CHAPTER VI

HOUSING POLICIES
Shelter and economic development are supportive. One cannot develop fully without the other. Government of India, along with the economic development of the country has taken some measures, from time to time, for the improvement of the overall housing scenario of the country. One such measure is the establishment of HUDCO in 1970. These efforts were only a drop of water in the desert, as despite of all such effort, the shelter shortage of the country is increasing every year. Therefore, to cope with shelter problem of the country, a comprehensive national shelter policy was an absolute necessity. The Government of India drafted a National Housing Policy (NHP) on May 1988 and the same was finalised and subsequently approved by the Parliament in August 1994. The objectives and the goal of the NHP are as follows:

6.1.2 Objectives of the National Housing Policy:

Objectives laid down in the National Housing Policy are as follows:

(1) To assist all people, and in particular the houseless, the inadequately housed and the vulnerable sections, to secure for themselves affordable shelter through access to

---

1. The National Housing Policy, August, 1994, p.1
developed land, building materials, finance and technology.

(i) Create an enabling environment for house activity by various sections by eliminating constraints, and by developing an efficient and equitable system for the delivery of house inputs.

(iii) To expand the provision of infrastructure facilities in rural and urban areas in order to improve the environment of human settlement, increase the access of poorer households to basic services, and to increase the supply of developed land for housing.

(iv) To undertake, within the overall context of policies for poverty alleviation and employment, steps for improving the housing situation of the poorest sections and vulnerable groups by direct initiative and financial support of the state.

(v) To help mobilise the resources and facilitate the expansion of investment in housing in order to meet the needs of housing construction and upgradation and augmentation of infrastructure.

(vi) To promote a more equal distribution of land and houses in urban and rural areas, and to curb speculation in land and housing in consonance with macro-economic policies for efficient and equitable growth.
(vii) To promote traditional architecture and to preserve the nation's rich heritage in the field of human settlements.

6.1.3 GOALS OF THE NATIONAL HOUSING POLICY:

Goals of the National Housing Policy is to achieve the objectives of the policy and to reduce the houselessness of the country. It also aimed at the promotion of appropriate technology and to provide the basic services to the households.

6.1.4 ELEMENTS OF THE NATIONAL HOUSING POLICY:

The entire National Housing Policy has been subdivided into fourteen parts and each part is called an element. Each of such element deals with separate aspects of housing which together highlight the total picture of the National Housing Policy. These elements are part and parcel of the National Housing Policy and the same are discussed in separate heads. The elements of the National Housing Policy are discussed below.

**Housing Norms:**

Housing norms will be decided at the local level after duly considering the geo-climatic and socio-economic conditions of the area. It the time of designing housing norms, it is to be kept in mind that the house should be cost-effective one and should give due stress to utilise locally available construction materials.
Rural Housing:

The characteristics of rural housing is a bit different than that of the urban housing. In the urban areas, there is a paucity of land giving rise to slum etc. In the rural areas land is not so much scarce but construction materials etc. either difficult to get or highly costly and at the same time rural people have very nominal income to have his own housing units. Recognizing the special features of the rural housing the Government of India fixes up the strategy for rural housing.

Under the rural housing strategy support will be provided to the village dwellers for the construction and upgradation of houses etc. Land tenurship right to be provided to the villagers through the enactment of the appropriate laws. For the construction and upgradation of the rural houses maximum use of the local materials will be made and the geo-climatic condition of the area will be considered. Suitable institutions at the state level, district level and local level will be set up to implement, supervise and monitor rural housing schemes. It is proposed to integrate rural development programme with the rural housing programme.

Slum and Squatter Problem in Urban Areas and Housing for the Urban Poor:

Slum and squatter problem is a common problem of all the Indian cities and the picture is more grave in the metros. To arrest
the growth of slums Government of India suggested that forcible
dishousing of the slum dwellers should be avoided the occupancy
right to the slum dwellers may be provided. Amenities like water
supply, sanitation, street light, etc. to be provided to the slum
dwellers.

Supply and management of Land:

Land is a prime factor for the development and promotion
of housing activities. Due to the non-availability of serviceable
land, pressure on cities is increasing. It is widely recognised
that the land market in India is being affected by the existing
legal framework which gives rise to the enormous hike of land
prices and thereby depriving a large majority of the poor people
of the country from the access to the land market and the same is,
to some extent, responsible for the poor housing development of
the country. The VHP laid down that in order to increase the supply
of serviced land and their proper management the Central and the
State Government should take proper initiative.

Infrastructure:

For the proper development of housing, infrastructure is
a very important factor. Without proper infrastructure arrangement,
no one will be encouraged to construct his housing unit. One of the
recognised reasons for increasing influx in the urban areas is the
lack of infrastructure in the rural areas. The VHP envisages that
proper actions should be taken to expand infrastructure facilities. For developing the infrastructure, required for housing development of the country, larger investment has been proposed for the same. It has proposed to provide safe drinking water to the cent per cent of the urban population. It has proposed some innovative approach such as infrastructure leasing, for the development of the infrastructure of the country.

Conservation of Housing Stock and Rental Housing:

The NHP has given stress for the increase of the housing stock of the country and proposed that the Central Government and the State Governments should act for the same.

Housing Finance:

For the development of the housing finance system of the country the NHP has envisaged the following:

(a) 20 per cent of the total investment required for the housing sector has to be provided by the specialised housing finance companies.

(b) Contribution of the formal sector is to be increased towards the housing sector. Steps would be taken to remove the various constraints to the flow of finance into the housing sector.

(c) For developing the mortgage market, more funds is to be channelised into the housing sector from the insurance sector,

2. The National Housing Policy, August, 1994, p.11
Unit Trust, Commercial Banks, Co-operative Banks, Provident Funds etc.

(d) The National Housing Bank (NHB) should facilitate the promotion and regulation of Housing Finance Institutions in the public and private sector. It should also refinance their operations.

(e) The Housing and Urban Development Corporation Ltd. (HUDCO) is to be strengthened by increasing its resource base.

(f) Innovative savings and lending instruments will be introduced to integrate the housing finance system and the capital market.

(g) Steps is to be taken to introduce a secondary mortgage system.

(h) In order to discourage large premises appropriate ceiling on plinth area and institutional finance is to be provided.

(i) Housing finance system as a whole is to be made self-sufficient.

(j) The entire housing finance system is to be devised in such a way so that it can meet the variety of shelter needs of the rural and urban poor.

(k) An indepth assessment of the role of informal credit network and community based savings systems for housing is to be made and the same is to be linked with the formal credit system.

(l) The Co-operative housing movement especially for lower and middle income groups will be given assured access to institutional finance to supplement internal resources.
Building Materials and Technology:

Building materials as well as appropriate technology are very important for housing development. The National Housing Policy has proposed to stimulate the production of conventional materials and also the invention of the low cost technology and proposed that the same should be environmentally appropriate one. The policy has also given due emphasis on the research and development of the building materials and technology.

Special Programme for Disadvantaged Sections:

The NIP proposes to accord priority to the housing of the disadvantaged groups. The disadvantaged groups includes the households below the poverty line, rural landless labourers, physically handicapped, single woman, households dishoused for development work, STs/SJs etc. This is a very good proposal of the plan, because these groups of people are not able to meet their housing need on their own.

Role of Government, Private Sector and the Community:

The magnitude of housing task calls for the involvement of several agencies including the Government at different levels, the Co-operatives, the community and the private sectors. The Government will devise strategies and the same will be implemented with the help of the others. The Government, the public sectors and the
private sectors, the co-operatives, voluntary agencies and the community as a whole have to work hand in hand for the development of the entire housing sector of the country.

**Fiscal Policy:**

The National Housing Policy has proposed various fiscal measures for the development of the housing sector of the country. It has proposed to provide fiscal incentives to promote investment in the housing sector. Incentives will also be provided to the organisations engaged in the development of housing units and to the producers of new construction materials out of industrial and agricultural waste.

**Legal and Regulatory Framework:**

In this section of the National Housing Policy some measures were suggested to remove the legal constraints for the development of the housing sector of the country. It has proposed the suitable amendment of the existing laws and rules and the enactment of new legislations wherever necessary.

**Human Resource Development:**

The Government of India has recognised human resources as a crucial component for the housing development and thereby taken into consideration at the time of formulating NHP and envisaged some steps for its development. It has proposed to impart
training to the architects, engineers, planners, administrators and others to adopt low cost and cost effective approach to housing. Training is very much important to increase the skill of the person engaged in the housing promotion activities.

**Action Plan:**

To formulate action plan for housing activities NHP has envisaged that housing is a state subject, therefore, the Government of each state and Union Territory would have to play the primary role in formulating action plan for their respective state and UT. The Action Plan would be formulated for each state/UT within a time frame of one year for time bound implementation by States and Local Agencies, with the involvement of the Central Institutions, Private and Co-operative agencies. An appropriate information system on housing will be developed at various levels of Government under the supervision of an inter-ministerial group and a comprehensive housing census will be taken up during Eighth Five Year Plan. The National Housing Policy will be periodically revised in the light of emerging needs of different sections of the population and the demands of the changing socio-economic conditions in different parts of the country.

6.2 **GLOBAL HOUSING POLICY:**

House or shelter is a very powerful factor for building strong morality of human being. Home gives identity to people and
for this people feel proud and happy. But this very important factor, which is also a basic need of human being is not abundant in most of the countries of the world and this leads to the necessity of a global housing policy or a shelter strategy worldwide. Recognising the housing need, all over the world, the United Nations adopted global housing strategy in November, 1988, \(^3\) which calls upon the different Governments of the member countries all over the world to take steps towards the formulations of National Housing Policy for their respective countries to achieve the goal of the strategy. In December, 1988 the United Nations General Assembly proclaimed the "Global Strategy for Shelter to the year 2000." The strategy was formulated through various resolutions passed in the General Assembly of the United Nations Organisation. \(^4\) Some important resolutions of the Global strategy for shelter is incorporated in Appendix XI.

6.3 NATIONAL HOUSING BANK:

National Housing Bank (NHB) is the highest apex housing finance regulatory and policy making organisation of the country. Before the establishment of NHB housing finance sector was being regulated by the Reserve Bank of India (RBI). Of course, presently RBI fixes the yearly target for the commercial banks for housing, but all other regulatory activities are with the NHB. The National

---

4. Global Strategy for Shelter to the Year 2000, p. 269
Housing Bank is authorised to regulate the entire housing finance sector for the country. To cope up with the financial requirement of the housing sector of the country the Government of India, through an enactment passed by the parliament entitled "The National Housing Bank Act 1987," has established, "The National Housing Bank in July 1988." It is an organisation fully owned by the Reserve Bank of India and has been given the status of the Apex Housing Finance Institution of the country.

6.3.1 Objectives of the National Housing Bank (NHB)

The NHB has been established with the following objectives:

(i) To promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of people.
(ii) To establish a network of housing finance outlets to adequately serve different regions and different income groups.
(iii) To promote savings specifically for housing.
(iv) To make housing more affordable.
(v) To augment the supply of land and building materials for housing.
(vi) To encourage public agencies to emerge, primarily as facilitators and suppliers of serviced land.
(vii) To upgrade the housing stock in the country and,

To encourage flow of credit and real resources to the small man first.

6.3.2 Resources of the National Housing Bank:

The NHB is a fully owned subsidiary of the Reserve Bank of India. Authorised capital of the NHB as on 30th June 1994 was Rs. 250 crores and the entire amount was subscribed by the RBI. It is also raising funds by issuing bonds and debentures guaranteed by the Government of India. It has issued bonds and debentures amounting to Rs. 409.76 crores up to 30th June 1994. It is also borrowing funds from the RBI and various other organisations like, LIC, UTI, GIC etc. and also from some foreign agencies like United States Agency for International Development (USAID), Overseas Economic Co-operation Fund (OECF) of Japan. Total borrowings of the NHB up to the 30th June 1994 was Rs. 1,262.94 crores of which foreign borrowings are Rs. 90.84 crores.

6.3.2 Disbursement of Fund of the NHB:

NHB is purely a refinance and indirect lending organisation. It is not lending to the individual directly but providing financial assistance to the Housing Finance Institutions for lending to the individuals. Apart from this, NHB also provides financial assistance to the Housing Finance Institutions by subscribing their shares, debentures and bonds. Upto June 1993, cumulative refinance

---

facilities provided by the NHB is Rs. 1683.74 crores. Classification of refinance facilities provided by the NHB are shown in the Table No. 6.1. Through its refinance facilities NHB has helped for the construction of about one million dwelling units. 7

Table - 6.1
Categorywise Cumulative Refinance facilities of the NHB up to the 30th June 1993

<table>
<thead>
<tr>
<th>Category</th>
<th>Rs. in crores</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Institution wise</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Housing Finance Companies</td>
<td>1378.96</td>
<td>81.1</td>
</tr>
<tr>
<td>(i) Housing Finance Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Co-operative Sector</td>
<td>205.93</td>
<td>12.2</td>
</tr>
<tr>
<td>(iii) Scheduled Commercial Banks</td>
<td>99.05</td>
<td>5.9</td>
</tr>
<tr>
<td>Total</td>
<td>1683.74</td>
<td>100.00</td>
</tr>
<tr>
<td><strong>B. Purpose wise</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Indirect Housing Loans</td>
<td>1156.93</td>
<td>68.8</td>
</tr>
<tr>
<td>(ii) Project Finance</td>
<td>163.32</td>
<td>9.7</td>
</tr>
<tr>
<td>(iii) Bulk Finance (mainly to HUDCO)</td>
<td>363.49</td>
<td>21.5</td>
</tr>
<tr>
<td>Total</td>
<td>1683.74</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Report on Trend and Progress of Housing in India, 1993, p. 21

---
7. Ibid, 1993, p. 21
FIG. 5 (a) INSTITUTION WISE REFINANCE PROVIDED BY THE NATIONAL HOUSING BANK UPTO 30-6-1993. (RS. IN CRORES)

FIG. 5 (b) PURPOSE WISE REFINANCE FACILITIES PROVIDED BY THE NATIONAL HOUSING BANK UPTO 30-6-1993. (RS IN CRORES)
6.3.4 Refinance Scheme of the National Housing Bank:

As it has been discussed already that NHB is not providing direct housing loan to the individuals but it is providing financial assistance to the Housing Finance Institutions, therefore, it will be worthwhile to discuss here the refinance schemes of the National Housing Bank to have a better understanding of its functioning.

The refinance scheme of the NHB is being reviewed regularly and suitably modified in accordance with the overall direction of the RBI and the emerging needs of the socio-economic condition of the country. Before 1st July 1994, there was area/cost parameter ceiling for refinance eligibility from NHB. 100 per cent refinance facility was available upto loan of Rs. 2 lakh, subject to build up area below 50 sq.m. From 1st July, 1994 this area/cost parameter was dispensed with, and the loan ceiling under refinance scheme was increased to Rs. 5 lakh. NHB is granting an interest margin of 1 per cent to 2 per cent under its various refinance scheme. The Housing Finance Companies are made free by the NHB to charge their suitable rate of interest from the ultimate beneficiaries/loanees.

The rate prescribed by the NHB upto the loan of Rs. 1 lakh is the ceiling rate and the rate above Rs. 1 lakh of loan is the floor rate. For loan above Rs. 1 lakh, the lending company may fix its own rate freely. The rate of interest charged by the NHB and to be charged by the lending agencies w.e.f. 1.5.1994 are shown in the table 6.2.
### Table - 6.2
Effective rate of Interest Charged by the NHB and Chargeable from the ultimate beneficiaries (Refinance Scheme)

<table>
<thead>
<tr>
<th>Category/Loan ceiling</th>
<th>To be charged by NHB</th>
<th>Chargeable from ultimate beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Loan to Individuals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upto Rs. 25000</td>
<td>10.00</td>
<td>12.00</td>
</tr>
<tr>
<td>Rs. 25001 to Rs. 50000</td>
<td>14.25</td>
<td>15.50</td>
</tr>
<tr>
<td><strong>B. Upgradation/Major Repairs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rs. 50000</td>
<td>14.25</td>
<td>15.50</td>
</tr>
<tr>
<td><strong>C. Slum Development Projects</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upto Rs. 25000</td>
<td>8.00</td>
<td>9.00</td>
</tr>
<tr>
<td>Rs. 25001 to Rs. 45000</td>
<td>11.00</td>
<td>12.00</td>
</tr>
<tr>
<td><strong>D. Project Loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Agencies &amp; Co-operative Society</td>
<td>15.50</td>
<td>16.50</td>
</tr>
<tr>
<td>Mental Housing</td>
<td>17.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Professional Developers</td>
<td>17.00</td>
<td>18.50</td>
</tr>
<tr>
<td><strong>E. Housing Infrastructure Development Project</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Agencies, Co-operative Housing Society</td>
<td>15.50</td>
<td>16.50</td>
</tr>
<tr>
<td>Others</td>
<td>17.50</td>
<td>18.50</td>
</tr>
</tbody>
</table>

Source: Annual Report of the NHB, 1994-95, p. 10

Note: The rate of interest is effective from 1.5.94
The National Housing Bank is determining refinance eligibility of the Housing Finance Institutions on the basis of the following guidelines.

(i) Refinance drawn during the previous years, prompt repayment of the refinance earlier availed and the overall borrowing ceiling will be considered at the time of fresh refinance.

(ii) No single Housing Finance Company will get more than 25 per cent, in any financial year, of the total refinance facilities to be provided by the NHB in that financial year.

(iii) No Housing Finance Company will get more that 60 per cent refinance of its total outstanding housing loans at any point of time.

(iv) Housing Finance Companies, whose overdue over three months is more than 5 per cent of its total outstanding loan are not eligible for refinance facilities.

6.3.5 **Home Loan Account Scheme (HLAS):**

Home loan Account Scheme is a housing linked saving scheme introduced by the NHB in July 1989. Under this scheme one can save any amount in a multiple of Rs. 10/- subject to a minimum amount of Rs. 30/- p.m. or Rs. 360/- p.a. The amount can be saved monthly/quarterly/half yearly or yearly. The cumulative savings under this
schemes will yield an interest of 10 per cent p.a. The other features of the schemes are as follows:

(i) There is no maximum limit of savings under the scheme.
(ii) Under the scheme, loan will be granted after 5 years of savings. (3 years for NHB financed project).
(iii) One can withdraw the cumulative fund (Savings + Int.) after 5 years.
(iv) One can save in this account as long as he/she does not own a house or needs a loan for the purpose.
(v) There is no ceiling on the amount of loan that can be availed of under the scheme.
(vi) The loan will be subject to all conditions laid down by the NHB/RBI, for granting housing loans, in respect of margin, securities and repayment period.
(vii) Loan availed under this scheme will not be a bar for availing loan from other institutions including banks on usual terms and conditions.
(viii) Loan under this scheme can be utilised for repayment of any other housing loans.
(ix) Loan will be granted under this scheme of a certain multiple of the accumulated savings after the stimulated period. Loan quantum to be sanctioned and rate of interest to be charged under the scheme are as follows:
<table>
<thead>
<tr>
<th>Loan as a multiple of accumulated savings</th>
<th>Amount of loan Rs.</th>
<th>Rate of Interest to be charged % p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four Times</td>
<td>upto Rs. 50000</td>
<td>10.50</td>
</tr>
<tr>
<td>Three Times</td>
<td>50001 to 100000</td>
<td>12.00</td>
</tr>
<tr>
<td>Two Times</td>
<td>100001 to 200000</td>
<td>13.50</td>
</tr>
<tr>
<td>One and half Times</td>
<td>above Rs. 200000 (No ceiling)</td>
<td>14.50</td>
</tr>
</tbody>
</table>

Sources: Report on the Trend and Progress of Housing in India, 1992, p. 64

(x) The property acquired under the scheme cannot be sold for a period of 5 years after its completion or till the loan gets liquidated, which ever is later.

(xi) Income tax rebate U/S 88 upto Rs. 10000/- and wealth tax rebate upto Rs. 500000/- is available under the scheme.

(xii) The account can be opened through scheduled commercial banks, co-operative banks and the recognised Housing Finance Companies.

Under the HLAS, a sum of Rs. 394.14 crores has been mobilised from about 7 lakhs of investors upto the financial year 1993-94. However, the statewise progress of HLAS are available upto 31.3.1993. Table No. 6.3 will depict the progress of HLAS in the North Eastern Region and all India.
Table - 6.3

Progress of Home Loan Account Scheme in the N.E. Region and the all India States Nos. of Accounts (000's) and Amount (Rs. in lakh)

<table>
<thead>
<tr>
<th>States</th>
<th>Nos. of Accounts (000's)</th>
<th>Amount (Rs. in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Arunachal Pradesh</td>
<td>00</td>
<td>00</td>
</tr>
<tr>
<td>2. Assam</td>
<td>3.58</td>
<td>259.26</td>
</tr>
<tr>
<td>3. Manipur</td>
<td>.09</td>
<td>.16</td>
</tr>
<tr>
<td>4. Meghalaya</td>
<td>.09</td>
<td>1.69</td>
</tr>
<tr>
<td>5. Mizoram</td>
<td>00</td>
<td>00</td>
</tr>
<tr>
<td>6. Nagaland</td>
<td>00</td>
<td>00</td>
</tr>
<tr>
<td>7. Tripura</td>
<td>.09</td>
<td>.06</td>
</tr>
<tr>
<td>8. N.E. Region Total</td>
<td>3.85</td>
<td>261.17</td>
</tr>
<tr>
<td>9. All India</td>
<td>631.22</td>
<td>28614.99</td>
</tr>
</tbody>
</table>


It is really painful to observe from the above table 6.3 that the entire N.E. Region is not even able to mobilise 1 per cent of the total amount saved in all India level. Among the N.E. States, again, Assam's share is about 99 per cent both in No. of accounts and amount saved. This fact is urging upon the need for popularising the scheme in this region.

Apart from the above mentioned prime activities, the NNB is also undertaking the following functions.
- Land development and shelter project.
- Building Material Industry-Equity participation schemes.
- Slum development schemes
- NRT Investments. (NRT = Non-Resident Indian).
- Training activities.
- Seminars on the various housing related issues.
- Research studies for the housing promotion of the country.

In a nutshell it can be stated that NRB is undertaking all such activities which are required for the development and promotion of housing of the country.

6.4 **Role of the Reserve Bank of India (RBI) in the Development of Housing Finance in India:**

Reserve Bank of India is the chief financial regulatory body of the country. It guides all the financial institutions, whether banking or non-banking in nature, of the country. It is formulating policies to the suit of the socio-economic condition of the country and directing the course of action to be pursued by the financial sector of the country. So, naturally, role of the RBI for the development of the housing finance sector of the country, also, cannot be ignored. Its role lies in its various guidelines and instructions issued from time to time to the banking and non-banking sector in connection with housing finance.
As a part of the credit and investment policy, RBI is issuing housing related circulars from time to time, to the financial sector, specially to the banking sector. The circulars are containing guidelines for the development of the housing sector of the country and are to be followed by the financial sector. RBI started thinking seriously of the development of the housing sector of the country from 1970s. The 1st set of guidelines on housing finance to the commercial banks was issued in June 1976. As per the guidelines, the commercial banks have to provide finance for certain types of housing and for the benefit of weaker sections of the society. RBI has set up various study groups to study the features of the housing sector of the country and to give their recommendation for its development. In 1971 a study group was appointed by the Banking Commission under the Chairmanship of Sri A.G. Saraiya. The study group recommended the need of a specialised housing finance institution to enlarge the financial base of the housing sector. In the year 1978, RBI set up a study group on Housing Finance and appointed Mr. C.M. Shah as its chairman. The group fully endorsed the recommendation of the previous group for setting up a specialised Housing Finance Institution and opined that for increasing flow of funds in the housing sector, this type of specialised institutions will be very much helpful. The group had also recommended that the Housing and Urban

---

9. NHB Report on Housing Trend and Progress, 1992, p. 70
Development Corporation (HUDCO) should undertake this specialised function. Very recently in the year 1997 a high level study group was set up under the chairmanship of Dr. C. R. Rangarajan, Dy. Governor of the RBI and was assigned the task of reviewing the proposal for setting up of the nationalised Housing Bank and to recommend its financial structure, activities etc. From the above facts it can be visualised that the RBI is taking positive interest for the development of the housing finance sector of the country. Before the establishment of the National Housing Bank, RBI was the prime regulatory organisation for the financial and banking sector for the course of action to be pursued by them in connection with their housing finance activities. At present RBI is playing the prime role and RBI is only given the general guidelines for rate of interest, asset management policy etc. Of course, for the banking sector RBI is still the guiding authority for their yearly allocation of fund to the housing sector, housing finance to be granted to the various categories such as individual direct housing finance; indirect housing finance; indirect housing finance to the housing finance institutions etc.

The role of the Reserve Bank of India will be fully clear from a purposeful review of its various circulars related with the housing finance. During 1981-82 Rs. 100 crores was earmarked for housing from banking sector. Further direction was

9. Cir. of ICD No. 34/0.446-(HF-P)-82, dt. 18.11.1982
given to the banks to fix the instalment for housing loan in such a way so that housing loan becomes more affordable to the lower income groups and the bank are permitted to provide supplementary finance too. Banks may also provide finance or extend credit for additions, repairs and alteration of house. Bank should encourage the development of specialisation in housing finance. This could be done by creating a specialised cell at the head office or other appropriate level. The NHB will arrange specialised training on housing for bank personnel. In another circular Banks are directed to allocate to the housing sector 1.5 per cent of its incremental deposit as on the last reporting Friday of March, 1994 over the corresponding figures of the last reporting Friday of March 1993. Guidelines for disbursement of the allocated funds are as follows:  

(a) 20 per cent of its total allocation towards housing finance should be advanced as direct housing finance, 10 per cent of the total allocated fund should be given to the rural and semi-urban areas.
(b) 30 per cent of the total allocation should be indirect lending by way of term loan.
(c) 50 per cent of the total allocation may be used to subscribe the bonds and debentures issued by the NHB and HUDCO.
(Prior to 1994-95, it was 30 per cent, 30 per cent and 40 per cent.

10. Cir. of IBCD No. JAD 223/J.446.HF(P)88/89 dt. 2.11.1988.
11. Cir. of IBCD No. 22/03.27.25/94-95 dt. 7.11.95.
(d) Rs. 3 lakh limit of individual direct housing finance has been raised to Rs. 10 lakh. However up to Rs. 2 lakh will continue to be treated as priority sector.

Likewise the RBI, through its various circulars, issuing instructions to the banking sector and the banking sector is pursuing the same form time to time, for the growth and development of the housing sector of the country.

6.5 CONCLUSION:

Appropriate planning and proper policy making contributes to the success of any activity. Housing is also not an exception to it. The National Housing Policy formulated in the year 1988, covers almost all the aspect of housing. The provision of the policy is a broad based one, therefore, for its implementation, some sectoral strategy within the framework of the National Housing Policy is to be initiated by the respective State Governments and the Union Territory Authorities. The two policy making body, the National Housing Bank and the Reserve Bank of India, should keep an eye on the growing housing need of the country and should formulate policies accordingly. Growth of the housing sector will largely depend on their right directions.