AN OVERVIEW OF HOUSING FINANCE IN INDIA

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CHAPTER III
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After analyzing the academic work already done in the literature, it is appropriate to provide a theoretical background about the study. This chapter is dedicated for this. The present chapter provides an overview of housing finance in India, the measures taken by the Government for resolving the issue of housing shortage, the major housing finance companies operating in India etc. The chapter also includes the details about Housing in Kerala, the various agencies engaged in housing sector, the Kerala State Housing Department etc, the important housing schemes introduced by the state, state government’s new housing policy etc were also discussed.

3.1 Introduction

Housing is an important component and a measure of socio-economic status of the people. It is regarded as a critical sector in terms of policy initiatives and interventions. A large portion of our population is still lacking proper housing facility. The housing problem in India is an upsetting problem both in the rural and urban areas. One of the main reasons of the problem of housing shortage is its size of population. It is said that one among the every six persons in the world is an Indian. India stands second among the world’s largely populated countries. The growth of population in India from the beginning of this century is shown in the table 3.1.
Table 3.1
Growth of Population in India 1901 onwards
(Figure in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Decade</th>
<th>Growth</th>
<th>Percentage of Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>238.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1911</td>
<td>252.1</td>
<td>1901-1911</td>
<td>13.7</td>
<td>5.75%</td>
</tr>
<tr>
<td>1921</td>
<td>251.3</td>
<td>1911-1921</td>
<td>-0.8</td>
<td>-0.32%</td>
</tr>
<tr>
<td>1931</td>
<td>279.0</td>
<td>1921-1931</td>
<td>27.7</td>
<td>11.02%</td>
</tr>
<tr>
<td>1941</td>
<td>318.7</td>
<td>1931-1941</td>
<td>39.7</td>
<td>14.23%</td>
</tr>
<tr>
<td>1951</td>
<td>361.1</td>
<td>1941-1951</td>
<td>42.4</td>
<td>13.30%</td>
</tr>
<tr>
<td>1961</td>
<td>439.2</td>
<td>1951-1961</td>
<td>78.13</td>
<td>21.64%</td>
</tr>
<tr>
<td>1971</td>
<td>548.16</td>
<td>1961-1971</td>
<td>108.93</td>
<td>24.80%</td>
</tr>
<tr>
<td>1981</td>
<td>685.18</td>
<td>1971-1981</td>
<td>137.02</td>
<td>25.0%</td>
</tr>
<tr>
<td>2001</td>
<td>1012.4</td>
<td>1991-2001</td>
<td>166.10</td>
<td>19.63%</td>
</tr>
<tr>
<td>2011</td>
<td>1210.0</td>
<td>2001-2011</td>
<td>197.60</td>
<td>19.52%</td>
</tr>
</tbody>
</table>


From the table 3.1, it is clear that the population had a negative growth rate (-0.32%) only in 1911-21 decade. The growth rate was very high (25%) in the decade of 1971-81. After that, the growth rate in population is showing a slightly decreasing trend even though the total population is increasing. It is estimated that India would overtake China by 2030 and will became the most populous country in the world.

3.2. Role of Government

Provision of housing facility to each and every individual in the society by using the Government funds may not be possible even in a well developed economy. Indian economy is not yet well developed, it is a developing economy. So it has to resolve many issues in the process of development. Housing is only one among the many issues before the Government. So the Government is regulating its housing financial assistance in such a manner that, it is directed towards the poorest of the poor in the society. Government is trying to find a solution by joining hands with the
private sector. The relative role played by both public and private sector over the different five year plans is given in the following table.

**Table 3.2**

Relative role of Public and Private in Housing investment over the plan periods

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Plan Number</th>
<th>Plan period</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amount</td>
<td>Percentage</td>
<td>Amount</td>
</tr>
<tr>
<td>1</td>
<td>1st Five year plan</td>
<td>1951-56</td>
<td>250</td>
<td>21.74%</td>
<td>900</td>
</tr>
<tr>
<td>2</td>
<td>2nd Five year plan</td>
<td>1956-61</td>
<td>300</td>
<td>23.08%</td>
<td>1,000</td>
</tr>
<tr>
<td>3</td>
<td>3rd Five year plan</td>
<td>1961-66</td>
<td>425</td>
<td>27.42%</td>
<td>1,125</td>
</tr>
<tr>
<td>4</td>
<td>4th Five year plan</td>
<td>1969-74</td>
<td>625</td>
<td>22.32%</td>
<td>2,175</td>
</tr>
<tr>
<td>5</td>
<td>5th Five year plan</td>
<td>1974-79</td>
<td>1,044</td>
<td>22.31%</td>
<td>3,636</td>
</tr>
<tr>
<td>6</td>
<td>6th Five year plan</td>
<td>1980-85</td>
<td>1,491</td>
<td>11.48%</td>
<td>11,500</td>
</tr>
<tr>
<td>7</td>
<td>7th Five year plan</td>
<td>1985-90</td>
<td>2,858</td>
<td>8.97%</td>
<td>29,000</td>
</tr>
<tr>
<td>8</td>
<td>8th Five year plan</td>
<td>1992-97</td>
<td>7,750</td>
<td>10.03%</td>
<td>69,476</td>
</tr>
<tr>
<td>9</td>
<td>9th Five year plan</td>
<td>1997-02</td>
<td>10,430</td>
<td>7.63%</td>
<td>1,26,170</td>
</tr>
<tr>
<td>10</td>
<td>10th Five year plan</td>
<td>2002-07</td>
<td>1,26,694</td>
<td>34.89%</td>
<td>2,36,447</td>
</tr>
<tr>
<td>11</td>
<td>11th Five year plan</td>
<td>2007-12</td>
<td>2,54,500</td>
<td>32.78%</td>
<td>5,22,000</td>
</tr>
</tbody>
</table>

(Source: Various plan documents)

It is clear from the table that total investment in housing has increased from Rs. 11.5 billion in the first plan to Rs. 7.76 trillion in the eleventh plan. Compared to the public sector the private sector is contributing more to the housing sector. During the ninth five year plan the share of public sector was minimum (7.63%) and the same made by the private sector was maximum (92.36%). From tenth five year plan onwards the share of public sector is showing an increasing trend. On the other hand, the absolute investment in housing as a percentage of the total plan investment has declined due to the shift in the government’s emphasis from provider to
facilitator. A progressive shift from a subsidy based housing schemes to cost sharing or cost recovery cum subsidy scheme for rural housing is insisted by the National Housing Policy.

3.2.1. Government schemes on Housing

Within the capacity as a facilitator for the housing development, the central government has developed various housing schemes in order to wipe out the housing shortage in the country. The table 3.3 shows the various housing programmes launched by the government of India since independence.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the programme</th>
<th>Year of Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Integrated Subsidised Housing Scheme for Industrial workers and Economically Weaker Sections</td>
<td>1952</td>
</tr>
<tr>
<td>2</td>
<td>Low Income Group Housing Scheme</td>
<td>1954</td>
</tr>
<tr>
<td>3</td>
<td>Subsidized Housing Scheme for Plantation Workers</td>
<td>1956</td>
</tr>
<tr>
<td>4</td>
<td>Middle Income Group Housing Scheme</td>
<td>1959</td>
</tr>
<tr>
<td>5</td>
<td>Rental Housing Scheme for State Government Employees</td>
<td>1959</td>
</tr>
<tr>
<td>6</td>
<td>Slum Clearance and Improvement Scheme</td>
<td>1956</td>
</tr>
<tr>
<td>7</td>
<td>Village Housing Projects Scheme</td>
<td>1959</td>
</tr>
<tr>
<td>8</td>
<td>Land Acquisition and Development Scheme</td>
<td>1959</td>
</tr>
<tr>
<td>9</td>
<td>Provision of House Sites of Houseless Workers in Rural Areas</td>
<td>1971</td>
</tr>
<tr>
<td>10</td>
<td>Environmental Improvement of Urban Slums</td>
<td>1972</td>
</tr>
<tr>
<td>11</td>
<td>Sites and Services Schemes</td>
<td>1980</td>
</tr>
<tr>
<td>12</td>
<td>Indira Awas Yojana</td>
<td>1985</td>
</tr>
<tr>
<td>13</td>
<td>Night Shelter Scheme for Pavement Dwellers</td>
<td>1990</td>
</tr>
<tr>
<td>14</td>
<td>National Slum Development Programme</td>
<td>1996</td>
</tr>
<tr>
<td>15</td>
<td>2 Million Housing Programme</td>
<td>1998</td>
</tr>
<tr>
<td>16</td>
<td>Valmiki Ambedkar Malin Basti Awas Yojana</td>
<td>2000</td>
</tr>
<tr>
<td>17</td>
<td>Pradhan Mantra Gramodaya Yojana</td>
<td>2001</td>
</tr>
<tr>
<td>18</td>
<td>Jawaharlal Nehru National Urban Renewal Mission</td>
<td>2005</td>
</tr>
<tr>
<td>19</td>
<td>Pradhan Mantri Adarsh Gram Yojana (2009-10)</td>
<td>2009</td>
</tr>
<tr>
<td>20</td>
<td>Rajiv Awas Yojana</td>
<td>2011</td>
</tr>
</tbody>
</table>

(Source: Various reports of Government of India, Ministry of Housing, Ministry of Urban development and Poverty alleviation)
From the above table, it is clear that there is a gradual decrease in the number of schemes introduced by the Central Government year after year. The important housing schemes launched by the Central government, which were proved to resolve the issue of housing shortage in the country, are briefly discussed below.

1) **Indira Awas Yojana (IAY 1985-86)**

This scheme was introduced by the Government of India in the year 1985-86 with the intention to provide housing for the rural poor. It is meant for constructing housing units for BPL people belonging to Scheduled castes, Scheduled tribes and free bonded labourers belonging to rural areas. The attempt during the Eighth Five Year Plan period was towards evolving an approach to rural housing which leads to setting up of truly integrated micro – habitats. The broad purpose of the scheme is to provide financial assistance to some of the weakest sections of society to upgrade or construct a house of respectable quality for their personal living. The vision of the government is to replace all temporary (kutchcha) houses from Indian villages by 2017. Under the scheme, financial assistance worth Rs.70,000/- in plain areas and Rs.75,000/- in difficult areas (high land area) is provided for construction of houses. The houses are allotted in the name of the female member of the family or jointly between husband and wife. The construction of the houses is the sole responsibility of the beneficiary and engagement of contractors is strictly prohibited. Sanitary latrine and smokeless chullah are required to be constructed along with each IAY house for which additional financial assistance is provided from Total Sanitation Campaign (TSC) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGVY) respectively. IAY is an allocation based, centrally sponsored scheme funded on a cost sharing basis between the Central Government and the State Government in the ratio of 75%:25%, except in case of north-eastern states and Union Territories (UTs). For north-eastern states the central government funds 90% and 100% for the Union Territories. The funds are allocated to the states based on 75% weightage of rural housing shortage and 25% weightage of poverty ratio. This programme was proved to be the most effective programme for solving the rural housing problem. Since 1985, 25.2 million houses have been constructed under the scheme. Later, this
programme was included with Javahar Rogar Yojana (JRY). The aim of this scheme is to develop a micro habitat and to ensure a base for higher level of earnings for the beneficiaries.

2) **Pradan Mantri Gramodaya Yojana (PMGY 2000-01)**

Every individual not only need shelter, they also require facilities such as drinking water, proper sanitation etc. It is towards ensuring these things an initiative of Central Government has announced, that is the Pardhan Mantri Gramohaya Yojana (PMGY), in the field of provision of rural shelter. It aims at reducing the shortage of houses of Below Poverty Line (BPL) families in the rural areas. It also aims at the healthy development of the habitat in rural areas. This scheme is also based on the pattern of Indira Awaas Yojana already implemented by the government. The scheme is targeted to such people who are living below the poverty line in the rural areas, belonging to Scheduled Castes/Scheduled Tribes, free bonded labourers and non-SC/ST categories. The non-SC/ST BPL families can also be the beneficiaries under the condition that the allocation to such people should not be more than 40% of funds during a financial year. Funds to the tune of three percent are earmarked for the benefit of BPL disabled persons. The District Rural Development Agencies (DRDAs)/Zilla Parishads decide the number of houses to be constructed in each Panchayat, and the same is intimated to the Grama Panchayat. Then the Gram Sabha will select the beneficiaries from the list of eligible households. The allotment of dwelling units will be in the name of female member of the beneficiary household, or both in the name of husband and wife. Care will be taken to ensure that the houses are located close to the village and not too far away so as to ensure safety and security, proximity to place of work and for social communication. The spirit underlying the Scheme is that the house is not to be constructed or delivered by any external agency but is to be constructed by the beneficiary himself or herself. It should be ensured that all dwelling units are provided with smokeless chulhas which are fuel efficient. The construction of sanitary latrines will form an integral part of the PMGY dwelling unit. The ceiling of construction assistance under the scheme will be Rs.20,000 per unit for plain areas.
and Rs.22,000 per unit for hilly or difficult areas. The funds of the scheme will be released to states in two installments by the Union Ministry of Finance on the recommendations of the Union Ministry of Rural Development. The funds for the second installment will be released after Utilization Certificate/Audit Report is received. For monitoring and evaluation purpose, the State Government should prescribe periodical report and returns through which the performance of PMGY in the district would be closely monitored and also obtain appropriate reports and returns from District Rural Development Agency. Then, these reports and returns would be submitted to government of India by the states.

3) **Valmiki Ambedkar Malin Basti Awas Yojana (VAMBAY 2001).**

Valmiki Ambedkar Malin Basti Awas Yojana (VAMBAY) is a centrally sponsored scheme by Ministry of Urban Development, Govt. of India for the benefit of Slum Dwellers. The scheme is primarily aimed at ameliorating the housing problems for the Slum Dwellers living Below Poverty Line in different towns and cities of the country. The scheme is operated through HUDCO. The objective of the new scheme is to provide shelter and to upgrade existing shelter for Below Poverty Line (BPL) families in urban slums. It is an appropriate scheme for providing or improving the quality of living environment of urban slum dwellers (BPL) who do not possess adequate shelter. It would certainly be useful in tackling problems of expanding slums, unlawful occupation and encroachments etc. As far as concerned with the financing of the scheme, the central government will release subsidy or grant (50% of project cost for the state) to HUDCO, based on the allocation. The state has to submit its project to HUDCO with the indication about the source of raising the balance 50% of the funds required for the project. This project will be then checked and submitted by HUDCO to the Ministry of Urban Development. After sanction, HUDCO intimate sanction to the State Government, asking them to deposit the State Share of 50% in the accounts of the designed implanting agency. On receipt of such certificate, HUDCO will release the grant portion to Urban Development department.
4) Jawaharlal Nehru National Urban Renewal Mission (JNNURM 2005-06).

In India, 30 percent of the country’s population belongs to cities and towns. But its contribution to Gross domestic product is nearly 50–55 percent. The degrading conditions in cities have forced the government to rethink their strategies to adhere to the socio-economic objectives of the country. JNNURM is a programme which is meant to improve the quality of life and infrastructure in the cities. It is launched by the Government of India under Ministry of Urban Development Department. It is a massive city-modernisation scheme. It aims at creating economically productive, efficient, equitable and responsive cities, by a strategy of upgrading the social and economic infrastructure in cities. The important reasons for the degradation of cities include inadequate infrastructure, increasing population and rising urban poverty. So, the government has taken up the initiative to redevelop urban towns and cities by developing infrastructure. The main objective of this programme focuses on water supply, sanitation, solid waste management, road network, urban transport and redevelopment of old city areas.

JNNURM aims at the integrated development of housing infrastructure services in cities, securing effective linkages between asset creation & asset management, to take up urban renewal programme and ensuring adequate funds to meet these needs etc.

The duration of this mission is scheduled to be seven years beginning from December 2005. Later it was extended by two more years, i.e., upto 31 March 2014. As regards the implementation mechanism the funds are channelled through state level agencies, where grants from the central and state governments are pooled and passed on as grants or soft loans to cities. It is the duty of cities to prepare development plans. The mission emphasises transparency and accountability. The share of grant funding by the central government can vary from 35% in the largest cities to up to 90% in cities in the Northeast. Most cities receive grants covering 50% or 80% of costs depending on size.
As far as concerned with the Kerala state, Thiruvananthapuram and Cochin Corporations alone come under the scheme. The funding pattern of Thiruvananthapuram Corporation is Government of India 80%, Government of Kerala 10%, urban local body 10% and that of Cochin Corporation is Government of India 50%, Government of Kerala 30%, and urban local body 20%. During the year 2010-11 it was proposed to implement water supply scheme, solid waste management scheme, sewerage scheme, storm water drainage scheme for both the cities and purchase of buses scheme of Thiruvananthapuram Corporation. The fund will be released when the project is finally approved by the Government of India and the department initiates the implementation process. The Nodal Agency of the Scheme in the state is, Kerala Sustainable Urban Development Project (KSUDP).

5) **Pradhan Mantri Adarsh Gram Yojana (PMAGY 2009-10).**

Basically PMAGY is a rural development programme. This is introduced by the central Government for the development of such villages where above 50% of population consists of people from scheduled castes. This program would be applicable to around 44,000 villages which had a scheduled castes population above 50%. The Plan aims to build an "Adarsh Gram" (Model village) which has adequate physical and institutional infrastructure, in which minimum needs of all sections of the society are fully met. All the facilities necessary for dignified living should be available and the residents are enabled to utilise their potential to the fullest. In March 2012 the Pradhan Mantri Adarsh Gram Yojana (PMAGY) was transferred to the Ministry of Rural Development from the Ministry of Social Justice and Empowerment. Initially the Centre had allocated a sum of Rs.555.4 million to Assam, Bihar and Rajasthan. The programme was initially implemented in 1,000 villages in Assam, Bihar, Himachal Pradesh, Rajasthan and Tamilnadu. Each village will get an amount of Rupees One million per year. In 2011, the annual funding per village was raised to Rupees Two million. The aim of the scheme is to ensure that the selected villages have all required physical and social infrastructure for an all round socio-economic development. Another objective of the plan is elimination of disparity between scheduled castes and other communities in terms of literacy rate,
completion rate of elementary education, infant mortality rate, maternal mortality rate and ownership of productive assets.

6) **Rajiv Awas Yojana (RAY 2011)**

This scheme was launched by the Ministry for Housing and Urban Poverty Alleviation in 2011. The scheme is introduced with a vision to 'create a slum-free India'. During the first phase which covers two years, has a budget of Rs.5,000 crore. Under the scheme, central support will provide Rs50,000 per unit, or about 25% of the cost of civic infrastructure (external and internal), whichever is lower. The scheme is expected to be implemented in nearly 250 cities and towns by the end of the 12th Plan (2017). The selection of the location will be done by states in consultation with the Centre. The states would be required to include all the cities already under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) programme, those with a population of more than 3 lakh in the 2001 census, and some other smaller cities. A list of 157 cities, for which funds have been released for preparatory work under the Slum Free City Planning Scheme, includes all metros and upcoming centres like Visakhapatnam, Ahmedabad, Shillong, Bhubaneswar and Varanasi. In this scheme, 50% of the in-city cost will be borne by the Centre. In the case of north-east and special category states, the share of the Centre would be 90%, which would also include the cost of land acquisition, if necessary.

3.2.2. Housing Policies in India

A cautious policy framework is needed for housing to ensure that it does not hamper the growth of the economy. The amount of investment in housing is very large. For a developing country like India, the finance should be used very cautiously, because it has to tackle many social problems. So the housing policy has to be drafted very cautiously. Even though, the private sector has to play a larger role, the government has to play its role of providing social housing for the poor. Until 1990s, the housing policy was largely driven by government budgets and regulations. In 1985, the National Commission on Urbanisation called for reorganizing government policies and programmes to meet the challenges of
urbanisation in the coming decade. In 1988, the Union government came out with draft ‘National Housing policy’, modified in 1992, explaining the approach towards the sector and the policy objectives. This document was revised later in 1998, and brought forth as National Habitat and Human Settlements Policy 1998. Later on 2007 a new policy named National Housing and Habitat Policy 2007 was formulated. The two different policies are briefly discussed below.

**National Housing and Habitat Policy 1998**

By identifying the importance of housing, the central government has declared that “Housing for all” is the National agenda. They also decided to construct 2 million houses every year for the poor. It is on this background the new National Housing and Habitat Policy 1998, was formulated.

**Objectives**

a) Creation of surpluses in housing stock of the country.

b) Provision of quality and cost effective shelter for the poor.

c) Improving access to land, finance and technology by removing legal, financial and administrative barriers.

d) Encourage partnership between private, public and co-operative sectors.

e) Use of modern technology for the housing sector to improve quality, productivity etc.

It is estimated that an investment of Rs. 1,51,000 crores would be required to resolve the housing shortage in the country. But, this much amount is not available from the public sector. Not more than 25%, (ie, 37,750 crores) would flow from banks, financial institutions, central and state governments. It is further estimated that Rs.2, 50,000 crores shall be required for urban infrastructure during the ninth plan. But not more than 10% would be available from Government sources. The drive behind the policy is in creating a strong Public Private Partnership (PPP), to resolve housing and habitat issues. Government has offered fiscal and other concessions to motivate the private sector to take up the task of housing for poor.
The policy also requires that research and development activities should propagate information about new technologies, which can be used in with housing sector.

**National Housing and Habitat Policy 2007**

It is estimated that India’s urban population in 2001 was 286.1 million. Over the previous five decades, annual rates of growth of urban population ranged between 2.7 to 3.8%. 99% of the housing shortage of 24.7 million at the end of the 10th Plan relates to the Economically Weaker Sections (EWS) and Low Income Groups (LIG) sectors. Given the fact that 26.7% of the total poor in the country lives in urban areas the issue of affordability assumes critical significance. It is in this background the new policy was announced in 2007, with the aim of providing the ‘Affordable Housing to all’ giving special emphasis on the Economically Weaker Sections and Low Income Group sectors. The core focus of this Policy is provision of “Affordable Housing For All” with special emphasis on vulnerable sections of society such as Scheduled Castes/Scheduled Tribes, Backward Classes, Minorities and the urban poor. The Policy seeks to develop innovative financial instruments like development of Mortgage Backed Securitization Market (RMBS) and Secondary Mortgage Market (SMM). It also seeks to attract Foreign Direct Investment (FDI) in areas like integrated development of housing and new township development. The Government would act as a ‘facilitator’ and ‘enabler’ by developing suitable financial instruments for promotion of housing for the EWS and LIG groups. The promotion of well designed Public-Private Partnerships for undertaking housing and infrastructure projects is also an aim of the policy.

The ultimate goal of this Policy is to ensure sustainable development of all urban human settlements and thereby ensure better quality of life for them. The policy also lays special emphasis on provision of social housing for the EWS or LIG categories so that they are fully integrated into the mainstream of ecologically well-balanced urban development.
3.2.3. Evolution of Housing finance Sector in India

In India, housing is considered as the engine of economic growth. The housing sector has strong linkages with many other industries. 78 paise in every rupee invested in housing sector, contributes to the Gross Domestic Product. At present there is high growth rate in the housing finance sector. The various agencies operating in the area of Indian housing finance sector can be broadly classified into two, ie, formal housing finance sector and informal housing finance sector. The formal housing finance sector includes the Housing finance Institutions (HFI) like National Housing Bank, Housing and Urban Development Corporation, Various Housing finance companies Housing Development Finance Corporation (HDFC), Life Insurance Corporation of India (LIC), General Insurance Corporation (GIC), Unit Trust of India (UTI), Commercial Banks, Co-operative banks etc. The informal housing finance sector includes personal savings, borrowings from money lenders or friends or relatives, disposal of existing property etc. The commercial banks play a major role in housing finance sector as they have vast spread branches everywhere in the country. The development of housing finance agencies in the country attained great momentum after the incorporation of National Housing Bank in 1988, as an apex institution in the field of housing finance.
Figure 3.1.

STRUCTURE OF INDIAN HOUSING FINANCE SYSTEM

(Source: www.nhb.org)
After independence, the government has taken many measures for the development of housing sector in the country. In five year plan various housing schemes were introduced. As there is lack of planning and proper co-ordination at various levels of government, many of these schemes didn’t produce the desired results. So the government has decided to introduce some changes in the housing finance sector through the setting up of some institutions. The important housing finance institutions or agencies incorporated in the country were briefly discussed below.

1) Housing and Urban Development Corporation (HUDCO - 1970)

HUDCO was incorporated in, 1970, as a 100% Government owned institution. HUDCO was entrusted with the responsibility to ensure housing, urban development and infrastructure development. 55% of housing finance of HUDCO was designed to allocate Low Income and Weaker sections of the society. HUDCO today has emerged as the leading national techno financing institution with the major objective of financing or encouraging the housing activity in the country. It aims at alleviating housing shortage of all groups in rural and urban areas and also the development of urban infrastructure.

Objectives:

a) To make available long-term finance for construction of houses in urban and rural areas and also undertake urban infrastructure development.

b) To help, promote and collaborate consultancy services for planning the works related to housing and urban development in the country.

c) Financing for the setting up of new towns or satellite towns.

d) For the purpose of Housing and urban development, provide financial assistance by way of subscribing the debentures and bonds issued by the State Housing and Urban Development Boards, Development Authorities etc in the country.

e) Help for the setting up of industrial enterprises which produce building materials.
f) To manage and distribute the funds received from Government of India and other sources as grants or otherwise for the purpose of facilitating housing and urban development programmes in the country.

2) Housing and Development Finance Corporation (HDFC - 1977)

HDFC was incorporated on October 17, 1977 under the chairmanship of H. Parekh. It was registered under the Indian Companies Act, 1956. The aim was to be in the business of mortgage finance for housing. This marked the beginning of organization without the financial assistance from Government. The Primary objective of HDFC is to enhance residential housing stock and to promote house ownership by providing individual household/ families with long term mortgage loans at commercially viable rate. It aims to finance low and middle income group of people to purchase or construct a single family dwelling unit, for their own occupation. It also aims to grant loans to the cooperative sector for housing their employees. It also aims to increase the flow of resources to the housing sector by integrating the housing finance sector with the overall domestic financial markets. Since inception, HDFC has assisted more than 4.4 million customers to own a home of their own, through cumulative housing loan approvals of over Rs. 5.66 trillion and disbursements of over Rs. 4.56 trillion as on March 31, 2013.

3) National Housing Bank (NHB 1988)

During the Seventh Five Year Plan (1985-90), a sub group appointed to study about the problems in housing finance identified that the lack of a national level institution stands as a hindrance for the development of the housing sector. As such, the committee proposed the establishment of a national level agency. The Government of India, constituted a High Level Group under the Chairmanship of Dr. C. Rangarajan, to examine the proposal. This committee also recommended the setting up of National Housing Bank as an autonomous housing finance institution. Accordingly, NHB was incorporated in the year 1988, as per the provisions of National Housing Bank act – 1987. NHB controls, regulates and provides refinance to Housing finance companies and banks operating in the field of Housing finance. NHB borrows from Government, Reserve Bank of India, and even from foreign
capital market. The NHB also provides refinance facility to eligible housing finance agencies such as housing finance companies, scheduled commercial banks, co-operative banks or societies, state land development banks etc. The entire paid-up capital of NHB is wholly owned by Reserve Bank of India, which contributed the entire paid-up capital.

**Objectives**

a. To promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population.

b. To promote a network of dedicated housing finance institutions

c. To make housing credit more affordable.

d. To regulate the activities of housing finance companies based on regulatory and supervisory authority.

e. To encourage augmentation of supply of buildable land and also building materials for housing and to upgrade the housing stock in the country.

f. To encourage public agencies to emerge as facilitators and suppliers of serviced land, for housing.

**Regulation of Housing finance Companies by NHB**

The NHB Act 1987, empowers the NHB to monitor the functioning of housing finance companies to protect the depositors and the other stakeholders. To achieve this, the NHB is empowered to determine the policy and give directions to the housing finance companies. Some of the important provisions for regulation of HFCs by the NHB under the NHB Act, 1987 are,

i) Requirement of registration with the NHB apart from registration with the Registrar of Companies.

ii) Requirement of bringing in minimum net owned fund of 200 lakh.
iii) Maintenance of a percentage of assets in specified securities as per NHB regulations.

iv) Creation of reserve fund by the HFCs to which they are required to transfer at least 25% of their profits before any dividend is declared.

v) Regulation on issue of prospectus or advertisements soliciting deposits from the public.

vi) Making prudential norms for HFCs.

vii) Giving directions to the auditors of the HFCs relating to financial statements and disclosure requirements.

viii) Penalty for violation of the provisions or the directions issued and filing of winding up petition against defaulting HFCs.

4) National Co-operative Housing Federation (NCHF)

The NCHF was established in 1969, as an apex national level organization for the entire co-operative housing sector. The main objective was to promote, develop and co-ordinate the activities of Housing co-operatives in the country. NCHF was registered under the Multi-State Co-operative Societies Act-1984. (Now this Act is replaced with Multi-State Co-operative Societies Act- 2002). Ministry of Urban Development and Poverty Alleviation is controlling the activities of NCHF. The primary co-operative societies operating in the country can be broadly classified into four categories, they are –

i) Tenant Ownership Housing Societies

ii) Tenant Co-partnership Housing Societies

iii) House Construction or House Building Societies

iv) House Mortgage Societies
3.2.4. Major Housing finance companies in India

Housing being the one of the essential needs of mankind, the demand for shelter grows in line with the increase in population and the standard of living; hence the need of financing the purchasing of a House came up. The importance of the housing sector can be judged by the fact that people consider house as the best investment and want to invest their hard earned money or saving in a house. The need for Finance to purchase a house brought out specialized Housing Finance Institutions. The Housing Finance Companies (HFCs) as they are called today, have stepped up their lending over the years contributing to the growth of the housing sector. Their strength lies in their skills in lending exclusively for housing sector. The revolutionary development that has happened in the housing market led to the growth of Indian housing finance market. The result is that, a very large number of companies come into the picture. The entry of commercial banks into the sector leads to stiff competition in the field of housing finance. Some of the major players in the housing finance market are discussed below.

1) Life Insurance Corporation Housing Finance Limited (LICHFL 1989)

LICHFL is incorporated in the year 1989 under the Companies Act, 1956. The company was promoted by LIC of India and went public in the year 1994. It is one of the largest housing finance companies in the country. The main objective of the Company is to provide long term finance to individuals for purchase, construction, repair and renovation of new or existing flats or houses. Around 89% of the loan portfolio of LICHFL derived from the retail segment and the rest from large corporate clients. The company has three important subsidiaries, viz. LICHFL Care Homes Limited, LICHFL Financial Services Ltd., and Asset Management Company Ltd. LICHFL Care Homes Limited, is engaged in the business of setting up, running and maintaining assisted living community centre/care homes for senior citizens; LICHFL Financial Services Ltd, is engaged in the business of marketing various financial products and services, and LICHFL Asset Management Company Ltd is engaged in business of managing, advising, administering mutual funds, unit trusts, investment trusts and to act as financial and investment advisors and render
financial advisory services. The company possesses one of the industry's most extensive marketing networks in India. The company is having their registered and corporate office at Mumbai. They have 7 regional offices also. The shares are listed with National Stock Exchange (NSE) & Bombay Stock Exchange Limited (BSE). During the year 2009-10, the company was awarded the 'Second Best Home Loan Provider' award by Outlook Profit.

2) ICICI Home Finance Company Limited (ICICIHFL 1999)

ICICI Home Finance Company Ltd (ICICI Home Finance) was incorporated in the year 1999 as 100% subsidiary of ICICI Personal Financial Services Ltd (ICICI PFS). The company got registered in March 2000 with NHB. With effect from May 3, 2002, ICICI Home Finance becomes a wholly owned subsidiary of ICICI Bank Ltd. It is the third largest housing finance company in India with almost 13% market share. It provides long term housing loans to individuals and corporates. ICICI Home Finance is the focal point for marketing, distribution and servicing of the home loans products of the ICICI Bank. The company also offers loans for commercial property and loans against existing property. The loans are offered for tenors up to 25 or 30 years. The interest rate is connected to the ICICI bank floating reference rate.

3) PNB Housing Finance Limited (PNBHFL 1988)

PNB Housing Finance Limited is a subsidiary of Punjab National Bank. It was incorporated under the Companies Act -1956 and commenced its operations on November 11, 1988. PNBHFL is a deposit accepting housing finance company. In December 2009, it entered into strategic financial partnership with Destimoney Enterprises Private Limited (DEPL). At present, 51% of shares of PNBHFL is owned by PNB and 49% by Destimoney Enterprises Limited. PNBHFL provides housing loans to individuals (both resident Indians and NRIs) and corporate for construction, purchase, repair and up-gradation of houses. It also provides loans for commercial space, loan against property and loan for purchase of residential plots. PNBHFL had a portfolio of Rs. 8505 crore outstanding as on September 30, 2013, 68% was towards individual housing loans, 23% towards Loans against Property
8% towards Construction Finance segment and balance 1% being securitised portfolio bought by the company.

4) Dewan Housing Finance Corporation Limited (DHFL 1984)

Incorporated in Maharashtra in 1984 as Dewan Housing Finance & Leasing Co, the company was renamed as Dewan Housing Development Finance in 1984, then after to Dewan Housing Finance Corporation (DHFC) with its registered office in Bombay. The company commenced its activities in August 1984, and has several branches all over India. It was promoted by the late Dewan Kuldip Singh Wadhawan and his family. The company is recognised as a private housing finance company by the Government of India and the RBI has also considered it eligible for refinance and financial support from the National Housing Bank. The company has been permitted by the RBI to accept NRI deposits. The company provides housing finance to individuals, co-operative societies, corporate bodies or their nominated employees, groups of persons, etc, and leases commercial and residential premises to reputed companies. For the first time in the history of housing finance, the company has introduced a housing loan, offering dual protection by way of accident risk cover and property insurance, free of cost to borrowers. It also offers financial support to develop infrastructure facilities and for slum development. For the year ended March 31, 2013, DHFL made a net profit of Rs. 45,185.48 lakhs showing an increase of 47% over the net profit of the previous year.


GIC Housing Finance Limited was incorporated as ‘GIC Grih Vitta Limited’ on 12th December 1989. The name was changed to its present name vide a fresh Certificate of Incorporation issued on 16th November 1993. The Company was promoted by General Insurance Corporation of India and its erstwhile subsidiaries namely, National Insurance Company Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited and United India Insurance Company Limited together with UTI, ICICI, IFCI, HDFC and SBI, all of them contributing to the initial share capital. The Company was formed with the objective of entering in the field of direct lending to individuals and other corporates to
accelerate the housing activities in India. The primary business of GICHFL is granting housing loans to individuals and to persons or entities engaged in construction of houses or flats for residential purposes. The company has got a strong marketing team, which is further assisted by Sales Associates (SAs). It has tie-ups with builders to provide finance to individual borrowers. It also has tie-ups with corporate for various housing finance needs. In the financial year 2012-13, GIC Housing finance limited registered a profit after tax of 8,503 lacs.

6) Can Fin Homes Limited (CFHL 1987)

Can Fin Homes (CFHL), established in 1987. It is promoted by Canara Bank in association with reputed financial institutions including HDFC and UTI. CFHL was set up with the mission of promoting home ownership and increasing housing stock all over the country. It is the first bank and the biggest bank sponsored housing finance company (HFC) in the country and one among the top players in the country's housing finance sector. Now the National Housing Bank (NHB) is also an important equity holder in CFHL. It is one among the four HFCs selected by NHB in its first phase of securitisation programme. CFHL offers loans for construction of house, loan for the purchase of flat or house, finance for the acquisition of a plot and construction of a house on the same. Under the composite housing loan scheme; it offers loan for the extension of existing house and loan towards the repairs, renovation and upgradation of a house or flat. CFHL enjoys 5 Star rating from NHB for the purpose of refinance. The company enjoys a high safety rating of 'MAA+' rating, which attracts depositors to the company. In the financial year 2012-13, it has registered a net profit of 5,412 lacs.

3.3. Housing Finance and Commercial Banks

The primary function of commercial bank is accepting deposits from the public and lending the same. Till recently, the commercial banks were reluctant to give housing loan. They are of the opinion that the long repayment period leads to higher risk. They were issuing housing loan only to meet the stipulation of priority sector lending. But, the picture has changed now. The commercial banks realized that, provision of housing loan is good to increase their profit. Even if, default is
committed the borrower, the bank can acquire the property and realize the amount. As such the commercial banks started expanding housing related disbursements. This was actually a threat to the existing Housing finance companies. In the year 2000, 70% of the total loan disbursements in the housing sector was dominated by the Housing finance companies. But after 5 years in 2005, the housing finance companies’ share decreased to 36%. That is, within 5 years the commercial banks accounted for the 64% of the housing loan disbursements in the country. The competitive advantage the commercial banks have over the HFCs is their wide network of branches reaching every nook and corner of the country. All the commercial banks including public, private and foreign banks in the country are eligible for disbursing housing loan. For this they need not register with NHB. Housing loan is only one loan product among the variety of loan products of the commercial banks. They can give loan for various purposes such as construction of new houses or flat, purchase of house, renovation or alteration or extension of existing house, purchase of land for construction of house etc.

3.4. Kerala – Demographic factors

Kerala has the special distinction of following a model of development, which places it well above other Indian States in terms of key development indicators such as health, education, social welfare and participatory governance. Although there are many factors which affect the development prospects of an economy, the size and quality of the population remains a major determinant of the potential of an economy. As per the provisional data published from the Directorate of Census 2011, the population of Kerala was 3,33,87,677 persons. Out of this 1,60,21,290 (48.0 per cent) are males and 1,73,66,387 (52.0 per cent) are females. When the last census was taken in 2001, these figures were respectively 3,18,41,374 total, 1,54,68,614 (48.6 per cent) males and 1,63,72,760 (51.4 per cent) females. Children in the age group of 0 to 6 account for almost 10 per cent of the total population. The growth rate of Kerala’s population during the last ten years is 4.9 per cent, which is one of the lowest rates among Indian States. This is much smaller
than the 9.5 per cent growth in population during the decade ending 2001 (previous
census).

3.4.1. Agencies in Housing Sector of Kerala

Several agencies which are implementing housing schemes in the state include Kerala State Housing Board, Kerala State Co-operative Housing Federation, Kerala State Development Corporation for SC/ST, SC/ST Development department, Rural Development department including Kudumbashree, which implements Ashraya housing scheme for the destitute etc. Non-governmental agencies such as COSTFORD and Habitat Technology group, co-operative societies like Kerala State Co-operative Housing federation and Corporation like, Kerala Police Housing & Construction Corporation etc have also helped in constructing houses. Several NGOs also have contributed significantly. These Agencies and departments have provided assistance to construct about 7,42,000 houses from the period from 2007-08 to 2012-13. Apart from the Government agencies, a large number of financial institutions are functioning in the housing sector of the Kerala state. They include HUDCO, HDFC, LICHFL, Sundaram Home Finance, GIC Housing Finance, HOUSEFED, Commercial banks etc.

3.4.2. Focus areas in Kerala’s Housing Sector during XIIth plan

During the 12th plan period (2012-17), the Government of Kerala has identified some focal areas for the development of Housing in Kerala. They are briefly pointed out below.

a) Provide adequate and affordable housing for all.

b) Speed up the efforts to meet the housing needs of landless tribals, fisherman, traditionally employed and poorest of the poor.

c) Ensure the adequate flow of funds to the housing sector from national and international financial institutions, Non Resident Indians etc.

d) Promote the construction of cost effective and environment friendly houses.
e) Popularise the use of energy efficient technology, locally available building materials etc among the general public.

f) Research work may be undertaken to identify alternative material to be used instead of river sand due to its acute shortage.

g) To address the gap in infrastructural facilities by providing necessary infrastructural facilities.

h) Set up a Housing Regulatory Authority to regulate the building activity and to settle the dispute.

i) Aiming to construct 12 lakh housing units during the 12th five year plan period (of which 60% intended for the Economically Weaker Sections). The fund for this programme will be met from the centrally sponsored schemes of IAY, RAY, funds from HUDCO and other financial institutions.

j) Improve the effectiveness and reach of Kerala State Housing Board with the help of HUDCO and other consultancy services.

k) It is intended to implement a comprehensive Habitat and Housing Policy in the state during the 12th plan period.

3.4.3. Kerala State Housing Department

The Kerala State Housing Department is entrusted with the responsibility to co-ordinate the various housing schemes in the state. It is the nodal department in housing sector of the state. It is headed by a Secretary. The Kerala State Housing Board and Kerala State Nirmithi Kendra are the major enterprises under the Department of Housing. The primary objective of the Housing Department is to formulate and implement various housing construction or loan schemes for catering the housing needs of public belonging to various income groups such as Economically Weaker Sections, Low Income Group, Middle Income Group and High Income Group. The important housing finance institutions in Kerala are discussed below.
1) Kerala Nirmiti Kendra (KESNIK 1985)

Kerala State Nirmithi Kendra is an Autonomous body of Government of Kerala under Housing Department. It was formally inaugurated in the year 1985. This institution stands for reduction in cost of house construction. They have the objective of promoting research in house construction techniques to reduce cost. An important objective of Nirmiti Kendra is to manufacture good quality building materials at low cost. It also provides training to various categories of people with regard to low cost housing. It was vested with the responsibility to co-ordinate, monitor and regulate the activities of the District level Nirmiti Kendras in the state. It provide advice and guidance to Government on emerging housing concepts and policies. It extends consultancy services in housing and allied fields. The most important feature of Nirmiti Kendra is the use of Cost Effective Environment Friendly (CEEF) Technology in housing. The use of CEEF Technology will lead to nearly 20 to 35% reduction in the cost of house construction compared to conventional construction. In the year 1996, it was shortlisted in the “Best practices 100 List” by the United Nations for the initiatives taken in the field of housing and habitat. In 2004, it was identified by the Government of Kerala as a nodal agency for implementing Rain Water Harvesting in the state.

2) Kerala State Housing Board (KSHB 1971)

The Kerala State Housing Board was constituted in the year 1971, as per the Kerala State Housing Board Act 1971, by merging the previous City Improvement Trust. The KSHB functions with the mission to provide shelter to all homes less in the state. It gives emphasis on the construction of houses for the weaker sections in the society. The primary objective of the Board is to formulate and implement various housing construction schemes and housing loan schemes for catering the housing needs of public belonging to various income groups. In addition to this, general improvement schemes (like commercial cum office complex), government directed schemes (like Rental Housing Schemes, slum improvement schemes,
housing complexes for EWS, Rehabilitation Housing Scheme etc.) and deposit work (ie. Taking construction of work of other agencies) also forms part of the activities of the Board. The KSHB has won the “Best Housing Agency Award”, in the country during the years 1992-93, 94-95, 95-96, 96-97, 97-98, 98-99 and the year 99-2000. The award was instituted by HUDCO (Housing and Urban Development Corporation).

3.4.4. Important Housing Schemes and Programmes in the State

The development of housing facility in the state is the responsibility of the concerned state. Even though the central government is introducing various housing schemes and programmes, the state government has to design and formulate appropriate housing schemes in the state to resolve the issue of housing shortage. The Kerala government has been introducing various housing schemes through various agencies operating in the state to solve the problem. Important among them are discussed below.

1) M.N. Laksham Veedu Punarnirmana Padhathi

Through the Kerala State Housing Board, this scheme is introduced. One lakh houses scheme was launched by the Kerala Government in 1972. The aim was to construct one lakh houses in the state with an area of 250 Sq. ft. A total of 960 panchayaths in the state decided to construct 100 houses in each panchayath, thereby making a target of 96,000 houses. The present conditions of these houses are very pathetic because of three decades of aging. It is for the renovation or repair of houses, “M.N.Laskham Veedu Punarnirmana Padhathi was introduced by the Government. Financial assistance for the reconstruction of houses is implemented through the KSHB. The Government subsidy will be 75,000/- for General Category, 1,00,000 for SC Category and Rs.1,25,000/- for ST category. 50% of the subsidy amount will be given by Kerala State Housing Board and the balance amount shall be met by the Local Self Government Departments.
2) Innovative Housing Scheme

In the 11th five year plan, under 2nd years programme (2008-2009) it is proposed to construct residential flats (4-6 storied) in government land for the displaced labours in the economically weaker section in urban area. It is proposed to implement the scheme at the Government land available with the Board at Thrikkakara (Ernakulam) and Poojappura (Trivandrum). In continuation of the project it is proposed to construct 111 flats at a cost of Rs.5.82 Crores, at Thrissur and Trivandrum.

3) Tsunami Rehabilitation Programme (TRP)

Kerala State Housing Board has been designated as nodal agency for the implementation of the Coastal Housing and Re-settlement Programmes (CHRP). Government has also decided to entrust the construction of houses at Trivandrum, Malappuram, Kozhikkode, Kannur and Kasargod districts to KSHB for direct execution. The Board has undertaken the responsibility to construct a total of 1,204 houses under this programme. The district wise distribution of houses are Trivandrum (31), Malappuram (208), Kozhikkode (567), Kannur (128) and Kasargod (270). The land at Beemapally (Trivandrum) and Veliyamkode (Malappuram) are only handed over to the Housing Board.

4) Suraksha Housing Scheme

The scheme is to give financial assistance for the houseless Economic Weaker Sections in both Urban and Rural areas. The Government assistance is strictly limited to the vulnerable sections under the EWS group after strict scrutiny of their eligibility. Under this Scheme, assistance will be given to persons owning at least 2 cents of land to construct a house by themselves. The scheme will have an option to associate Voluntary Agencies and Non-Government Organisations to assist the construction. The capital subsidy from the State Government shall be Rs.9,000 per house and Rs.2,000 shall be the beneficiary/Voluntary contribution. Rs.19,000/-
will be construction loan for a building costing Rs.30,000/-. In cases where Voluntary Organizations are associated, they shall provide entire amount to the beneficiary or build the structure up to roof level and the Government Subsidy shall be disbursed. In this case no loan component is involved and beneficiary is fully free from repayment.

5) New Suraksha Housing Scheme

The Kerala State Housing Board in its meeting held in 2007, had approved a new financial pattern for Suraksha Housing Scheme. In this scheme the construction cost of one house is taken as Rs.1,00,000/-, against the present amount of Rs.30,000/- and the Government Subsidy as Rs.25,000/- against the present amount of Rs.9,000/-. It is proposed to construct 2,000 houses during the financial year 2010-11. The pattern suggested is given in the following table.

<table>
<thead>
<tr>
<th>Share of different parties</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of beneficiary</td>
<td>25,000</td>
</tr>
<tr>
<td>Share of voluntary organisation</td>
<td>50,000</td>
</tr>
<tr>
<td>Government subsidy</td>
<td>25,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

6) Tribal Housing Scheme

As part of the construction of housing schemes for the primitive tribes during the year 2006-07, the Government have issued sanction for the construction of 270 buildings for primitive tribes at Sulthan Bathery taluk in Wayanad district. The work has been entrusted to KSHB. The construction cost of one building is Rs.90,000/- and the total cost required for the construction of 270 buildings amounts to Rs. 243 lakhs. The said amount has been disbursed by the tribal
department. All the 270 buildings have been completed in 2009 and handed over to tribal department.

3.4.5. Kerala State Housing Policy 2011

The new policy visualise the promotion of sustainable development of the housing with the objective to ensure “Adequate and Affordable housing for all”. The government tries to satisfy the needs of the poor, marginalised and disadvantaged people of the society to ensure inclusive growth. The policy also intends to redefine the role of state in the capacity as a facilitator, catalyst, builder and regulator in the field of housing finance.

The focus areas of the new policy include the following.

1) To meet the housing needs of landless tribal people, fishermen, traditionally employed and poorest of the poor.

2) To formulate innovative financial models of partnerships namely, Public Private Panchayats Partnership (PPPP), by safeguarding the interest of the Public.

3) Promotion of adequate flow of funds to the housing sector from international and national financial institutions, NRIs etc.

4) Development of satellite townships in an integrated and sustainable manner.

5) To address the gap in infrastructural facilities and ensure the supply of quality basic services.

6) To stimulate the use of cost effective, environment friendly, energy efficient technology in the construction of houses.

7) Promoting research to identify an alternative material for river sand.

8) Introducing appropriate projects for the construction of houses for Non-Resident Indians and Non-Resident Keralites.
The state government intends to launch various housing schemes to ensure adequate and affordable housing to all. The policy would be reviewed once in five years and address the issues if any and also develop the remedial measures.

3.5. Summary

When having a look on the history housing finance in India, it can be observed that the authorities failed to give an emphasis to this sector in the early years of development. It is only in the 1970s housing finance attracted the serious attention of the government. This has led to the setting up of HUDCO in 1970. Even then the problem housing shortage could not be solved. The setting up of HDFC in 1977 is example of the interest shown by the private sector in this field. The measures taken by the government to solve the problem of housing shortage is mainly based on the budget declarations. It takes long 41 years after independence to set up an apex level housing finance institution in the national level. Within the time of formation of NHB nearly 80% of the housing stock in the country was financed from the informal sector. In Kerala, Kerala State Housing Board was set up in 1971 as per the instruction of central government. Later Kerala Nirmiti Kendra was set up in the year 1985 with the objective of cost reduction in building houses. Along with the formation of NHB the central government has introduced various housing schemes such as Indira Awas Yojana, Valmiki Ambedkar Malin Basti Awas Yojana, Rajiv Awas Yojana etc in the national level. In the state level Kerala government has also came forward with so many housing schemes such as, One lakh house scheme, M.N.Laksham veedu punarnirmanan padhathi, Innovative Housing scheme, New suraksha housing scheme etc. In the national level and state level separate housing policies have been formulated with the objective of providing affordable housing for all. By identifying the profitability and safety in the housing finance many Housing finance Companies were incorporated in the country. In the post-liberalization era the commercial banks were also attracted by the housing finance sector and started lending loans for meeting the housing needs of various categories of people. The Co-operative societies in various parts of the state are also lending housing loans. At present a borrower has so many options for availing a housing loan.
As the present chapter has given an idea about the formal housing finance system in India. The next chapter deals with the Growth and performance of selected housing finance agencies in the country, using secondary data.
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