Chapter-III

HOUSING POLICY IN INDIA

Introduction

This chapter deals with the public policy on rural housing in India and the planwise allocation of funds towards rural housing schemes. It also analyses housing policy in India since Independence. It explains the importance of the National Housing Policy and critiques Policy and discusses the role of the rural housing finance agencies involved catering to the need for housing finance.

The Indian constitution lays down that "the state shall strive to promote the welfare of the people, protecting as effectively as it may a social order in which justice, social, economic and political. It is on these basic principles that India continues to strive to provide its people basic socio-economic necessities such as food, clothing, shelter and so on".¹

The subject of housing, however, is not specifically mentioned in the seventh schedule of the constitution of India, which deals with matters coming within the purview of the union and state legislatures. As far as housing for industrial labour is concerned, item 24 of list III may be said to cover because it, dealing, as the item does, comprehensively with the welfare of labour. That would bring into the issue the concurrent list which both the union and the state governments are concerned with. The residual powers in relation to subjects not mentioned in the concurrent list or state list. These vest in the Union parliament. Thus the centre may be said to be directly concerned with the subject of housing in general. In view of the gravity and vastness of the problem and the financial conditions of the states, the central government has to accept a large measure of responsibility for financing programmes in the urban centres, where congestion and shortage of housing have become very acute in recent years. Provision should also be made to find funds for middle-class housing schemes through building cooperative societies. However, it has been suggested that state governments, which are being relieved to a large extent of the responsibility for industrial housing, should concentrate on ameliorating poor conditions of housing in rural areas².
Rural Housing in Five-Year Plans in India: Allocation for Housing

The rural housing problem has been neglected by the government in Five Year Plans. It was during the Second Five Year Plan (1957) that the Village Housing Scheme was introduced for the first time. The Estimates Committee (1985-86) of the Lok Sabha, in its 3rd report on Housing for Landless Rural Labour, noted that during the last three decades of planning, the government had not given the problems of providing houses to the landless rural labour the importance it deserves. In earlier reports in 1967-68 and in 1972-73, the committee, had drawn attention to the unsatisfactory performance of the Village Housing Scheme during the earlier Five Year Plan and the indifference of the government towards rural housing. This neglect is reflected in the extremely low allocation of funds for rural housing in the Five Year Plans as well as in the very poor utilization of funds during the plans.\(^3\)

Table 3.1 provides the data related to the plan-wise allocation of resources for rural housing. During the Second Five-Year Plan, Rs. 10 crore were allocated for rural housing and 37 percent was the rate of success. In the Third Plan, Rs. 12.70 crores were spent on rural housing programmes, but the achievement rate did not increase. The rate of success remained a low 33 percent. During the annual plan years, Rs.3.19 crores were sanctioned and the success rate greatly increased and reached 80 percent. In the Fourth Plan, only Rs. 5.25 crores were sanctioned and the success rate was 81 percent.
Table 3.1
Rural Housing in Five Year Plans

<table>
<thead>
<tr>
<th>Five Year Plan</th>
<th>Funds Allocated</th>
<th>Actual Expenditure</th>
<th>Percentage of Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Five Year Plan (1956-61)</td>
<td>10.00</td>
<td>3.70</td>
<td>37.00</td>
</tr>
<tr>
<td>3rd Five Year Plan (1961-66)</td>
<td>12.70</td>
<td>4.22</td>
<td>33.22</td>
</tr>
<tr>
<td>Annual Plans (1966-69)</td>
<td>3.19</td>
<td>2.56</td>
<td>80.25</td>
</tr>
<tr>
<td>4th Five Year Plan (1969-74)</td>
<td>5.25</td>
<td>4.27</td>
<td>81.33</td>
</tr>
<tr>
<td>5th Five Year Plan (1974-79)</td>
<td>108.16</td>
<td>55.00</td>
<td>50.08</td>
</tr>
<tr>
<td>6th Five Year Plan (1980-85)</td>
<td>353.50</td>
<td>118.06</td>
<td>33.39</td>
</tr>
<tr>
<td>7th Five Year Plan (1987-92)</td>
<td>577.00</td>
<td>--</td>
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<tr>
<td>8th Five Year Plan (1992-97)</td>
<td>350.00</td>
<td>--</td>
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</tbody>
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Sources: 1. Estimates Committee Report (1985-86)
2. Fifth Five Year Plan, Government of India

In the Fifth Plan, allocations were increased drastically to Rs. 108.16 crores, which was very high when compared to earlier plans. But the success rate came down to 50 percent. The Sixth Five Year Plan allocated Rs. 353.50 crores, but the actual achievement was very poor (33 percent). This shows a steep regression in rural house construction. During the Seventh Five Year Plan, a high allocation of Rs. 577 crores had been made, but the success rate is not been computed. For the Eighth Plan, a maximum allocation of Rs. 350.00 crores were made, but information regarding the success rate is not available yet.

Housing Programmes under Plans:

The first housing programme for rural areas, namely the Village Housing Scheme was introduced in 1957 as a part of a total reconstruction programme. This programme hardly touched the fringe of the problem during the Second and Third Five Year Plans, with an expenditure of Rs. 3.70 crores and Rs. 4.22 crores respectively.\(^4\)
Apart from spending a very low amount, the plan favoured only aided self-help programmes in which government assistance would mainly be in the form of technical advice, demonstration of model houses and model villages, provision for improved design and layouts, and so on. Consequently, the expenditure on rural housing remained very low, and during the 23 year period ending in March 1974, only about 60 thousand houses were constructed by the village housing projects all over the country. The situation improved in Fourth Five year Plan because of the introduction of special programme called 'a Crash Scheme' for providing free house sites to landless agriculture labourers.

In the Fifth Five Year Plan (1974-79), the scheme was transferred to the State sector and was extended to cover rural artisans too. The scheme also had a provision for providing construction assistance to beneficiaries in the Fifth Five Year Plan. The scheme, which is now a part of the Minimum Needs Programme, was included in the 20-point programme and Rs. 108.16 crores were allocated. Surprisingly, only about 50 percent of the amount was spent during the plan.

The Sixth Five Year Plan (1980-85) declared that by 1990 all landless workers would get complete housing assistance, especially free house sites as well as construction assistance, along with minimum infrastructure. The target of the plan was to provide house sites to all the landless and housing assistance to 25 percent of the landless labourers. But the plan could not fulfil this target and actual assistance was given only to 15 percent of the target group.

The Seventh Plan (1985-90) began with a housing shortage of 18.8 million units. It also had an additional shortage of 12.4 million units, which occurred due to the population growth during the plan. This plan has, therefore, been given a high priority with respect to the housing problem and Rs. 36 crores were spent during the plan period for providing housing sites to 0.72 million households and Rs. 577 crores were to be spent on rural housing under the Minimum Needs Programme. About Rs. 289 crores were to be spent on other supportive programmes like research and development, extension work, and so on.
During the Eighth Plan (1992-97), the emphasis was on social housing schemes, including those under the Minimum Needs Programme in rural areas. It emphasized the role of the Housing and Urban Development Corporation (HUDCO) and the National Housing Bank (NHB). It also emphasised shelter for the homeless and footpath dwellers, institutional development, technology transfer and development of appropriate building materials, housing information system and housing for industrial workers, working women and artisans, etc. To achieve the above objectives various strategies were proposed by the Government of India. The government had taken up infrastructure activities. Housing construction was left mostly to private initiative. There is a realization now that the state has to play an increasing role in infrastructure development and construction.

During the Ninth Plan (1997-2002), the Ministry of Rural Areas and Employment airing its concern for rural housing has prepared an action plan for achieving the national goal of housing for all by 2000 A.D. The Indira Awaas Yojana (IAY) was continued in the current plan period to tackle the problem of homelessness in the rural area. Provision was also made to take up the upgradation of unserviceable kutch houses through the IAY fund. A part of the IAY fund was made available to state governments for acquiring land for sites families below the poverty line. The plan also sought to improve the quality of houses in terms of design, construction material, etc.

The ninth plan working group on rural housing has made an estimate of 13.72 million units which includes 3.41 million households in the absolutely shelterless category and 10.31 million households living in unserviceable Kutch units that need substantial upgradation inputs. In addition, it has been estimated that the demand for new units, due to population growth during 1991-2000, would be 8.96 million units. The total housing requirements in terms of new units as well as upgradation inputs is, thus, estimated to be 22.36 million units up to 2000.
Projected Housing Scenario, 1997-2021

The National Report has projected the housing scenario in terms of units and investment requirements for the period 1997-2001, 2001-2021. The estimates are presented, on the basis of work done by the Society for Development Studies (SDS) for urban and rural India, and at the desegregated level, for new units as well as inadequate housing and upgradation requirements. It was assumed that the upgradation and inadequate housing requirements will be fully covered by 2001, though this situation is not likely to materialize and the upgradation and inadequate housing development activity might continue in the 5-10 years thereafter. Table 3.2 presents the estimates on the projected housing need for the period 1997-2001. An addition of 17.1 million unit would have to be brought into the housing market during 1997-2001, 32.3 million units during the period 2001 to 2011 and 90.7 million additional units during the period 2011 and 2021. In effect, the SDS estimates show that for the period 1997-2021 the housing requirement in terms of new stock would be 140.1 million units, of which 63.1 million units or 45.0 percent will be in the rural areas. The investment requirement of new housing stock for the period 1997-2021 would be Rs.6579.7 billion at 1995 prices, of which Rs. 1490.5 billion will be for rural housing. The past production track record suggests that the projected housing need in terms of new units can be met with appropriate policy initiatives. An annual production of 5.6 million units will be required as against the actual attainment of 3.4 million units per annum during 1981-91, when the housing development environment and delivery system was not as developed or conducive to housing activities as it is likely to be for the period 1997-2021.
### Table 3.2


#### I. Housing Need

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</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
</tr>
<tr>
<td>1. Population</td>
<td>1022.1</td>
<td>703.2</td>
<td>318.9</td>
<td>1164.3</td>
<td>738.5</td>
<td>425.8</td>
<td>1545.4</td>
</tr>
<tr>
<td>2. Housing demand</td>
<td>191.2</td>
<td>130.0</td>
<td>61.2</td>
<td>228.5</td>
<td>145.5</td>
<td>83.0</td>
<td>314.2</td>
</tr>
<tr>
<td>3. Housing Stock</td>
<td>174.1</td>
<td>122.3</td>
<td>51.8</td>
<td>191.2</td>
<td>130.0</td>
<td>61.2</td>
<td>223.5</td>
</tr>
<tr>
<td>4. New Housing</td>
<td>17.1</td>
<td>7.7</td>
<td>9.4</td>
<td>32.3</td>
<td>10.5</td>
<td>21.8</td>
<td>90.7</td>
</tr>
<tr>
<td>5. Inadequate housing</td>
<td>11.4</td>
<td>8.7</td>
<td>2.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Upgradation</td>
<td>16.0</td>
<td>11.2</td>
<td>4.8</td>
<td>-</td>
<td>-</td>
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</tr>
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</table>

#### II. Investment Requirement

(Rs. Billion at 1995 prices)

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</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
</tr>
<tr>
<td>1. New</td>
<td>803.2</td>
<td>189.9</td>
<td>621.3</td>
<td>1688.8</td>
<td>248.0</td>
<td>1440.8</td>
<td>4087.7</td>
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<tr>
<td>2. Inadequate</td>
<td>166.5</td>
<td>104.4</td>
<td>62.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Upgradation</td>
<td>244.8</td>
<td>134.1</td>
<td>110.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


Notes:
1. The population projection for 2001 and 2011 are as given in the Eighth Five Year Plan and those for 2021 are SDS estimates based on past trends in population growth rates. Urbanization rate is 31.2, 36.0 and 40.0 per cent during these three periods.
2. Housing demand represents the number of households estimated on the basis of household size.
3. Investment estimate at 1995 prices is based on NSSO 44th Round data on cost of construction adjusted for 1995 prices.
4. Inadequate housing covers the congestion demand and upgradation includes replacement. These estimates are of estimated backlog as in 1995-96 and the activity would be taken up in the next 5-10 years.
5. Per units cost at 1995 prices for new housing is Rs.23,621 in rural areas and Rs.66,094 in urban areas. Inadequate and upgradation housing estimates are based on cost at 50 percent in rural areas and 35 percent in urban areas (Rs. 12,000 and 23,000).
Changing Housing Policy Since Independence

The housing policy since independence clearly shows the rural and urban housing achievement. It also emphasized achievement of rural housing and urban housing under the five-year plans of India.

Phase I - Assessment and Institution Building (1947-60).

The first phase covers a period from 1947 to 1960 when the Second Five Year Plan was completed. The investment in the social development activities, including housing was given a low priority compared to sectors like irrigation. The outlay on housing during this period was around 1.9 per cent of the total budget and level of utilization of 64 percent in the urban housing by providing houses for the lower middle-income and other special groups. The total number of houses constructed by boards and formal agencies was less than 0.16 million.9

Not much could be achieved in rural housing during this phase. The policy statements of this period referred to the need to build large number of rural houses, often reflected on the urban bias and wanted to impose urban standards on the village environment. This phase clearly shows that a huge investment on modernization and adoption of new technologies, in the form of the introduction of cement and steel into the housing area. The need for physical planning was recognized with the formation of the town and country planning organization, towards the end of this phase. But the impact of these interventions on the overall shelter situation was largely negligible and in some cases actually counter-productive. But it is true that a substantial amount of formal sector building took place with the rehabilitation of refugees, as well as the construction of new industrial towns and capital cities through the introduction of special housing schemes. However, most of these programmes were in urban areas and not targeted at the poor.
The seeds of a number of attitudes and values towards shelter which would have a negative impact were sown during this phase. Limiting the role of people's participation in housing, usage of inappropriate standards and inflexible designs for low-income houses and viewing the house as a mere product are certain examples.

**Phase-II Planning and House Construction (1960-69)**

This phase was a period of considerable change and uncertainty in the Indian political and economic situation, which got reflected in the area of housing as well. Shelter programmes were given less and less priority during this period. The planned investment in shelter decreased to 12 per cent of the plan expenditure and in urban development remained constant at 0.21 per cent.

The share of rural housing decreased drastically from 11.5 percent to 3.5 of the total housing budget. Slum development expenditure rose marginally. The number of housing units built increased to 0.22 million during this phase, mainly to the benefit of industrial workers and low-income groups in urban areas. During this phase an increased awareness of the nature of shelter problem, of the inadequacy of the intervention that had been tried over the first phase and the need to strengthen and increase efforts through existing institutions, infrastructure and programmes developed. Attention was paid to inter-sectoral linkages of housing and the lack of access by the poor to institutional housing. 10

Rural housing activity got more attention and was seen, for the first time, as part of a larger process. The quality of shelter and institutional support for housing finance were given much attention. Problems at the implementation level, especially inter-agency co-ordination and lack of an adequate delivery system were given some attention for the first time. The strategies continued in the same direction, with a shift in emphasis to lower income housing and a less imposing role for formal agencies in slum clearance. Government agencies like housing boards emerged as major delivery agencies. Production of modern building materials such as cement and steel was initiated during this phase. Type, design and construction were also taken up.
But the overall effect of these interventions continued to be negligible as the shelter situation in the country steadily deteriorated with high population growth, low growth of new housing stock and lack of upgradation of the old stock. It became gradually apparent that government had not been able to provide adequate housing for the poor. The need for urban management institutions and a national housing finance structure was recognized. Programmes involving community participation began to attract attention.

The limited implementation of the plans prepared for urban areas and the near total failure of land control measures to curb the growth of urban land prices became evident in this phase. The inadequacy of the norms and standards set for low-income housing also got recognized. Research and development and investment continued to be minimal during the second phase.

Phase-III Management and shelter programmes (1970-79)

This phase covers the period of 4th and 5th plans. It was the period when the focus of national development shifted in some measure to poverty alleviation and rural development programmes, which had a substantial impact on shelter programmes. The plan outlay for housing marginally increased to 1.25 percent and the outlay for urban development increased from 0.21 percent to 0.78 percent. The budget for rural housing remained around 10 percent, but with an emphasis on the provision of house-sites to the landless. The outlay for slum development dropped from 31 percent to 16 percent of urban development budget. The role of physical planning and research and development decreased to negligible levels. During this phase some 0.275 million houses were built under various schemes. The major achievement claimed by the government was distribution of 7.4 million house sites to the rural poor.11

The acuteness of the shelter problem was recognized by the policy makers. New strategies were sought to make shelter available to the poor on a mass scale. As a result government made large-scale investments in the housing sector.
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There was a shift from slum relocation to sites' upgradation and an acceptance of the fact that slums will continue to exist. The housing problem in rural areas was recognized as a part of the larger economic backwardness of those areas. So, broad-based interventions were thought out. Policy makers realized that the failure of the housing programmes was largely due to the fact that people did not directly participate in them.

During this phase, while recognising the need for a national financing structure, the government set up HUDCO along with other official agencies for environment, energy and population control. The phase also witnessed the entry of international agencies especially World Bank, into the shelter scenario in India, promoting several large metropolitan development programmes and a number of innovations, which included the Sites and Services Scheme. Towards the end of this phase, attempts were made to adopt more multifaceted strategies to address the problems of shelter and human settlement. More efficient procedures for plan execution were also introduced. Still the impact of the 3rd phase too was largely felt in urban areas. The primary beneficiaries of schemes in this phase were also employees of the formal industrial sector. Quality of shelter in slums went up. In spite of the growing slum population, people's participation in rural and urban housing remained limited. The real impact of the rural house-sites distribution programme is not known. Urban land values continued to grow in spite of the Urban Ceiling Act (1972).

**Phase-IV: Reassessment and Inter-Sectoral Approaches (1980-87)**

This phase opened with the initiation of the 6th plan and came to a close in the International Year of Shelter for the Homeless (IYSF) in 1987. This period was one of relatively rapid economic growth and also one, which gave more attention to poverty eradication and rural development. With the flood of changes introduced in economic policy by Rajiv Gandhi Government, the Ministry of Works and Housing was redesignated as the Urban Development Ministry with a near total change in its structure and functions. One can observe the changing role of government from one of
implementation' to one of 'facilitation'. The government wanted to mobilize private savings for investment in the shelter sector and also wanted to direct most formal sector efforts towards the development of land and infrastructure.

The sixth plan (1980-85) was a major success in terms of the number of new houses constructed. Around 0.36 million houses were constructed within the sixth five year plan, which was one third the total number of houses built during the previous 35 years of planning. Moreover, most of this activity was in rural areas. As per government statistics, 5.4 million house sites were distributed and 0.16 million houses were constructed in the rural areas. The seventh plan (1985-90) allocated increased share to the shelter sector. The expenditure on urban development increased from 0.78 percent to 1.02 percent of the total plan expenditure. The allocation to the rural housing programmes doubled from 11.1 percent to 27.2 percent of the total housing budget during this plan. Marginal increases were made in the allocations for development of small and medium towns. In this plan, the government policies and programmes were directed at providing greater access to shelter by the poor and underprivileged. This shift in focus also resulted in changes in the design of programmes. Attention was given to the qualitative aspects of shelter programmes. Housing activity began to be perceived as a generator of employment as well, and priority was given to economically weaker sections rather than formal sector employees. Environmental and resource management considerations began to figure in human settlement issues. There were increased efforts to adopt integrated strategies by linking shelter activities with other development programmes. The lack of an adequate information system and the need for a timely programme and maintenance were recognised.

The redefinition of the scale and scope of HUDCO programmes and financing procedures resulted in positive changes. In the urban housing sector emphasis was now placed on integrated urban development. A National Commission on Urbanization was set up. In the case of urban slums, environmental and community improvement programmes, with particular importance to the role of NGO's, were given priority. A number of large-scale rural housing programmes have been taken up by some states using
voluntary agency support. The acquisition and development of urban land was given attention, and the concept of lead banks became a reality. Attempts were also made to introduce skills in low-cost housing projects.

The analysis of shelter policy of India since Independence shows that during most of the first phase, (1947-60) the problem of rural housing received only passing mention in the plan documents, while no substantial intervention was introduced. Rural housing was initially equated with rural infrastructure development and land was considered to be a major constraint as a large section of the rural poor were landless. In the second phase, certain special groups such as the economically weaker sections, industrial, dock and plantation workers were more clearly identified as requiring public sector support. The first two phases, therefore, saw the establishment of state housing boards with the explicit objective of constructing houses, especially for low and middle-income groups in urban areas and certain identified target groups.

The third (1970-79) phase was characterized by a change in the definition of the problem and for the first time rural housing was seen as a socio-economic problem with the lack of earning capacity and opportunities among the poor classes being the major causal factors. Overall development of the village economy was to be the key and landlessness was seen as the major constraint. Consequently, two major interventions were introduced in the third phase; the rural landless house sites programme under which house sites were to be provided to large number of landless families, and integrated rural development schemes which sought to improve the overall economic condition of the villages. The fourth (1980-86) phase continued in the same vein, and a few additional schemes of a similar nature were introduced. In the field of building materials, the high cost and scarcity of modern building materials such as cement and steel were recognized in the earliest years as major handicaps to shelter development. Rural and traditional building materials were largely ignored. The necessity of research from time to time, mainly with the purpose of reducing the cost of construction, was emphasized.
National Housing Policy (NHP)

In view of various problems faced in relation to housing in independent India, it became necessary for the government to come out with a comprehensive national policy that clearly spelt out priorities for promoting a sustained development of housing.

The National Housing Policy and Habitat Policy (1988) emphasised in its preamble that housing is not only a commodity but also a productive investment. It promotes economic activities as well as creates the base for attaining several national policy goals.

Some of the basic objectives of the policy are as follows:

1. To motivate and help all people and in particular the houseless and the inadequately housed, to secure for themselves affordable shelter through access to land, materials, technology and finance.

2. To improve the environment of human settlements with a view to raise the quality of life through the provision of drinking water, sanitation and other basic services.

3. The policy envisages priority for promoting access to shelter for the houseless and disadvantaged groups such as Scheduled Castes, Scheduled Tribes and freed bonded labourers, rural landless labourers and economically weaker sections.

The policy seeks to achieve the above objectives using a variety of strategies. Making available developed land at reasonable rates for housing, providing security of tenure to households both in rural and urban areas and developing a viable and accessible institutional system for the provision of housing finance are some of these strategies.

The policy laid special emphasis on rural housing and recognised the complexities and intricacies of the situation. Accordingly, the policy put forth the following as the action plans. (1) Provision of house sites to Scheduled Castes, Scheduled Tribes, freed bonded labourers and landless labour, including artisans (2) Provision of financial
assistance for house construction to them on suitable loan-cum-subsidy bases. Later, after about four years, the National Housing Policy was formulated in 1992 and was approved by the Parliament in August 1994. The National Housing Policy recognised that rural housing is qualitatively different from urban housing.

National Housing Policy (1994) has the following features:

1. Providing the necessary back up to support the construction of new and additional units and upgradation of the existing ones:
2. Ensuring availability of land and conferring homestead rights;
3. Minimising displacement of rural households by developmental projects;
4. Undertaking adequate rehabilitation measures for those affected by natural calamities;
5. Promoting the use of locally available materials and construction practices;
6. Providing basic infrastructure services including water, sanitation and roads;
7. Offering protective discrimination to the weaker sections of society.

National Housing Policy: Criticism

Some criticisms the against National Policy may be reviewed here. K.P. Bhattacharya in the article, "Housing in India - Observations on the Government's Intervention Policies" the five-year plans and the poor achievement of their targets. He concluded that more attention and importance was given to urban housing than rural housing. The rural housing problem was more serious than that of urban housing. Usually the urban housing problem attracts more attention because political awareness is greater among urban people and this makes them to demand greater attention to their housing.

He refered to the Estimates Committee which observed that the government had failed to assess realistically the magnitude of the rural housing problem and underlined the government's practice of giving low priority to rural housing. The committee clearly perceived the lack of interest of the planners towards rural housing despite the declared
The author feels dissatisfaction about the allocation and utilization of housing funds. He identified that there is very little coordination between the state and the central level authorities. In rural housing projects, the funds are not utilized as per the programme provided by the Government of India. He states clearly that resources, being a major constraint, conflicting political ideologies and interests have harmed the housing programme in rural areas. Lack of accountability by the state governments to the central government with respect to the utilization of funds allocated has resulted in the wastage or under utilization of funds. The author pointed out that given the magnitude of the rural housing problem, it is essential that government consider additional measures to assist the rural population in obtaining minimal housing. One of the most important priorities should be to ensure access to land, services, and infrastructure and to discourage the rural population from leaving their land.

**Housing Finance:**

Most of the developed economies invest, on an average, five per cent of their annual GNP on housing. They do not suffer a 'shortage' of housing units compared to developing economies. In general, in many developed countries, home ownership has been encouraged by governments through tax incentives, easy access to housing finance, interest subsidies on housing loans and other incentives. More importantly, however, most governments ensure a steady flow of mortgage finance through housing finance institutions on reasonable terms, which helps promote home ownership. These can be supplemented by direct government programmes for low-income people, mortgage insurance, interest subsidies and so on. In India, this core is essentially lacking. Even though housing in India is predominantly privately financed, no formal system of housing finance has emerged. Those who construct houses rely on privately available funds rather than on institutional support.
Housing Finance in India:

At present, India spends about two to three percent of its GNP on housing, which is a very low level of investment compared to that of other developing countries. In the late seventies and early eighties, the newly industrialised Asian countries invested more than eight percent of their GNP on housing. According to a UN estimate, the least developed countries will have to construct 10 houses per 1,000 people to solve the shelter problem by the end of the century, but in India hardly two houses are constructed per 1,000 people each year. Our investment on housing in proportion to gross capital formation shows a decline.19

Rural Housing Finance in India

Generally, the existing housing finance system in India consists of two components, one is formal sector, and another the informal sector. The formal sector includes the budgetary allocations of central and state governments, assistance from financial institutions like the Life Insurance Corporation (LIC), GIC, UTI, NHB, Housing Development Finance Corporation, (HDFC), commercial Banks, cooperative housing finance societies, and so on.

The informal sector, on the other hand, contributes to the housing finance system through various sources. These include liquidation of personal assets such as savings in cash and kind, land and agricultural property, borrowings from friends, relatives and from informal money lenders or credit unions.20

Housing in rural areas has been mainly through private efforts as per the study of National Sample Survey (NSS). The 44th Round of NSS (1988-89) reveals that only 5.18 percent of the total finance for rural housing comes from formal agencies. The bulk of the funding for rural housings comes from savings, i.e., 42.75 percent, borrowing from friends and relatives, 9.36 percent and other resources 22.93 percent21. Regarding housing finance from the banking sector, only about 11.5 percent of the incremental deposits are allocated for housing and out of that the rural areas get hardly any thing.22
The LIC and GIC are the other two financing institutions in the formal sector catering to the rural housing needs. During 1993-94, the LIC earmarked Rs. 50.44 crores for rural housing. GIC loans are also now available for social housing schemes in the rural sector. During 1993-94, a sum of Rs. 557.83 crore was allocated for the purpose. The National Co-operative Agriculture and Rural Development Bank's Federation Limited has planned to earmark Rs. 500 crore lending through agriculture and rural development banks for rural housing during the eighth plan.

The Rural Housing co-operatives could play an important role in mobilizing savings and channeling community action for construction of houses. The Maharastra Co-operative Housing Finance Society provides long-term credit to prospective builders on a priority basis. Similarly, in Andhra Pradesh, the Scheduled Castes and Scheduled Tribes Co-operative Housing Federation has provided a large number of houses to the rural poor.

Housing Finance Agencies:

There are many agencies catering to the needs of housing finance. The notable among them are Housing and Urban Development Corporation, National Housing Bank, Housing Development Finance Corporation, State Housing Boards, Life Insurance Corporation, GIC, Commercial Banks and many private agencies. The role of HUDCO as a major public sector agency is channeling funds to the State Housing Boards, development authorities, Improvement Trusts, and Co-operative societies, etc., has been quite significant. The HUDCO earmarks 55 percent of its sanctions for the economically weaker sections and LIG housing projects and the remaining 45 percent for MIG, HIG, rental and commercial projects. A rate of interest is charged from EWS and LIG categories (8 & 10% respectively) with some cross subsidization and equity support share. In terms of number of dwellings, the share of EWS and LIG categories works out to over 90 percent of total houses financed by HUDCO. The resources of HUDCO include equity support from the Government of India, loans from LIC, GIC, UTI, NHB and market borrowing. It is also a key financing institution catering to the needs of the rural population. It has constructed over 25 lakh rural dwelling units over the past 22 years.
The Housing and Urban Development Corporation (HUDCO) scheme for economically weaker sections has been in operation from 1977-78. At the end of 1996-97, 3.2 million rural dwelling units had been assisted with a cumulative disbursal loan amounting Rs. 100 crore. However, only around 15 percent of HUDCO’s loans have been earmarked for housing for weaker sections.\footnote{26}

The equity participation of the HUDCO with Ministry of Rural Development has taken a quantum leap from an amount of Rs. 5 crore contribution in the past 28 years to Rs. 50 crore in the year 1998-99 and an additional Rs. 150 crore in 1999-2000. In the Ninth Plan period, 3.41 million housing units are required in the rural areas of the country to house the shelterless. This would require funds to the extent of Rs. 29,000 crore. HUDCO has contributed Rs. 3.77 million for the development of dwelling units in rural areas.\footnote{27}

The Life Insurance Corporation (LIC) and General Insurance Corporation (GIC), are playing a very important role as catalysts. They are now confining themselves largely to refinancing operations. In fact, in the field of refinancing, both the LIC and GIC have channalized a large volume of advances through the HUDCO, HDFC, state governments and Housing Boards, which are the leading institutional investors in the existing housing finance set up. The LIC has emerged as an important contributor to the resources for the housing sector. Upto March 31, 1991, it had contributed over Rs. 4,400 crore to the housing sector and helped generate 30 lakh dwelling units. The flow of LIC investment to the housing was of the order of only Rs. 146 crore in 1992-93 including loans of Rs. 300 crore to NHB under the central Government quota.

GIC loans are now available for social housing schemes in the rural sector. Under the existing guidelines of the Government of India, the GIC earmarks 36 percent of its annual accretion to investable funds as loans to the state government for rural housing schemes and also loans to HUDCO.\footnote{28}
National Housing Bank (NUB):

The National Housing Bank was established in 1988 and it was set up as a subsidiary to RBI to augment the flow of institutional finance to the housing sector and promote and regulate housing finance institutions. The various schemes operated by NUB are the home loan account scheme and refinance schemes for housing by commercial banks and housing finance institutions. Land development shelter projects of public/private agencies operate through HUDCO and commercial banks to increase the supply of service land and houses. The allocation of the UC / GIC to state governments for housing schemes has been increased during the period 1993-94. LIC allocated loans to the extent of Rs. 201.8 crore and GIC allocated to the extent of Rs. 107.6 crore for social housing schemes in different states.²⁹

Housing Development Finance Corporation (HDFC):

The need for housing finance for individuals in the country was fulfilled with the advent of the Housing Development Finance Corporation (HDFC) in 1977. The corporation has pioneered long-term housing finance in the country, and has sanctioned loans aggregating, over Rs. 3,500 crore. It has financed more than 6 lakh families to help them acquire their own houses. It has spread its activity through its 28 branches located in different regions of the country. The HDFC gives loans under various schemes to individuals, associations of individuals, groups of individuals and individual members of co-operative societies. An individual can avail of a loan up to 85 percent of the cost of house construction subject to a ceiling of Rs.25 lakh. The lower limit for the loan is Rs.25,000.³⁰

HDFC was established to provide long term loans on the basis of mortgage for housing in India. The primary objective of HDFC is to make available long-term loan finance to individuals repayable in monthly installments for the purchase of a primary residential unit. This is an important addition because the LIC and HUDCO provide finances to organizations whereas the HDFC provides finance to individuals. By increasing peoples access to funds especially for housing purposes, HDFC hopes to promote home ownership in general.
Banking System and Rural Housing Finance:

The commercial banks' entry into the housing sector started with their involvement in the 20 point programme of the Government. In 1975, the commercial banks were asked to extend financial assistance for allotment of house sites to the landless and schemes for creation of integrated settlements in the rural and urban areas. The banking system, till the year 1998-99 was required to earmark 1.5 percent of its incremental deposits for housing finance. With effect from the financial year 1999-2000, commercial banks are required to earmark 3 percent of their incremental deposits for housing finance. The commercial banks are well equipped to lend for housing in rural areas because of their vast branch network.

Constraints of Rural Housing:

The experience of the last few years and the future scenario, despite the promises made in the budget, indicate that although budgetary support for rural housing appears to be with the unit cost of the construction under IAY and other schemes increasing, additional any budget support may not really add substantially to the housing stock. Secondly, institutional finance for housing has a very strong urban bias. For instance, only 15 percent of the HUDCO's housing resources is earmarked for rural housing for the EWS. There is a very limited outreach of institutional housing finance in rural areas. Negligible finance is available through commercial banks, LIC, GIC, etc., for rural housing. The Swarna Jayanti Housing Scheme of the National Housing Bank is also likely to have an urban bias like other schemes of other housing finance institutions, and housing boards and state housing corporations. Suitable institutional structures required to give a thrust to rural housing are not in place.

The 1998-99 and 1999-2000 budgets have laid an added emphasis on housing. The proposals made in the budget suggest that the government is moving towards granting infrastructure status to housing. Similarly certain concessions in income tax provisions are expected to release more resources to the housing sector. However, these
measures may give a fillip only to urban housing and may not have any impact on rural housing. The problem of rural housing, therefore, is quite daunting. There is an urgent need for taking appropriate steps to tackle the rural housing shortage if the target of the Government to provide house to every shelterless family by the year 2002 (Budget Speech 1999) is to be achieved.

Building Materials and Technology:

The vast majority of people in India live in inadequate shelters; inadequate by the standards that would be desirable for a healthy and progressive community. The poor and low income groups in India are neither able to construct a shelter on their own nor are the formal housing agencies able to provide dwelling units to them at affordable prices. With the passage of time, owing to an accumulation of backlog and also due to population increase, the housing shortage has reached the present dangerous levels. It is also observed that public resources are very scanty and the problem has been getting aggravated over the years. Planning bodies have recognised the importance of technological innovations in the field of mass housing and efforts have been concentrated in low-cost housing technologies.

It was said that the rural housing shortage is predominantly qualitative, requiring replacement because of unacceptable standard of habitation. This challenging task, it is argued, has to be faced by resorting to low cost housing techniques.

The National Building Organisation (NBO) was set up by the Government of India in 1954 to make a comprehensive study of the problems of housing in the country. It has been focusing its attention on local problems through its Rural Housing Wings, the Regional Housing Development Centres located in 15 places in the country. The Rural Housing Wings have been imparting training to the technical personnel of various state governments engaged in the field of rural housing. Research on the use of local materials and techniques is also being undertaken by these Rural Housing Wings.
Summing up:

The analysis of the shelter policy of India since Independence shows that during the first phase (1947-60) the problem of rural housing received only passing mention in the plan documents, while no substantial improvement was noticed. Rural housing was initially equated with rural infrastructure development and the land was considered to be a major constraint as a large section of rural people were landless. The government of India and the state governments have launched several social housing schemes to cater to the needs of low-income families and socially and economically backward groups. The social housing schemes can be divided into two categories. The first category covers the schemes, which are related to lower income group housing. It has a provision of loan finance to the extent of 80 percent for housing construction on easy terms. In the second category, there is a provision of capital subsidy besides loan finance to the employers and the state governments.

The shortage of shelter is the foremost problem of India and it has been neglected in all the five-year plans. In this context, it is worth discussing the housing conditions of rural India. In addition, the problems of shortage of housing in India with respect to housing and facilities in rural India need to be looked at. The 1991 census clearly shows that 28 percent of the rural households do not have the basic amenities, while less than six percent of the households had access to at least one of three amenities. It became necessary for the government to formulate the National Housing Policy in 1992 and get it approved by the parliament in August 1994. The National Housing Policy recognized that rural housing is qualitatively different from urban housing. Accordingly, the policy put forth the following as the action plans, (a) provision of house-sites to Scheduled Castes and Scheduled Tribes, freed bonded labour and land less labour including artisans. (b) provision of financial assistance for house construction to them on suitable loan-cum-subsidy basis. Most of the developed economies invest, on an average, five percent of their annual GNP on housing. They do not suffer a 'shortage' of housing units comparable to the problem in developing countries. Even though housing in India is predominately privately financed, no formal system of housing finance has emerged. Those who construct houses rely on privately available funds rather than institutional
support. In India, the existing housing finance system consists of two components, the formal sector, and informal sector. The study of NSS reveals that only 5.18% of total finance for rural housing came from formal agencies. There are many agencies catering to the needs of housing finance such as HUDCO, NHB, HDFC, UC, GIC etc. In this context, rural housing has constraints in terms of institutional finance. Housing finance has a very strong urban bias. For example, only 15 percent of HUDCO’s housing resource is earmarked for EWS rural housing. Negligible finance is available through commercial banks, LIC, GIC, etc., for rural housing. Lastly, several rural housing schemes are being implemented in the country like 1AY, Samagra Awaas Yojana (SAY) and the Golden Jubilee Rural Housing Finance Scheme (GJRHFS) etc., which need to be properly coordinated.

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