CHAPTER – I
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1.1 INTRODUCTION

The concept of cooperation is not of recent origin. The word cooperation has been derived from the Latin word 'cooperare', which means working together for a common cause. Similar in nature to democracy, the Co-operative movement is the movement of the people, for the people and by the people. Cooperation is a form of organisation wherein persons voluntarily associate together as human beings, on the basis of equality for the promotion of economic interest among themselves. The principles of cooperation may be considered as broad guidelines for Co-operative societies in the conduct of their various activities. They direct the movement and determine the follow-up action to be pursued by the society in future. The principles of cooperation are voluntary and open membership, democratic member control, member participation in matters of economic issues, autonomy and independence, education, training and information, cooperation among Co-operatives and concern for community. The chief mission of Co-operatives is to build a value-based human society.

The Co-operative movement in the country originated as a measure against rural poverty, which is aggravated by the chronic indebtedness of the farmers and the practice of usury at its worst by the moneylenders. Agrarian disturbances in 1875 in the Deccan against the moneylenders necessitated the enactment of Taccavi Legislation by the Imperial government, and it gave greater strength to the concept of the Co-operative approach. The Northern India Taccavi Loan Act, 1875, the Land Improvement Loans Act, 1883, and the
Agriculturist Loans Act, 1884, were all enacted to facilitate the availability of credit to farmers.

In 1892, Federick Nicholson recommended the establishment of rural Co-operative credit societies on the German pattern. The Famine Commission (1901) recommended introduction of Co-operatives in the country. In 1904, the government facilitated organisation of credit co-operatives and conferred upon them special privileges and facilities. The more comprehensive Co-operative Societies Act of 1912, enlarged the scopes of Co-operatives and it was enacted as Co-operative Credit Societies Act. Under the Government of India Act, 1919, the subject of Cooperation was transferred to the then Provinces, which were authorized to enact their own Co-operative laws. Under the Government of India Act, 1935, Co-operatives remained a provincial subject.¹

Co-operative institutions are the backbone of Indian economy. India's socio-economic, political and religious life is streamlined by the Co-operatives. Both the urbanites and the rural folk participate in the affairs of the Co-operatives either as members or as users. No vocation is spared in the Co-operative sector and all sections of people are in one way or another involved in Co-operatives. Indeed, people can enhance their progress and prosperity through cooperation.

1.2 STATUS OF CO-OPERATIVES IN INDIA

The Co-operative movement in India is the largest in the world. The impact of State support on co-operatives has been a mixed one. The positive
impact is manifested in the multi-directional expansion of co-operative activities that cover almost every aspect of the socio-economic life of the people. As a result of the commitment and support of the Government, India has now 5.03 lakh societies of all kinds with a membership of more than 209 million and a working capital of more than Rs.227111.8 crores. It has a share capital of Rs.11655.50 crores.²

1.3 HOUSING

House is a basic necessity. Every one, rich or poor, whether in rural areas or urban areas, needs a house to protect his life and property and also to promote his well-being. Besides, houses do a great deal more than housing the people. They channelise human relationships and are an integral part of a society. Unfortunately, for millions of people in India, the desire of owning a house remains only a long-cherished dream, unfulfilled largely due to the poor socio-economic conditions prevailing in the country.

At present, housing finance institutions owned by public, private and co-operative sectors are involved in promoting housing activities in India. The public sector includes the housing projects of Central Government, State Governments, State Housing Boards, Public Finance Institutions and Development Authorities. The contribution of this sector to housing is comparatively less. Builders, developers and private housing development agencies represent the private sector. This sector caters mainly to the needs of higher income and upper middle-income groups.
Co-operative Housing Sector is represented by the housing co-operatives, which have been formed mostly by the economically weaker sections of the people -- low income, and middle-income groups. It is further supported and assisted by the central and state Governments. In the construction of houses, the contribution of the Co-operative Housing Sector is laudable. Till now, it has constructed 14 lakh houses and flats. A similar number of houses is also under construction. In housing sectors, co-operative action is recognised as an ideal mechanism for securing the involvement of people and utilising their self-help in the whole process of building houses. Apart from providing people with shelter and housing, Co-operative Housing encourages a social living and also brings additional essential services to the community, namely, healthcare, recreational, transport, educational and environmental services.

In India, Co-operative Housing has emerged as a strong, well-organised and significant movement. Over the years, Co-operative Housing has grown from strength to strength. In addition, the Co-operative Housing Sector is a fully evolved and a well-established organizational structure. It does make a positive impact on the housing situation in the country.

1.4 HOUSING PROBLEM- A GLOBAL SCENARIO

It is a universal experience that the whole world is confronted with the housing problem. So far as housing is concerned, the entire world still remains underdeveloped. There is probably not a single major city in the world without some form of housing problem. It is more severe in urban centres than in rural
areas of most of the countries. In Los Angeles and in Tokyo, in New York and in Moscow, in Hong Kong and in Paris, in Stockholm and in Porasilia, housing is a serious issue.

Wallace F. Campbell, Ex-President of the International Co-operative Housing Development Association, has stated that a decent home in a suitable environment is not available or may never be possible for nearly two thirds of the people of the world.

Veladinmir Lemin highlighted the housing problem of Russia observing that the working people of Russia in the beginning of this century had a miserable life like animals, in dugouts of town suburbs or in terrible slums and basements. In worker areas, one room was rented out simultaneously to several families and they slept there in three tiers of plank beds and single people would rent part of room or beds in which they slept in turn.\textsuperscript{3}

A large increase in urban population has resulted the determination of housing conditions in China’s largest cities. Shanghai has over seven million people; Beijing and Tianjin have over five million each. Cairo and Egypt have over eight million people. Tropical African cities have had fewer housing problems until recently. According to the United Nations, by the year 2000, half of the population of most Asian cities will live in slums. In most Asian cities, inadequate housing is characteristic of 25 to 80 percent of the population. Inadequate housing in African cities ranged from a minimum of 33 percent to a maximum of 90 percent.
Housing scarcity has assumed alarming proportions not only in underdeveloped and developing countries but also in advanced countries like Europe and America.¹

1.5 HOUSING PROBLEM IN ASIA AND THE PACIFIC REGION

Countries in Asia and the Pacific regions, in general, have been facing common problems, like rapid growth of population, low per capita income, poverty, unemployment and low standard of living. Increasing urbanisation in these countries has further created problems like shortage of houses, over-congestion, formation of slums and squatter settlements that are deprived of basic amenities. These factors have posed a challenging task to many of the Asian countries in providing their people with one of the basic needs like housing.

Most of these countries have not been able to meet the needs of their population for adequate housing. There has been a general deterioration in housing and environmental conditions, and this sorry state of affairs has led to poor quality of life, particularly, in urban areas. In many of the countries in Southeast Asia, the governments have undertaken measures to ameliorate the critical housing situation and problems associated with rapid urbanisation. Despite all the efforts, the situation remains unsatisfactory with some exceptions in some countries.

In Pakistan, the annual demand for housing is 580 thousand units. There is a shortage of about 500 thousand dwelling units in the urban areas of
Indonesia. In Thailand, about 376 thousand dwelling units are in short supply in Bangkok city alone. Added to the requirements of other cities there is a demand of about 1130 thousand dwelling units.5

1.6 HOUSING PROBLEM – A NATIONAL SCENARIO

India is one of the oldest societies on the earth, which is rich in heritage, culture, arts and literature. India has a very ancient civilisation to her credit. Houses built and streets organised several centuries ago in Mohanjodara and Harappa are testimonies to Indian taste, life styles and life values. Forts, palaces and temples in India speak of the architectural calibre of ancient Indians. But, the exponential growth in population over the years and the population explosion particularly in the post independent period have made the situation totally different today. With over 100 millions as its population, India is now struggling hard to take the challenges on many fronts. In general, the housing problem has two distinctive characteristics, namely, qualitative and quantitative. While the housing problem in the rural areas is by and large qualitative in nature, the problem in the urban areas is largely quantitative6

Housing was given due attention in olden days and hence Indian people of those days could enjoy adequate housing facilities. But during the British period, housing problem existed mostly in big towns like Mumbai and Calcutta. In India, the housing inadequacy was first felt in urban centres in 1901. However housing inadequacy became less in 1911 because of plague and famine that caused death on a large scale. But as census record shows, after 1931, the situation entirely changed. Under the impact of the great depression,
house construction suffered a set back and housing provision could not cope with household growth.

During the Second World War, India's housing problem grew further by the settlement of workers who migrated to towns seeking work in factories producing ammunition and other war supplies. In 1947, the housing situation was further aggravated by the influx of 75 lakhs of displaced persons in the wake of partition of India and Pakistan who, by and large, preferred to settle in urban areas.

1.7 TREND OF DEMAND AND SUPPLY OF HOUSING IN INDIA

As the supply of housing does not keep pace with the population growth, the housing situation is deteriorating in India. The situation in rural areas is as bad as in urban areas where the slum population is growing rapidly. Details regarding the demand and supply of housing in India are stated below.
### TABLE 1.1

Demand and supply of housing in India - Number of Houses in Lakhs

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand</th>
<th>Supply</th>
<th>Surplus/Deficit</th>
<th>Surplus/Deficit in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>540</td>
<td>558</td>
<td>+18</td>
<td>103.33</td>
</tr>
<tr>
<td>1911</td>
<td>578</td>
<td>637</td>
<td>+59</td>
<td>110.20</td>
</tr>
<tr>
<td>1921</td>
<td>586</td>
<td>652</td>
<td>+66</td>
<td>111.26</td>
</tr>
<tr>
<td>1931</td>
<td>649</td>
<td>710</td>
<td>+61</td>
<td>109.39</td>
</tr>
<tr>
<td>1941</td>
<td>719</td>
<td>760</td>
<td>+41</td>
<td>105.70</td>
</tr>
<tr>
<td>1951</td>
<td>660</td>
<td>643</td>
<td>-17</td>
<td>97.42</td>
</tr>
<tr>
<td>1961</td>
<td>846</td>
<td>789</td>
<td>-57</td>
<td>93.26</td>
</tr>
<tr>
<td>1971</td>
<td>1004</td>
<td>907</td>
<td>-97</td>
<td>90.33</td>
</tr>
<tr>
<td>1981</td>
<td>1226</td>
<td>1015</td>
<td>-211</td>
<td>82.78</td>
</tr>
<tr>
<td>1991</td>
<td>1510</td>
<td>1219</td>
<td>-291</td>
<td>80.72</td>
</tr>
<tr>
<td>2001</td>
<td>1809</td>
<td>1418</td>
<td>-391</td>
<td>78.38</td>
</tr>
</tbody>
</table>

Source: Census of India – 1901-1991 and as given on K.V. Varghese, Housing Problem in India.


Table 1.1 reveals that there was a surplus of houses from 1901 to 1941 and ever since there has been a continuous increase in the shortage of houses in India. The demand for houses increased by 3.35 times and, on the other hand, the supply of houses increased by 2.54 times during the period of 100 years from 1901 to 2001. It clearly shows that there has been inconsistency in between demand and supply of houses. It further points out that the decrease in supply of houses was ever increasing except in the year 1951 and the estimated shortage of supply of houses in the year 2001 was 21.62 percent. The surplus in supply of houses existed only between 1901 and 1941 with the maximum of 9.39 percent in demand. The table gives a note of caution to the
government to take measures on war footing to construct houses so as to reduce the shortage of houses as early as possible. The important reason for continuous increase in shortage of houses in India is the low priority given to housing by both the central and the state governments and inadequate public sector investments in housing. Besides these, the house building activities in India have not kept pace with the huge demand for housing units.

1.8 DEMAND AND SUPPLY OF URBAN HOUSING IN INDIA

As the city grows in size and importance, shelter or a house in an industrial society has to fulfill many a requirement like easy access to work place, employment opportunities, educational institutions, hospitals, recreation spots and shopping centres. Hence, what the urbanites need is not just a house for each family but also house at a location of their choice in an ideal place. This leads to a scramble for the useful but scarce urban land. Efforts at productive innovations to tackle this problem of adequate urban housing have led to the vertical expansion of housing structures. Multi-storied buildings; sky setting complexes and matchbox apartments have come up in cities and metropolitan centres in response to the urban settlement problems. Inspite of these developments, the problem of scarcity of houses has not been fully solved over a long period even in most of the developed countries, not to speak of the conditions in the developing countries like India. Table 1.2 gives the details regarding demand, supply and surplus or deficit of houses in the urban areas of India.
### TABLE 1.2
Urban housing in India - Number of Houses (Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand</th>
<th>Supply</th>
<th>Surplus/Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>58</td>
<td>56</td>
<td>-2</td>
</tr>
<tr>
<td>1911</td>
<td>59</td>
<td>60</td>
<td>+1</td>
</tr>
<tr>
<td>1921</td>
<td>65</td>
<td>68</td>
<td>+3</td>
</tr>
<tr>
<td>1931</td>
<td>78</td>
<td>79</td>
<td>+1</td>
</tr>
<tr>
<td>1941</td>
<td>99</td>
<td>96</td>
<td>-3</td>
</tr>
<tr>
<td>1951</td>
<td>124</td>
<td>103</td>
<td>-21</td>
</tr>
<tr>
<td>1961</td>
<td>156</td>
<td>138</td>
<td>-18</td>
</tr>
<tr>
<td>1971</td>
<td>209</td>
<td>180</td>
<td>-29</td>
</tr>
<tr>
<td>1981</td>
<td>291</td>
<td>241</td>
<td>-50</td>
</tr>
<tr>
<td>1991</td>
<td>353</td>
<td>284</td>
<td>-69</td>
</tr>
<tr>
<td>2001 (estimated)</td>
<td>443</td>
<td>288</td>
<td>-155</td>
</tr>
</tbody>
</table>


The table above shows that NBO has estimated the demand, supply and surplus/deficit of houses in urban areas. It is seen that the estimated demand of houses increased by 7.63 times, the supply of houses increased by 5.14 times and the deficit of houses alarmingly increased by 77.5 times within a period of 100 years. There was a surplus of houses in urban areas by three times that is 1911, 1921 and 1931. It is also found that demand and supply of houses were not uniform in progress. According to the table, it specifies that the demand for houses was more increasing than that of the supply of houses in urban area. It was due to migration of large numbers of rural population to urban centres for employment opportunities and higher educational facilities for
their wards. Inevitably, this phenomenon led to increasing demand for houses in urban areas.

1.9 HOUSING SHORTAGE IN INDIA

Various research organisations have come out with estimates of the current and anticipated housing shortage in the country. The NBO has estimated the housing shortage in the year 2001 at about 41 million units with a break up of 25.5 million in rural areas and 15.5 million in urban areas. This information is shown in the table 1.3.

TABLE 1.3

<table>
<thead>
<tr>
<th>Estimated Item</th>
<th>(In million number)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td></td>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>House holds</td>
<td>113.5</td>
<td>137</td>
<td>47.1</td>
<td>72.2</td>
<td>160.6</td>
<td>209.2</td>
</tr>
<tr>
<td>Housing stock</td>
<td>106.2</td>
<td>127.8</td>
<td>42.6</td>
<td>64.8</td>
<td>148.8</td>
<td>192.6</td>
</tr>
<tr>
<td>Usable Housing stock</td>
<td>92.9</td>
<td>111.5</td>
<td>36.7</td>
<td>56.7</td>
<td>129.6</td>
<td>168.2</td>
</tr>
<tr>
<td>Housing gap</td>
<td>20.6</td>
<td>25.5</td>
<td>10.54</td>
<td>15.5</td>
<td>31.0</td>
<td>41.0</td>
</tr>
</tbody>
</table>


Table 1.3 reveals that out of the total estimated housing shortage, the rural area accounted for 62 percent and the urban area accounted for 38 percent. It indicates that the percentage of housing shortage is more in rural than the urban areas of the country. The main reason for the increase in housing shortage is due to high rate of population growth. Three fourth of the population of our country live in rural areas, and this excess of population leads to more housing shortage in rural areas than in urban areas.
1.10 HOUSING SHORTAGE IN TAMILNADU

The NBO has come out with the estimates of the housing demand, housing stock and the housing shortage in the state of Tamilnadu. This is shown in the following table.

**TABLE 1.4**

**Estimates of housing shortage in Tamilnadu**

<table>
<thead>
<tr>
<th>Estimated items</th>
<th>Number of Housing units (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing demand</td>
<td>135.74</td>
</tr>
<tr>
<td>Housing stock</td>
<td>121.74</td>
</tr>
<tr>
<td>Housing shortage</td>
<td>14.00</td>
</tr>
<tr>
<td>Estimated shortage in urban area</td>
<td>7.00</td>
</tr>
<tr>
<td>in rural area</td>
<td>7.00</td>
</tr>
</tbody>
</table>

**Source:** NBO, Handbook of Housing Statistics.

Table 1.4 points out that the NBO estimated the housing shortage in Tamilnadu in the year 2001 at about 14 lakhs units with a break up of 7 lakhs in rural and 7 lakhs in urban areas equally. At the same time, at all India level, the percentage of housing shortage is more in rural areas than urban areas, that is, 62 percent and 38 percent respectively. But in Tamilnadu, the estimated housing shortage is equal in rural and urban areas. Out of the total estimated housing shortage in India, the state of Tamilnadu accounted for 3.41 percent of housing shortage. The reason for the equal housing shortage in Tamilnadu state in both urban and rural areas is that successive governments of Tamilnadu introduced and implemented numerous housing schemes for the
welfare of low-income group as well as the economically weaker sections of the public compared to other states in India.

1.11 INVESTMENT IN HOUSING IN INDIA

The country continues to face an acute shortage of housing estimated at 41 million units in 2001. The reasons for the housing shortage are lack of land reforms, regressive policies, inappropriate planning and regulations, insufficient public sector investments and limited private participation. The cost of property is the highest in India in spite of the fact that it has a huge land bank. The entire outstanding home loans in the country stand at Rs.40,000 crores and account for only less than two percent of the gross domestic product, which is much lower than that of other countries. For instance, it is 30 percent in Europe, 3.5 percent in the U.K, 3.6 percent in the USA, 6.5 percent in Germany, four (4) percent in Mexico, 6.2 percent in Japan and 12 to 16 percent in some other countries. The investment in housing by the public and private sectors in India is given below:
TABLE 1.5
Public and Private Sectors investment in housing (Rupees in crores)

<table>
<thead>
<tr>
<th>Five year plans</th>
<th>Public sector investment</th>
<th>Private sector investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>150</td>
<td>900</td>
</tr>
<tr>
<td>Second</td>
<td>320</td>
<td>1000</td>
</tr>
<tr>
<td>Third</td>
<td>425</td>
<td>1125</td>
</tr>
<tr>
<td>Fourth</td>
<td>625</td>
<td>2175</td>
</tr>
<tr>
<td>Fifth</td>
<td>796</td>
<td>3640</td>
</tr>
<tr>
<td>Sixth</td>
<td>1491</td>
<td>18000</td>
</tr>
<tr>
<td>Seventh</td>
<td>2458</td>
<td>29000</td>
</tr>
<tr>
<td>Eighth</td>
<td>7750</td>
<td>69746</td>
</tr>
<tr>
<td>Ninth</td>
<td>15485</td>
<td>135515</td>
</tr>
</tbody>
</table>


Table 1.5 reveals that the amount of public sector investment in housing in the First Five Year Plan was Rs.150 crores. This amount went up to Rs.15485 crores in the Ninth Five Year Plan period. That means there was an increase by 103.23 times. The Private Sector investment in the housing in the First Five Year plan was Rs.900 crores. It increased to 135515 crores in the Ninth Five Year Plan period, that is, there was an increase by 150.57 times. It further points out that though both Private and Public sector investments in housing increased continuously, the number of times and the amount of private sector investment in housing increased at a greater level than that of the Public Sector investment. The reason for the huge increase of Public Sector investment in housing during the Ninth Five Year plan period is that the
Reserve bank of India directed the banks during 1996-97 to earmark 1.5 percent of their incremental deposits for housing finance. Subsequently, the RBI increased it by three percent. The high demand for houses is the significant reason for the increase in investment of Private Sector in housing.

The investment made by both Private and Public Sectors for housing development in India is highly inadequate. Further, these institutions have concentrated only on high and middle-income groups for house construction. They have failed to cover the lower income groups and particularly economically weaker sections both in urban and rural areas. Hence, there was a strong need for starting up of co-operative housing societies to promote housing in India.

1.12 ORIGIN AND DEVELOPMENT OF HOUSING CO-OPERATIVES

The origin of Co-operative housing movement dates back to the beginning of the twentieth century. The first Co-operative housing society was set up in the year 1909 in the former Mysore State, now known as Karnataka. It was called The Bangalore Building Co-operative Society. Bombay State, which now is Maharashtra, also took initiative in this field by forming a non-official body in the year 1913. This body came to be known as The Bombay Co-operative Housing Association. In Chennai, though the first society was registered in 1914, it became active only in 1923 when the government started financing it. However, in the Madras Province, the first Co-operative was established in 1910. Economic depression and the Second World War, however, delivered a heavy blow to the growth of the housing movement. The
prices of building materials went up abnormally. There was scarcity of skilled as well as of unskilled labourers and the cost of construction rose very high. Due to the acute shortage of building materials and labourers and the policy of restrictions imposed by Government in financing these societies, the Co-operatives could not expand or even carry on their normal activities during the War period. The end of the War, followed by independence and large-scale migration of population in its wake owing to partition, focused public attention again on the housing problem.9

The housing Co-operatives in India have made remarkable progress in the various segments of Indian economy during the past few decades. There are 92000 housing Co-operative societies with a membership of 65 lakhs as on 31.3.2000. Out of this, the number of members from urban housing Co-operatives is 2,40,000. It has a share capital and a working capital of Rs.3616.07 crores and 50,000 crores respectively. The number of houses constructed through housing Co-operatives is 20,83,482 and under construction is 4,46,280. The housing societies play a vital role in house construction activities and, therefore, they are of immensely helpful in reducing the housing shortage in India.10

1.13 CO-OPERATIVE HOUSING IN TAMILNADU

In Tamilnadu, the Co-operative housing movement was started in 1910. The first step in Co-operative housing was made in the 1910's by organising a Co-operative building society in Coimbatore. This was followed by the establishment of a few more societies in Co-operative lines in different parts in
Tamilnadu. But these societies were finding it difficult to cater to the needs of the people. Hence, many experts and committees recommended strongly to the State Government to speed up the Housing Co-operatives through financial assistance. As a result, the Government allocated special funds for the Co-operative housing societies in the State Budget in 1923. The funds were distributed as long-term loans to the members of Co-operative building societies through the Registrar of Co-operative Societies, Tamilnadu. All the Co-operative housing societies that functioned under the control of the Registrar of Co-operative Housing Societies in the state were subsequently brought under the control of the Registrar of Co-operative Societies. Today, it is like a big banyan tree, which widely spreads out its strong branches and remains as a shelter to all the needy.

Prior to the formation of the Tamilnadu Co-operative Housing Limited, (1959) there were Co-operative Mortgage Banks. They rendered some of the services of the housing Co-operatives. Life Insurance Companies were the major financiers to these Mortgage Banks. When the Life Insurance business was nationalised in 1956, these Mortgage Banks could not get financial assistance from the newly formed Life Insurance Corporation of India, as the laws of the L.I.C did not permit any lending to these Mortgage Banks. To tide over the problem, the then Government of Tamilnadu established the Tamilnadu Co-operative Housing Society Limited on 18.4.1959 which, being a corporate entity, was eligible to get loan from the L.I.C. The Primary Mortgage Banks became members of the Tamilnadu Co-operative Housing Society
Limited, Madras. The nomenclature of the Tamilnadu Co-operative Housing Society was subsequently changed to Tamilnadu Co-operative Housing Federation Ltd. in 1988. At present, 734 housing societies are affiliated with TNCHF. This organisation covers all types of developmental activities of Co-operative Housing Societies and, thus, it has become an effective body of a two-tier Co-operative housing structure.

In Tirunelveli region, the number of houses constructed through both urban and taluk Co-operative housing societies are 88,801 from their inception to 31 March 2000. For this purpose, the total loans disbursed by the housing societies to their members as on 31 March 2000 were Rs 243.39 crores.11

1.14 STATEMENT OF THE PROBLEM

The main purpose of setting up of the Housing Co-operative Societies in rural and urban areas is to help people construct their own houses. Till 1990, the major source of housing loan to the people of urban areas was the Urban Co-operative Housing Societies. After the economical reforms initiated by the Government of India in 1991, the commercial banks and the non-banking finance institutions are lending loans liberally to the people of urban areas. The rates of interest, charged by these institutions are lower than the interests charged by the Urban Co-operative Housing Societies. This affects the working of Urban Co-operative Housing Societies in the country. The Housing Societies of Tirunelveli region are also no exception.

People from the Tirunelveli region prefer public sector banks to housing societies for their housing loans. As a result, the Urban Co-operative Housing
Societies in Tirunelveli region face the problem of lending money to the people. At the same time, they are unable to reduce the rate of interest at the competitive level because it is the Tamilnadu Co-operative Housing Federation that fixes their rate of interest. It results in fluctuating trends in the demand for loan from the Urban Housing Societies of Tirunelveli region. It also affects the Urban Co-operative Housing Societies' financial performance and, finally, leads to sickness in Tirunelveli region. Moreover, the borrowers of the Urban Co-operative Housing Societies in Tirunelveli region fail to pay their Instalment dues regularly. If this trend continues, most of the Urban Co-operative Housing Societies in Tirunelveli region may have to close in future. So, there is an urgent need to highlight their problems and bring them to the notice of the authorities concerned to recover these societies from their financial crisis. An attempt has already been set in motion to study the various problems faced by the Urban Co-operative Housing Societies with a view to promoting housing in Tirunelveli region. On the basis of the present problems faced by the Urban Co-operative Housing Societies in Tirunelveli region, the study seeks to find out answers to the following research questions.

1. What are the causes of the financial crunch in the Urban Co-operative Housing Societies in Tirunelveli region?
2. Why do the expenses exceed the income?
3. What are the reasons for the increase in the number of defaulters during the study period?
4. What are the reasons for the rise in overdues and fall in recovery?
5. What are the administrative constraints in Urban Co-operative
Housing Societies in Tirunelveli region?

6. Which District Urban Co-operative Housing Societies fare better than others in the Tirunelveli region?

7. What are the feedbacks from the borrowers?

1.15 REVIEW OF EARLIER STUDIES

Engels 12 (1961) in an article titled "The Housing Question" states that there are various schemes like the low-income group housing scheme, and the subsidised industrial housing scheme. But there is no doubt that even the fringe of the problem has not yet been touched. He stresses that unless it becomes the declared policy of the state not to permit the licensing of factories and mills unless adequate houses are built for their workers, the problem is bound to continue to be acute. He concludes in his article that housing Co-operatives are doing some very useful work and, they are able to imagine that the question of housing shortage in the country can be overcome either wholly or even the part through housing Co-operatives alone.

The study "Financing of Housing Construction in India" undertaken by Kumud Chitre 13 (1976) is concerned primarily with financing the urban house construction. The study covers three aspects namely, (a) the trends in housing investment and the role of government, (b) the role of various institutions in housing finance and construction, and (c) the need of finance for rural housing. The study reveals that the total public sector investment, according to the planning commission, is only a small portion estimated to be about one-sixth of the total investment in housing. He finds that the major part of the effort in
housing is in the Private Sector and investment in urban housing has shown a decline from 1970-71 to 1973-74. The study also finds that the institutional setup for financing construction of rural housing does not exist during this period. He emphasises that housing investment is a strong motivation for personal savings and suggests that it is necessary to create specialised financial institutions for rural housing.

The study "Housing Growth in India" by Bakshi D. Sinha\textsuperscript{14} (1976) reveals that the problems of housing have attained unprecedented dimensions mainly because of the alarming population growth and the inadequate supply of houses. He also estimates the all India investment norms for rural and urban areas for housing material and investment needs for both urban and rural area.

Agnihotri, S.K.,\textsuperscript{15} (1978) presents a paper on "Functioning of Weavers Housing Colonies under Weaving Co-operative Societies in Assam". He attempts to assess the utilisation of subsidy sanctioned for maintenance and repairs of housing colonies and to examine as to whether any benefits accrued to the deserving weavers from the establishment of the weavers housing colonies. He finds that the field studies showed that these societies were not being managed properly, and the annual general meetings were not held regularly. He observes that up to date audit was not conducted due to lack of audit staff. The study reveals also that in most of the cases the amount was not spent for the purpose for it was sanctioned. He finds in his study that the housing scheme had not been successfully implemented due to lack of timely and adequate vigilance and proper guidance. Finally he suggests that
periodical visits by senior officers to review the functioning of the housing scheme. He advocates that the society should create conditions for effective participation of members in the management of the society.

Maharajan, M.P.,¹⁶ (1978) in his paper on "The Methodology of Two Tier System of Co-operative Housing Finance in Maharashtra". The study pertains to the exhaustive study conducted on the methodology of two-tier system of Co-operative housing finance in Maharashtra i.e. the state level apex Co-operative housing societies. The study covers various aspects such as (a) Co-operative housing and the two tier structure (b) Finance for the apex federation (c) Finance to the primaries and (d) Foreign systems, case study, surveys, suggestions and conclusions. He studied the salient features of some housing systems, the beneficiaries of Co-operative housing finance and pattern of housing finance.

International Co-operative Alliance published a report on the "Readiness in Co-operative Housing" in 1973. It deals with selected papers presented by experts of international Co-operative housing of the regional seminar held at Kuala Lumpur in 1970, sponsored by the International Co-operative Alliance. The papers mainly examine the serious housing shortages in rural and urban areas, growth of slums, squatter settlements and general deterioration on active overcrowding in urban areas, the planning and implementation of Co-operative housing scheme, government policy for development of housing and the housing problems of low and middle income groups.¹⁷
The working group appointed by the RBI, to examine the role of banking system in providing finance for housing scheme, submitted its report in 1978. The group viewed that the reluctance on the parts of banks to extend credit for housing construction may be attributed to (a) the view that bank credit should be restricted to working capital needs of industry, (b) the desire not to tie up their resources to long term uses like housing, (c) the view that the housing property was not safe security owing to legal and other problems, and (d) lack of national policy on housing.

It further recommended that the following types of building construction should be eligible for housing finance by banks: (a) residential houses to be constructed by housing agencies like HUDCO, Housing Boards, local bodies, industries, Co-operative societies or employees, (b) educational, health, social, cultural or other institutions which are part of a housing project, (c) shopping complexes, markets and such other centres catering to the day-to-day needs of the residents of housing colonies, and (d) construction meant for improving the conditions in slum areas for which credit may be extended, divisibly to the slum dwellers on the guarantee of the governments.18

Gopalan, M., and Mohana Amudha19 (1978) presented a paper on "Co-operative Building Society - an Empirical Study on the Pattern of Beneficiaries". The study reveals that for construction of houses, Housing Co-operatives in India does not provide housing loans at reasonable rates of interest. They point out that only 40 percent of the respondents regularly attended the general body meetings. The study further reveals that the salary earners and professionals
formed an important part of 65 percent of the total members and about 58 percent of the respondents expressed that they had not received adequate loans. They find that 90 percent of the respondents felt that the management of the societies was partial in sanctioning loans. The study also reveals that nearly 85 percent of the respondents expressed satisfaction with the valuation of their property and land and, they also remitted their loan amount promptly. They suggest that the society should check up rising overdues by taking appropriate measures and should simplify the loan procedure to avoid delay in sanctioning loans. They conclude that the steps should be taken up to render help to the genuine and needy weaker sections in the community.

A case study entitled "Housing 2000 AD" contains a discussion on the current housing situation in the country. Through an analysis of completions, demolitions and vacancy rates under varying assumptions of population and economic growth rate between 1971 and 2000, the projections of housing needs in the country have been made in this study. Housing subsidies, manpower, building materials and other related subjects have also been discussed in the report.20

Varghese, K.V., 21 (1980) in his book, "Housing Problem in India: Economic and Social Aspects" deals with the problem of housing finance in three sections. The first section is concerned with the definition, importance, problems and risks of housing finance. The second section deals with the requirements of housing finance to meet both housing backlog and annual
deterioration of the housing stock. The third section traces the availability of housing finance through several agencies.

Veena, D.R., 22 (1985) in her study, "A Need for Restructuring of Housing Policy in India" explains that housing is a basic need for human life, next to food and clothing. Housing is not only a consumption commodity but an investment commodity, too. It creates assets, employment and income for the society. Still, it has not been included under the high priority sector. It constitutes a very minor share of capital investment to the total investment in the economy. The author concludes that there is a strong need for a new approach to strategy, policy, programme and project in order to solve the problem of housing shortage and to channelise the integral process of development and social justice.

Mohamed Akbar Ali Khan 23 (1986) presented a paper titled "Housing in Karnataka and Tamilnadu". In his paper he mentions that the possession of a house might be the first step on the road to social and economic advancement. It preserves one's self respect and dignity, which in all societies must be considered as a basic right of every one. But in developing countries like ours, with many priorities on its agenda to achieve a socialist pattern of society, housing gets only low priority. Thus, housing can be viewed as a micro problem subsumed under the macro consideration of food, energy, and employment. He highlights the policies and programmes of housing implemented by a multiplicity of agencies in the states of Karnataka and Tamilnaddu of which an empirical study has been made.
Rajbala, 24 (1987) presented a paper entitled "Co-operative Housing Societies in Rajasthan: Issues and Problems". The study concentrates on matters related to nomenclature of the society, areas of operation of the societies, participation of members, credibility, role of organisers, rigidity of laws, management, development charges, construction cost and financial position. The study reveals the organisational and financial problems faced by the societies and also the problems related to the Co-operative department. He advocates that there is a need to minimise the policy constraints for Co-operative housing societies in Rajasthan, and also that it is necessary to search out the internal problems of the Co-operative housing societies. He suggests that the problems of Co-operative housing societies could be solved when government and concerned departments take vigorous and time-bound programmes. He further advocates that the government should identify the house construction agencies, their resources, and area of working for future.

The study "Housing Rural Poor and Their Living Conditions" undertaken by C. Parvathamma and Satyanarayana 25 (1987) highlighted the poor housing conditions both in urban and rural India. According to them, the reasons for the problems are rapid growth of population, continuous migration from the rural areas, limited land, haphazard growth of cities and towns, increasing number of the urban poor and the steep rise in cost of construction inclusive of material and land. The authors also listed the nine social housing schemes introduced by the government since 1952. They concluded that the NBO should expand
its activities to states and set up research wings to work on rural housing and other necessities.

The study entitled "Housing in India" undertaken by Francis Cheruniham and Odeyar D. Heggede (1987) outlines the quantitative and qualitative aspects of the housing problems in India. The magnitude and dimensions of the problem clearly indicate that the housing problem in India cannot be completely solved in the near future. Effective solution to the problem calls for a long-term habitat strategy with the needed sub-strategies and short-term strategies incorporated in it. There are, however, a number of immediate measures, which can help alleviate the problem. Greatly important among them are the provision of finance for a large scale development of suitable land sites in urban areas, developing and applying low cost technology in house construction and formulating the right policies relating to rent control. The authors give a brief account of the important institutions, which finance housing activities in the country like HUDCO, LIC, GIC and Commercial Banks. They further narrate the obstacles responsible for the low investment in the housing sector in India.

Jayaraman, N., and Sandhu, R.S., (1987) in their book "Housing in India- Problems, Policies and Perspectives" review from a macro perspective, though briefly, the nature and magnitude of the housing problem in urban India and provide a succinct critique of the policy measures undertaken so far to tackle them.
Maurya, S.D., \textsuperscript{28} (1988) concludes in his book "Population and Housing Problems in India" that there is a need for radical orientation of all policies relating to housing. The most important among them are the provisions of finance for house construction, development of suitable land sites in urban areas on a large scale, provision of house sites in rural areas, developing and applying low cost technology in housing construction and formulating policies relating to rent control. He further argues that there is an urgent need for an integrated development strategy for housing economically weaker sections and low-income groups.

The study, "Housing and Urban Development in India" undertaken by Vijaya Bhole, \textsuperscript{29} (1988) makes a detailed analysis of the relative roles of the financial agencies such as LIC, Andhra Pradesh State Co-operative Housing Federation and HDFC. The analysis highlights the nature of housing agencies and their funding. He makes a critical assessment of various agencies in metropolitan Hyderabad, which reveals that with their mode of functioning they are not able to cope with the growing housing demand of the city.

Arun Kumar\textsuperscript{30} (1989) in his article titled "National Housing Policy – The Implications" states that The National Housing Policy fails to articulate the interests of the deprived classes. There is no attempt to change the structure of the markets in order to strengthen the position of the weaker sections. He suggests recognition of the right to shelter and a restructuring of the land market through nationalisation of the right to transfer landed property. In a
capitalist society, with its basis in private property rights, these steps may be rejected but then there would be a continued working of the housing situation of the property less.

Khurana, M.L., 31 (1991) in his article "Housing Development Agencies" describes the housing scenario in both rural and urban areas India. The backlog of housing shortage has been increasing year after year due to low rate of dwelling construction in comparison to the increase in households both in urban and rural areas. He also highlighted briefly the role of the government and research development and extension agencies in housing development leading to the construction and provision of affordable house to the people.

Gopikuttan, G., 32 (1990) in his paper titled "House Construction Boom in Kerala: Impact on Economy and Society" states that since the mid seventies house construction activity in Kerala has taken a sudden upturn. He analyses the impact of this boom on factor and material markets, employment, skill- mix and technology. He points out that the boom has failed to provide any growth stimulates to the states economy and to satisfy the shelter needs of the poor sections. It is due to the lack of effective public policy to monitor capital flows into housing and related activities. He advocates the formulation of a housing policy along with clear-cut programmes for their implementation, which are integrated into the general planning process.

Malhotra, R.N., 33 (1991) in his article entitled "Housing Finance" narrates the institutional and non-institutional sources for housing activities. He also briefly mentions the important principles essential for a sound finance
company. He concludes that a well-managed housing finance institution can expect not only to serve the laudable social objective of helping people to procure shelter but also to earn reasonable profits.

In the article, "Development of Housing Finance in India" by Nasser Munjee, Devendra Gupta, Dinesh Mekta and Vivek Huthee Sing,\(^\text{34}\) (1991) the authors mention the institutions that finance housing. They conclude that resource mobilisation and effective intermediation have become the key ingredients of an effective financial system. The rationale for specialised institutions pay precisely in the development of specialised human resources, technological systems and managerial techniques to deal with very specific forms of activity in the most efficient (cost-effective) manner possible.

In the article "Housing Finance System and Urban Poor", Meera Mehta and Dinesh Mehta,\(^\text{35}\) (1991) mention that, with the establishment of the National Housing Bank and the emergence of many private and joint sector housing finance companies, the housing finance system has grown during the last decade and become market-oriented. They examine the extent of financial deepening and the role of institutional housing finance in urban India. They find that the distribution of funds across various income groups demonstrates that the middle and upper income families are the main beneficiaries of such housing finance efforts. They suggest a range of policies and programmes that can both increase investments in housing as well as serve the needs of the urban poor.
The article "Housing Finance System – the Emerging Scenario" by R.V. Verma (1991) outlines the institutions that extend housing loans. The author concludes that there is a wide gap in the existing housing finance system. They also point out that even the resources of all the institutions taken together would be grossly inadequate. According to them, structural changes through appropriate institution – building would form an important component of any strategy designed to tackle the housing problem.

The study "Financial System of India – A Profile of Sectoral Financing" conducted by B.D. Ghonasgi Malati Anegol (1991) highlights the qualitative and quantitative dimensions of the housing problem and the housing shortage in urban and rural areas. He describes the nature and function of the major financial institutions providing housing finance like LIC, HUDCO, HDFC, Scheduled Commercial Banks and The National Housing Bank. He concludes that the formal housing finance system is rather complicated and there is needless duplication and overlapping in the functioning of institutions operating in the housing market. One of the prime considerations should be to correlate institutions operating at all levels. There is a great need to coordinate financial and physical parameters in housing. This calls for framing a long-term perspective housing policy coordinating the financial, physical and legal parameters relevant to housing development.

Baswaraja, M. and Gowrappa K. (1992) in their article "Housing Finance in India", state that investment in housing is not accorded due priority in the programme of planned development and, the continuous neglect of this
sector has made the housing problem colossal both in urban and rural India. The article analyses the sources of housing finance both formal and informal. The authors also compare the interest rates charged by different housing finance institutions such as National Housing Bank, LIC, HDFC and CANFIN for different loan amounts.

Deepak Parekh 39 (1993) in his work, "Housing and Financial Intermediation" states that almost all governments with differing political persuasions in the developing and developed countries have a similar objective for their citizens, namely, to ensure that all families have decent houses in suitable living environments. The author highlights the institutions that provide housing finance such as HUDCO, Co-operatives, HDFC and House Building Advance to employees. He further suggests some policy measures for a future strategy with some key elements. He concludes that a sound structure of institutions would prove to have the most lasting impact as the real development of housing activity in developing economics.

Khurana, M.L., 40 (1995) in his article titled "Housing Co-operatives Provide Less Expensive Housing Loans" states that the lower strata of the population find it difficult to build their houses from their own savings and resources. They depend on various funding agencies for their own savings and resources. They depend on various funding agencies for their loan requirements and search for a housing finance agency, which can provide them with the cheapest loan. The author compares the Delhi Co-operative Housing Finance Corporation with other institutions like LIC, HFL, CANFIN Homes, City
Homes and HDFC. He analyses the rate of interest, processing fees and administrative charges of these institutions for a loan amount of Rs.1, 00,000. He also mentions the ceiling for the maximum loan of these institutions. He concludes that apex Co-operative housing federations provide less expensive housing loans among all housing finance institutions for an individual. The other loaning conditions offered by the apex Co-operative housing federation are comparable or even better than other financing institutions.

The article "Housing Finance – Some Relevant Issues" by Samentakdas 41 (1996) analyses the total investment in housing under the Five Year Plans. In India, the flow of credit into the housing sector comes from two sources, the formal sector and the informal sector. Flow of credit from the formal sector originates from two sources namely (a) Bulk Credit and (b) Retail Credit. He concludes that the government should concentrate on upgrading and improving the facilities or creating an enabling environment for housing finance activities by eliminating constraints.

The article titled "Fifty Years of Independence and Housing Co-operatives" by M.L. Khurana 42 (1997) discusses the important developments in the Co-operative housing sector during the past fifty years of independence, the challenges and tasks before housing Co-operatives. He highlights one of the problems of housing Co-operatives as non-repayment of loans by members in time. He also suggests some measures to ensure timely recovery of loans.

Hamalata C. Dandekar, Sashikant B Sawant 43 (1998) in their study titled "Housing Needs in New Suburbs of Indian Metropolis" state that a survey of
three localities in a rapidly expanding suburb of Pune, differentiated class wise, illustrates the segmented utilisation of livelihood opportunities, services and facilities by the residents of the region. The article attributes the suburbs robust growth to its timeliness in meeting the emerging housing needs of the upwardly mobile middleclass living in the heart of the Pune city. They suggest that its relatively low infrastructural costs may be an incentive attracting the retired members of middle class households of Mumbai.

Khurana, M.L., 44 (1999) in his article titled "Recent Trends in Housing Sector" states that housing sector is now recognised to be a powerful force for revival of the entire economy and the construction sector has very strong linkages with several other major sectors, notably steel and cement. He further points out that a general upsurge in construction activities is expected not only to increase the corpus of housing stock in the country, but can also give a substantial fillip to industrial and employment generating activities. In this article, an attempt is made to review and analyse some of the recent trends in housing sector, in terms of housing policy, fiscal incentives, land allotment, legal reforms and financial support with reference to housing Co-operatives. He concludes that the housing Co-operatives are peoples' organisations based on principles of self-help, self-reliance and community participation. They deserve to be given necessary patronage by the government and local authorities, so that they can play their expected role of providing affordable shelter to the poor and the needy.
Iyengar R.N., (2000) in his paper titled "Housing – A Complex Interplay of Socio-Economic and Technological Issues" attempts to present a brief overview of the housing problem confronting the country. He discusses the interplay that exists among the social, economical and technical fronts in the search for a satisfactory solution. He points out that even if these three topics appear to be most important, the subject of housing cannot be totally separated from historical and cultural backdrops. He finds that children, family welfare and gender issues are closely linked to the subject of housing. In his conclusion one may find that the aim of any national housing policy must be to create homes and not just construct more buildings.

The study "An appraisal of Chinnalapatti Co-operative Building Society Ltd." conducted by Samwel Kakuko Lopoyetum (2000) reveals the trend of membership, share capital, reserves, borrowings, working capital, loans disbursement, outstanding and overdue position of the building society for the period from 1991-92 to 1995-96. The study finds that the building society is catering to the housing needs and requirements of the weaver's families who are members of the Weavers' Co-operative Society. They are persons of small means and economically weak. He advocates that there should be prompt assistance in the procurement of land and other requirements of the building society to serve the interests of its members effectively and efficiently. He recommends that due to the scarcity of land, the local administrative body such as the Panchayat Union should help the society in obtaining land at a reasonable value, particularly lands controlled by the State Government or
Trust Land. He concludes in his study that the building society should review
the loan issued to the members from time to time to avoid underfunding and
misutilisation of loans.

Maj, 47 (2000) in his paper titled "Co-operative Housing Societies: Some
Thoughts", describes the functioning of a housing Co-operative society where
individuals own plots. He is of the opinion that the disputes among members
should be sorted out amicably rather than going to a court. He advocates for a
separate bylaws to plot owners housing Co-operative society and flat owners
housing Co-operative society. He emphasises that there is a need to separate
bylaws due to the peculiar conditions of the two situations.

Subhash Lakhotia 48 (2000) in his paper, titled "Income-Tax and Housing
Co-operatives" states that the computation of different incomes arising from a
Housing Co-operative society does not have different set of rules and thus all
exemptions, deductions and exclusions which otherwise are permissible to
other categories of tax payers are equally enjoyable by these Housing Co-
operative Societies, too. However, these Housing Co-operative Societies enjoy
one exclusive deduction from their income under S.80P of the Income-tax Act,
1961. He emphasises that for the development of housing Co-operative
societies, the Government of India and, in particular, the Ministry of Finance
should consider amending the Income-tax Act, 1961 whereby any income
arising to the housing Co-operative society becomes fully exempt under S. 80P
of the Income-tax Act, 1961 so that the taxation aspects of housing Co-
operative societies are at par with other Co-operative societies engaged in
banking or credit facilities or cottage industries or agricultural Co-operative societies.

He suggests that, to increase the scope of housing Co-operative societies, the Government should also consider the suggestion of permitting trusts, firms and companies as members of Co-operative societies. This definitely is a revolutionary idea and, if implemented, will surely bring housing activity in full gear and will be instrumental in unprecedented growth of housing Co-operative societies.

John M. Quigley, Steven Raphael and Eugene Smolensky (2001) in their article titled "Homeless in America, Homeless in California" state that the increased incidence of homelessness in the United State has arisen from broad societal factors, such as changes in the institutionalization of the mentally ill, increases in drug addiction and alcohol usage. This paper presents a comprehensive test of the alternate hypothesis that variations in homelessness arise from changed circumstances in the housing market and in the income distribution. The writers gather essentially all the systematic information available on homelessness in U.S. urban areas, census counts, shelter bed counts, records of transfer payments and administrative agency estimates. They estimate similar statistical models using four different samples of data on the incidence of homelessness, defined according to very different criteria. Their results suggest that simple economic principles governing the availability and pricing of housing and the growth in demand for the lowest quality housing explain a large portion of the variation in homelessness among U.S.
metropolitan housing markets. Furthermore, fairly modest improvements in the affordability of rental housing or its availability can substantially reduce the incidence of homelessness in the limited states.

Paul Pothen \textsuperscript{50} (2001) in his paper, titled "The Opportunity for Co-operatives in Rural Housing" states that the pyramid structure of the prevalent Co-operative system could be duplicated in the parallel rural housing initiative. He points out that, given adequate detailed planning at the initial stage itself, it has the potential to be built up into a widely utilised and socially useful service, which could transform the Indian countryside. He finds that the pilot and demonstration units can then develop into a wider movement for better habitations – nationally.

The study, "Economic Impact of Housing on the Kerala Economy" undertaken by Koshy George, \textsuperscript{51} (2001) makes a detailed analysis. The study reveals that Kerala has failed to take advantage of the opportunity for establishing construction-related industries, which, in turn, would have provided additional indirect employment opportunities. It further reveals that there is a lack of building materials industry in Kerala to adequately supply the inputs for construction. He finds that direct employment generated in the construction sector is not fully utilised by Keralites. He recommends low cost housing for arresting the drain of funds from the state on account of house construction. He concludes that low-cost houses are economically feasible and it also suits the climatic conditions of the state.
Ravindra Babu, P. and Masthanaiah, C. H., 52 (2001) in their study titled "Revitalisation of Primary Co-operative House Building Societies - Nellore District, Andhrapradesh", mention that in order to make the Co-operative house building societies more competitive, the house federation should avoid the L.I.C help and consider alternative cheaper sources of finance. They state that overdue is a menace in the Co-operative housing structure. They found out that the borrowers' callousness and managements' lethargic attitude to follow-up the recoveries may be the main reason for this overdue position. The study reveals that the amount of loans sanctioned for various categories is disproportionate to the actual cost of construction. They also record in their study that there is inordinate delay in processing a loan application and the elected body of management of the Co-operative house building societies is politically influenced. They advocate that the societies should take steps to create awareness about the Co-operative housing schemes among the public. They insist that general body meetings should be conducted regularly. They advise societies to supplement the necessary information like the method of taxation of Instalment, penal interest calculation and other matters at the time of the release of the loan so that members could avoid penalties.

Mahadeva, M., and Tharabai, 53 (2001) in their study titled "Housing Finance – Can Commercial Banks Meet People’s Housing Finance Needs?", attempt to review the overall policy environment for Commercial Banks to earmark and provide direct housing finance to individual households, and indirect term-loans to public housing agencies. The paper also throws light on
the sub-targets fixed to spread the benefit of housing allocations to the needy and the neglected sectors of the society. The study finds that there has been a manifold increase in the credit earmarking and lending for housing by commercial banks during the 1970s and the 1980s. The allocations fell drastically during the 1990s, which is again at the overall increase in the total bank credit. Although there has been a corresponding increase in the loan approvals for housing activities, owing to mandatory fulfillment of the sub-targets, a large part of housing allocations has gone in the form of indirect loans and investment in bonds and debentures till the mid 1990s. As a result of the directed investment, only around one-fourth part of the allocations has been invested as direct housing loans to individuals. The study also finds that rural areas have continued to suffer without adequate investment in housing activities, while urban and semi-urban areas have continued to garner the housing allocations of commercial banks on a large scale. They suggest hiking the allocations to ensure decent shelter for all and to evolve a need-based resource distribution system. The loan-cost gap needs to be minimised and funds should be lent at lower rates of interest to stimulate housing activities among low and middle-income groups.

Medha Duhashi, 54 (2002) in his article titled "Issues of Concern for Housing Co-operatives", states that voluntary and spontaneous formation, group responsibility, equality of rights and duties, common ownership -- permanent or temporary and common services -- are the pillars of a housing Co-operative. Yet, these are given a go by at the start of construction of
houses. For the growth of Co-operative housing movement, it would require the strongest support from the central government and local authorities. He further states that after deregulation of interest, a number of Co-operative banks like Saraswathi Co-operative Bank, Public Banks like ICICI and HDFC are giving housing loans at attractive rates of interest. To provide long-term finance to individual house buildings, a National Housing Bank was established. He stresses that housing is a priority item that is not given its legitimate due, and hence, it is high time that priorities were realigned so as to promote housing finance. The interest on housing loan has to be given tax exemption, too.

He concludes that there needs to be a strict control to check abuse, to remove the incompetence of Co-operative housing societies and to implement measures to prevent private interest from infiltrating housing Co-operatives like checking of tenders, contracts, architects and builders in housing Co-operatives.

Ravichandran .K, 55 (2002) in his study titled "Success of Housing Co-operative Societies - an Empirical Analysis", mentions that the factors that contribute to the success of the sample societies can be judged by adopting certain quantitative and qualitative methods. The factors for the success of the CHS in terms of quantitative indicators reveal that the Tiruppur CHS fared well compared to Perundurai CHBS. Further, the Tiruppur CHS has established a subsidiary unit in the field of education. In his study, he points to the fact that the majority of the respondents of sample societies have preferred high and better relationship between management, employees and members. They also
insist on proper management of documents, better communication with members and goodwill of the society. To them, these are the factors that contribute towards the success of the sample societies. The study further reveals that the long duration of membership and high level of knowledge on cooperation might help the members to perceive these factors as causes for the success and motivate them to participate in the business of the societies. He emphasises that members' participation is sine-quo-non for the success of Co-operatives.

Khurana M.L, 56 (2002) in his article titled "Inter-institutional Cooperation for Housing", states that acquiring or constructing housing unit is an intricate socio-economic function, which is closely related to personal references and capabilities of individuals/families. It is dependent on their desire for acquiring a house, supported by their choice of location, size of housing unit commensurate with their household requirements, preference of lay-out design of their choice and also their ability to bear the cost of such a housing unit. He stresses that if the institutions, development authorities, local bodies, housing Co-operatives, builders, real estate developers and financiers can really strike a partnership deal, project-specific, location-specific, region-specific and programme-specific, then we can assure ourselves that we are on the right course. He concludes that if it happens, the better will be the housing output and faster will be the improvement in the socio-economic environment.

Analytical Study", lists the problems faced by co-operative housing societies. They are inadequate financial base, lack of adequate share capital, delay in disbursement of loans, absence of timely repayment, increasing trend of overdues, continuous upward trend of expenses, especially highly increased salary expenses and finally the negative trend of profit in the recent past. In order to overcome the above sufferings, he offers some concrete suggestions. To list, the society should fix the minimum time frame to sanction the loan amount, take concerted efforts to recover its overdues from the borrowers, to create its own financial base through receive and raise deposits from members and, finally, the society should take steps to reduce its expenses.

Zahir Hussain, A.K., 58 (2002) in his article entitled "Restructuring of Housing Co-operatives in the Decade Ahead" states that the financial services sector, an area, which does not crumble even under economic slowdown, houses several financing institutions. Availability of varied loan schemes, cheaper rate of interest, quicker processing, availability of tax concessions and many more customer-friendly measures offered by these financing institutions have made housing sector a viable and growth-guaranteed one. He also mentions that the housing Co-operatives with its network of 90,000 societies with more than six (6) million members reaches out to the weaker sections of society. About 59 percent of the houses constructed by the housing Co-operatives are for members of the economically weaker sections and low-income groups.
The developments of housing Co-operatives are seen only in the quantitative side, but they are suffering in the qualitative side. The reasons may be improper managerial decisions, non-introduction of innovative schemes, poor planning, excessive overdues, legal difficulties and compensation. The author highlights the present problems of housing Co-operatives and also the areas, which are to be taken care of in the decade ahead.

He concludes that the development in other sectors at a faster rate has made the housing Co-operatives realise the need for innovative, attractive, flexible loan schemes with customer-friendly service. To them, the question of survival depends on bridging the gap between sensing the problem and taking corrective action. If the housing Co-operatives do not solve their present problems in time, it will become too late for them to survive in the market.

Khurana, M.L. 59 (2003) in his article titled "Human Resource Management in Housing Co-operatives", insists on the importance of human resource management in housing Co-operatives. He groups the HRM functions into two categories. The two groups are those relevant for organizing and managing housing Co-operatives and those for managing house construction activities. He emphasises that the human resources in the housing Co-operatives are required to carry out specialised functions. Unlike the other sectors of the economy such as manufacturing, trading and transport, in the housing sector, the human resources will have a constant interface with "human beings" both as the producers as well as the consumers of houses. He
concludes in his paper that this intricate status calls for reformed methods of human resource development practices.

Deepchand Sharma, 60 (2003) in his article titled "An Overview of Co-operative Housing Movement in India", states that one of the most significant social contributions made by housing Co-operatives in India is the creation of a new environment for the development of life of their members who belong to a large or expanded family. Housing Co-operatives try to do this by organizing various community facilities on Co-operative lines within each project and making them available to all the members. He highlights some aspects such as housing situation in India, the history and growth of Co-operative housing movement in India, organisational structure of the Co-operative housing sector, and the benefits from housing Co-operatives. He also affirms that in the history of Co-operatives in India, housing Co-operatives have acted as instruments of improved social life.

Srinivasa Vallabhan, S.V., in his study "Cost Satisfaction Analysis in Housing Activity", states that the problems faced by the consumers while constructing the houses on their own are many. He points out that the cost of materials required for construction, availability of materials and labour, quality of materials and labour are becoming major problems for the consumers. He further refers to the fact that many urban areas face severe concerns emerging from the gap between demand and supply of materials and labourers in housing activity. The resulting effect is impinging on pollution, environmental
decay, urban congestion, ineffective load bearing capacity and consumers’ mental agony.

The study reveals that cost of construction is highest in semi-urban areas compared to rural and urban areas. With reference to cost of material, the cost component of cement is high in all the three areas. Cost of bricks, timber and sand are lesser in rural areas than in urban areas. Cost of labour is least in rural areas and is at its highest in urban areas. The difference between the cost of labour in urban and rural area is around 10 percent. Cheaper labour cost is noticed for painting work in this activity. Quality of timber, cement and sand is better in semi-urban areas. In rural areas, better quality is perceived only with reference to sand, steel, timber and brick. Strained relationship between consumers and masons is noted in all these areas after the completion of work.

Vallabhan 61 (2003) suggests in his study that the persons interested in providing necessary materials and labour force for construction activity should organise single window provisions for supply of quality materials and labour to enter the construction activity. The masons in all these areas may think of providing quality services to the satisfaction of the consumers in a consistent way. The prevailing conditions can be well exploited by the young entrepreneurs who can mobilise materials and labour from a common place to provide better services particularly to those persons engaged in constructing their own housing and, generally, to all those engaged in construction activity.
1.16 RESEARCH GAP

The studies reviewed so far have not discussed the financial problems prevalent in the UCHS in Tirunelveli Region. Many studies in the past have analysed the role of Housing Finance Institutions. But no study has been made on the role of housing societies. Hence the present study is unique and it makes an attempt to bring forth the financial and administrative constraints of the UCHS in Tirunelveli Region. While doing so, it also records for the first time the opinions of the beneficiaries and the secretaries of the UCHS in the region.

1.17 SCOPE OF THE STUDY

The present study throws light on the role of urban Co-operative housing societies in construction of houses in Tirunelveli region. The region covers three districts namely Tirunelveli, Tuticorin and Kanyakumari districts. In this region, there are 37 urban Co-operative housing societies. As on 31-3-2000, Tirunelveli district has 17, Tuticorin has 7 (seven) and Kanyakumari district has 13 urban Co-operative housing societies. The researcher chooses a period of fifteen years from 1985-86 to 1999-2000 for the study. The study attempts to examine the financial position of urban Co-operative housing societies from a number of financial perspectives. The study focuses on the administrative as well as financial problems faced by the urban Co-operative housing societies in Tirunelveli region.

The study seeks to assess the performance of urban Co-operative housing societies of each district in the region covered by the present study. It also highlights the opinion of the borrowers about the functioning of urban
housing societies in its various aspects. It is hoped that the results of the study would be of help to the societies in solving their administrative and financial problems in the time to come. The study, it is hoped, would also enable the urban housing societies to restructure their lending procedures and formalities so that many more people may be benefited by their housing loans.

1.18 OBJECTIVES OF THE STUDY

The following are the objectives of the study.

1. To find out the role of co-operative housing institutions in developing housing in India.

2. To identify the role of Tamilnadu Co-operative Housing Federation in assisting the housing development programmes of co-operative housing societies in Tamilnadu.

3. To study the present financial position of Urban Co-operative Housing Societies in Tirunelveli region.

4. To analyze the administrative and financial problems faced by the Urban Co-operative Housing Societies in Tirunelveli region.

5. To identify the borrowers' needs and their expectations and evaluate the services of Urban Co-operative Housing Societies in Tirunelveli region.

6. To compare the performance of Urban Co-operative Housing Societies functioning in each district in Tirunelveli region.

1.19 HYPOTHESES

The researcher has framed the following hypotheses.

In Urban Co-operative Housing Societies, Tirunelveli region,
1. Overdue is the main problem that curtails the growth of urban co-operative housing societies.

2. The expenditure of Urban Co-operative Housing Societies is more than its income.

3. Borrowers are dissatisfied with the procedure of sanctioning loan and the rate of interest charged by the societies.

4. There is no uniformity in the performance of the Urban Co-operative Housing Societies.

1.20 METHODOLOGY

During the study period, the researcher has adopted the following methods.

1.20.1 Collection of Data

The study depends upon both primary and secondary sources.

1.20.2 Collection of Primary Data

The researcher has initially conducted the pilot survey. On the basis of the survey, a questionnaire for the secretaries and a schedule for the borrowers are prepared for the collection of primary data. The responses are collected from the secretaries and the borrowers as well. The researcher has met the sample borrowers and the secretaries in person to collect the data, for their opinion about the functioning and the problems in Urban Co-operative Housing Societies in Tirunelveli region.
1.20.3 Collection of Secondary Data

The researcher has collected secondary data such as number of members, amount of share capital, reserves, deposits, working capital, number of borrowers, amount of loan received from and repaid to the Tamilnadu co-operative Housing federation, member's loan demand, amount sanctioned and disbursed, collection and overdues, number of defaulters, number of loanees who expired before the settlement of loan, amount of compensation received from the General Insurance Company, number of loans settled earlier, amount of prepayment, interest received, interest paid, establishment and contingency expenses, amount of bad and doubtful debts, amount of profit or loss, rate of dividend declared to the borrowers by the Urban Co-operative Housing Societies from the records of Deputy Registrar Office for Housing in Tirunelveli region, Tamilnadu Co-operative Housing Federation, Chennai, National Co-operative Housing Federation of India, New Delhi, and the audit reports and records of the respective Urban Co-operative Housing Societies in Tirunelveli region.

1.21 SELECTION OF SAMPLES

For selecting samples, from a study of 15 years (1985-1986 to 1999-2000) the researcher has taken 1994-1995 as the base year. Because, the Public Sector banks and Housing Finance Institutions started to lend loans to housing activities more effectively during the year 1994-95. In this year, 1360 borrowers availed loan from the Urban Co-operative Housing Societies of the Tirunelveli region. Among the borrowers, 25 percent of the samples are
selected. Proportionate stratified random sampling method is followed in order to give equal importance to the sample respondents of the three districts in Tirunelveli region. Accordingly, 127 samples are selected from 507 borrowers from Tirunelveli District, 41 samples are selected from 162 borrowers, from Tuticorin District, and 173 samples are selected from 693 borrowers from Kanyakumari district. An analysis of 341 samples is made by the study.

Since the total number of Urban Co-operative Housing Societies is only 37 in Tirunelveli region, the study covers all the Urban Co-operative Housing Societies. Hence, census method is followed to collect data.

1.22 PERIOD OF THE STUDY

The study covers a period of 15 years starting from 1985-86 and ending with 1999-2000.

1.23 TOOLS OF ANALYSIS

The data have been analysed by using various statistical tools, like trend analysis, growth rate analysis (the semilog model) and Kendall's coefficient of concordance.

1.23.1 Trend and Growth Rate Analysis

For analyzing the financial status and performance of the UCHS in Tirunelveli region, the trend and CGR estimates of all the related variables were worked out. To fit the time series trend and to estimate the CGR, a linear regression model of the form

\[ Y = b_0 + b_1 x \]
and log linear regression model (semilog model) of the form

\[ Y = b_0 + b_1 x \]

were used, where \( b_0 \) and \( b_1 \) are parameters. 'Y' the dependant variable and 'x' is the independent variable time.

The CGR is calculated by using the formula

\[ \text{CGR} = \left[ \text{Antilog of semilog } b_1 \times 100 \right] \]

1.23.2 **Kendall's coefficient of concordance**

The Kendall's coefficient of concordance was used to analyse the consistency of the problems faced by the sample respondents of UCHS of Tirunelveli region.

\[ W = \frac{S}{\frac{1}{12} \times K^2 \times (N^3 - N)} \]

where \( S \) = sum of squares of observed deviation from the mean \( R_j \)

\( K = \) number of sets of ranks (types of districts)

\( N = \) number of entities ranked (problems faced by sample respondents)

\( R_j = \) Sum of ranks for each item.

In case of tied observations,

\[ W = \frac{S}{\frac{K^2}{12} \times N \left( N^2 - 1 \right) - K \sum T} \]

where \( T = \sum t(t^2 - 1) \), t number of times observation tied

The significance of \( W \) is tested by using chi-square test \((\alpha^2)\). The formula is
Chi-square = K \times (N-1) \times W

Where K(N - 1) \times W \sim \text{chi-square distribution with N-1 degrees of freedom.}

1.24 CONCEPTS

COOPERATION - DEFINITION

A Co-operative has been defined as an autonomous association of persons voluntarily united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

HOUSING SOCIETY – MEANING

"Housing Society" means a society which has as its principal object the purchase or acquisition of land, to lay out as house sites for the benefit of its members or the construction of houses for its members or the financing or facilitating the construction of houses by its members or the maintenance of or the provision of amenities to houses.

HOUSE

House means a building for human habitation. It can take many forms from a mud-hut with a single room to a palace with 500 rooms.

HOUSING

Housing refers to a package of services: land, public facilities, access to employment and to other social services, as well as the dwelling structure itself.
Access, space, tenure, on-site services and shelter are the attributes, which combine to define housing.

HOME
Home refers to a dwelling, a house or an apartment, that is the 'fixed' residence of a person, and a family or a household in an accustomed or familiar neighbourhood.

HOUSEHOLD
Household refers to the group of persons who dwell under the same roof but they need not necessarily comprise a family. According to the census definition the persons, who share a common kitchen in a house represent one household.

DWELLING UNIT
In relation to a building or a portion of a building, a dwelling unit means a unit of accommodation in such building or portion used solely for the purpose of residence.

1.25 LIMITATIONS OF THE STUDY
The study covers a period of 15 years. The results of the study present the financial situation prevailing in Urban Co-operative Housing Societies in Tirunelveli region. The study has taken into account the sample borrowers, who have constructed houses within the jurisdiction of Tirunelveli region. The study is confined to the Urban Co-operative Housing Societies in Tirunelveli region. The validity of certain data given by the secretaries as well as the sample
borrowers is not completely perfect. Further, the respondents are also reluctant to answer to the queries of the researcher. The study is confined to a sample of manageable limits. The results of the study are applicable to Tirunelveli region only. It may not be applicable to other areas that have different socio-economic conditions.

1.26 CHAPTERISATION

1. The **first chapter** as a way of introduction presents the review of literature, methodology and design of the study.

2. The **second chapter** discusses Co-operative Housing Institutions and their role in housing development in India.

3. The **third chapter** analyses the financial status of Urban Co-operative Housing Societies in Tirunelveli region.

4. The **fourth chapter** focuses on the financial and administrative problems of Urban Co-operative Housing Societies in Tirunelveli region.

5. The **fifth chapter** analyses the beneficiaries’ opinion about the performance of Urban Co-operative Housing Societies in Tirunelveli region.

6. The **sixth chapter** attempts to make a comparative performance of Urban Co-operative Housing Societies of Tirunelveli, Tuticorin and Kanyakumari districts in Tirunelveli region.

7. The **last chapter** deals with the findings, conclusions and recommendations of the study.
FOOTNOTES


29. Vijaya Bhole, "Housing and Urban Development in India", Classical publishing company, New Delhi, 1988, pp.147-151.


