viz. HUDCO in the public sector and HDFC in the private sector have served as dedicated housing credit outlets. While the thrust of HUDCO's operations is towards economically weaker section and lower income groups through it's lending to state housing boards and development authorities.

HDFC has done a pioneering work in operating market oriented housing finance system with emphasis on direct lending to the home loan seekers. The specialized housing finance institutions are largely dependent on the general finance institutions (LIC, GIC, UTI, Commercial banks) for resources either by way of loans or by way of subscription to their debentures. LIC and scheduled commercial banks channel their funds partly to individual beneficiaries directly and partly to the specialized housing finance institutions which includes HUDCO and HDFC. Thus a major portion of their funds are rooted through intermediaries including state government and the Apex Co-operative housing finance societies. These institutions form an important component of the formal housing finance system. Housing needs of the people however are being met in a large measure through the informal channel. There are wide gaps in the existing housing finance system and the resources of all these institutions taken together will be grossly inadequate. Structural changes through appropriate building will form an important component of any strategy designed to tackle the housing problems. The role of national housing bank in establishing and promoting a large number of regional level institutions becomes important in this context.

In an article entitled “NBCC Tasks Ahead” **R.C Kehar (1991)** chairman National Buildings Construction Corporation observed that Development of housing must assume high priority in a developing country like India, where housing amenities are far below the minimum standards that have been internationally accepted. The resource requirements to meet the targets set in housing are limited. Building materials constitute a high proportion of the Capital out of local materials and particularly the use of agro-forestry and industrial mining wastes in manufacture of building components, which will reduce the capital requirements.

In an article entitled “Co-operative Rural Housing” – A new approach **U.M Shah (1992)** stated that like minded people who are in need of a house promotes housing co-operative societies. In most of the cases after the construction work is over their co-operatives function as maintenance societies. It is very difficult for socially and economically weaker section to organize and manage such societies. The author has suggested to simplify the procedures need to be followed to form co-operative housing societies at village level. He also suggested to impart education and training in the working of housing co-operatives. For the efficient functioning of these societies financial support may be provided for procurement of land, building materials etc. Technical advice and guidance to achieve acceptable housing norms and standards may be given by linking housing loans to other facilities.

A research study on “Rent affordability for squatter House holds in Calcutta. Bombay, Madras and New Delhi” was conducted by **K.P Bhatta Charya (1993)** with the main objective of ascertaining the rent affordability of the poorest of the urban poor with in the four metropolitan cities in India. He also aimed at ascertaining other issues which influence rent paying capacity of the squatters. The findings of the study reveal that in Calcutta, 12 households out of 100 households pay rent, in Madras 30 out of 100, in New Delhi four out of 100 and in Bombay tow out of 100 households pay rent.

It is evident from the findings of the study that the squatter households generally are extremely poor in Calcutta, Bombay, Madras and New Delhi. For any pragmatic intervention in housing projects for the squatter households, Income generation programme must be incorporated in them, every opportunity must be given to the household to supplement its income by building an additional room and letting the same out, by encouraging home-based economic activities.

A. Rajeswari (1997) in her study entitled, “Housing in Tamilnadu” The Role of Tamilnadu Housing Board 1961 – 1993 proceeded to find out the demand, supply and shortage of housing owing to population growth in India and Tamilnadu. The other aims of the study were to estimate the share of investment in housing to total plan investment in India and Tamilnadu. To assess the role played by Tamilnadu Housing Board in the implementation of its housing schemes. She came out with the following findings.

Population is one of the obvious reasons for housing problem in India. Provision for housing finance has not appreciated. Government can play an important role in the field of housing by providing massive investment in housing and subsidizing the deserving cases.

According to National Housing and **Habitat policy (1998)** the short fall and new requirement would be 16 million houses at National level; by the year 2007. It also revealed that, “Over 150 million people in urban areas of the poorest countries have less than satisfactory shelter”.

According to World Bank report (1998) “Housing has substantial social benefits including the welfare effects of shelter from the element, sanitation facilities and access to health and education services. Improved health and education and better access to income-earning opportunities can lead to higher productivity and earning for low-income facilities. It is thus for sound economic reason that after food, housing is typically the largest item of house hold expenditure for poor families, and that they are willing to go to great lengths to obtain housing at location with access to employment, even of this means increasing the risk of illegal squatting”.

G.Angaiah (1998) conducted a study entitled, “ A study on Housing finance with particular reference to co-operative housing in Trichirapalli District”. He has mainly aimed at studying the growth and development of co-operative housing societies in Tamil Nadu both in terms of their quantity and quality. His other aims were

- ❖ To analyse the various factors affecting the working of co operative housing societies and the relationship there on.
- ❖ To trace the problems faced by the co operative housing societies in Tamilnadu with special reference to over dues in Tiruchirapalli district,
- ❖ To analyse the functioning of sepcialised schemes provided by housing co operatives to economically weaker section of the society
- ❖ To compare the opinion of beneficiaries from different institutions and to bring out the effectiveness of the schemes and
- ❖ To offer concrete suggestions to tide over the problems and make co-operative housing societies play an active role in providing shelter to the people of Tamilnadu.

He came out with the finding that:

- Housing problem is present in all developing countries
- There is regular profitability in urban societies where as it is not so in rural societies. The urban societies have declared divided and the rural societies have not declared any dividend.
- The number of willful defaulters are low in urban areas and high in rural areas.
- Majority of housing beneficiaries are graduates or post graduates in general in all the organizations.
- Recommendation by the previous beneficiaries has significant effect in determining the choice of financial institution.

According to **Meera Mehta and Dinesh Mehta (1998)** an appropriate housing finance system for a developing country like India is not a mere emulation of the finance institutions of the developed world geared towards purchase of home. Instead it is necessary to develop a system that addresses the various factors of housing production and up gradation process. In a country where most of the private sector housing for the high income groups are more or less self financed through equity distribution and a large segment of this group has access to the existing financial institutions. It is imperative that the housing bank must address itself to the hitherto conserved group of urban poor and broaden its horizons of housing finance.

“Housing needs in new suburbs of Indian metropoli” – A case study conducted by **Hemalatha C.Dandekar and Sashikant B.Sawant (1998)** in Pune pointed out the emerging housing needs of the upwardly mobile middle class living in the heart of the Pune city. The survey was designed to reveal information on access to an availability of housing and physical infrastructure from the perspective of consumers of city services. This information would help to ascertain what aspects of the need for urban infrastructure in a rapidly growing city can be, and are, met by the existing public sector institutions. The study revealed that urban households tend to be nuclear families. To finance their homes 62 per cent of the slum families draw resources from personal savings and an additional four per cent obtained them from private loans. Some of the respondents (18 percent) obtained finance in the form of loans from banks and a relatively small number of families (three percent) obtained mortgages from LIC, HDFC etc.

In his article entitled “out dated Rent laws and investment in Housing” **Madhwa Godbole (1999)** observed that out dated rent laws have been bigger deterrents to investment in housing sector. Since the political parties in power

at the center and in the states have been bent upon populist policies for the last 50 years, the battle to get a sensible law on the statute book has once again had to be taken to the supreme court” He further stated that the outmoded rent legislations have an adverse impact not only on investment in new housing stock but also on the maintenance, upkeep, up gradation and extension of the old stock.

B.Venkatesh (1999) in an article entitled Housing finance “The potential to build” stated that, Housing finance Industry is driven by the ups and downs in the real estate industry. Although there has been an upsurge in the demand for home loans in the recent past, it has not translated into performance by the housing finance companies. Two attributable reasons to this are, the rising cost of land, which is acting as a deterrent for the middle class from buying houses and the narrowing gap between the of funds and the rates of return for the Housing Finance companies. The demand determinant for housing loans is the cost of acquisition of a house which includes the cost of land also. Added to this, some provisions in the Rent control Act, which favour the tenants vis-à-vis the owners, have indirectly contributed to lesser investment in housing. The demand side of the housing loans determines the returns to the Housing Finance Companies. Following are the supply side of funds to the Housing Finance Companies, which determines their cost of funds. Primarily the Housing Finance companies can access funds from four sources viz, an equity issue, borrowing from a foreign source, public deposits and by term loan. Equity issues increase the equity base of a company and dilute the Earnings Per share. Also, the frequent issues will result in higher costs and also adversely affect the reputation of a company. Coming to second option, although the interest rates a broad are low, the swap costs and the fast depreciation of the rupee will siphon the arbitrage opportunities. Thus in effect, the Housing finance Companies are largely dependent on the last two options to meet their financing needs. Even with a significant drop in the spreads,

major Housing Finance companies like HDFC and LIC Housing Finance are managed to show decent results.

Tara S.Nair (1999) in an article entitled “Housing : the Missing Concerns” regretted about the short-sightedness and ill co-ordination in the field of housing sector. Though the author predicted a boom in housing finance market consequent to budgetary incentives and repeal of the urban land (Ceiling and Regulation) Act, yet the author is of the opinion that the financial imprudence of successive political leadership in the country has taken the dream of a shelter further away from the poor. In his view the new proposals in the budget target the top players of the housing market namely the high and middle income group. The author suggests for a thorough review and restructuring of the institutional arrangements in the housing sector.

C. Thangavel (2002) in his study, “Income and Rent affordability of economically weaker section in Madras” Stressed that in many shelter programmes, affordability of the house holds are the key issues, which will determine the shelter policy. He studied the relationship between income, rent and affordability of economically weaker sections of the society and non-slum population in Madras, who constitute about 15 per cent of the total population. He found that middle and lower income groups can buy their plots only in the fringe areas hence the city is growing only in the fringe areas as such the city is growing only horizontally. Another important finding of the study is that a majority of the EWS and LIG Households are employed in the private sector and only a few percentages are self employed. Those households who reside in the older parts of the city pay on an average 9 to 13 per cent of their income towards house rent. The same households are willing to spend about 20 to 30 per cent of their income towards housing if they are given access to housing ownership.

In an article entitled “The Existing Housing Finance System” **Vergheese K.V (2004)** listed out that the finance is inadequate owing to mail allocation of funds. There is absence of country wide institution to combine schemes of saving with provision of housing finance. The present housing finance system lacks facility of mortgage loan and for insurance facility to guarantee housing credit. Along with these deficiencies monetary and fiscal polices, money lending legislations choke up housing finance. Very poor income earners and pavement dwellers are completely left out by all financing agencies, and therefore some special financial arrangements may be made to cater to their housing finance need.

According to the estimates of the planning commission, (2005) about 37 per cent of the population in India was below the poverty line in 2005. In other words, about 373 million people did not have sufficient income even for the basic minimum food. A large percentage of the population above the poverty line also cannot afford to acquire houses as they can hardly have any significant saving because of low income.

In an article entitled, “Home loan Scenario in India” **A. Srikant, Prasun PP. and Rupesh Tiwari (2006)** opined that, The housing sector is one of the fastest growing sectors in the economy registering a growth rate of about 25-30 per cent annually. In India, there is an estimated shortage of 20 million housing units. Much of the demand for housing loans to the unorganized sector is from the Tier – 2 and Tier – 3 cities and banks are gaining market share in direct housing finance segment. Till 2005, the home loan interest hovered around 7-8%. But from 2006 onwards most banks and financial institutions have increased their landing rates. As housing sector is labour intensive, if proper investments and policy initiatives are made, it could help in drastically reducing the unemployment rate in the country. As only 30% of the finance

required for housing came from organized sector, the remaining 70 per cent came from unorganized sector. The interest charged by the unorganized sectors is exorbitant and hence, it is causing even more indebtedness in the country. If the industry could expand and educate the people about their eligibility for such loans, then the sector could witness far better growth rates than have been witnessed so far.

T.R Venkatesh and Swapna Gopalan (2007) in an article entitled “Housing sector in India” are of the view that the India housing sector is going through an unprecedented phase of growth and activity. However the country may soon lose its advantage as a real estate investment hot spot, if immediate steps are not taken to correct the deficiencies inherent in the housing market.

While India’s urban rich class are reaping the benefits of the flourishing housing market, it is the urban poor and the people in the rural areas that seem to be bereft of options. HFC’s and Banks do not extend their services to the lower- income markets category for various reasons. Their reluctance stems from the high credit risk associated due to the inability of this class to produce proof of regular income and lower profit margins due to the smaller size of the transactions in their cases. They suggested that a concerted effort from the governments’ side and the private sector is necessary to overcome the inertia in catering to the housing needs of the country’s poor. Policies that encourage HFCs, Banks and developers to extend their services to the rural and lower income categories are the need of the hour.

3.3 CONCLUSION

Studies in India and abroad have extensively examined the various aspects of housing infrastructure and availability of housing finance. The article published about this theme also examines the role of the government, and the need for strengthening housing sector. However studies regarding the borrowers of housing finance are relatively scant. To utilize the loan facilities available judiciously one should be aware of various aspects of housing finance. Further enhancing the satisfaction of borrowers of housing finance is essential from the point of view of suppliers of housing finance. In order to fill this gap, the present study has been undertaken. The socio-economic profile of the sample borrowers is explained in the fourth chapter.