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# Intricacies of Housing Loan Policies Across various Institutions

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## ABSTRACT

Financing to housing sector is a critical factor for growth in any economy and there is no exception to India. India is financing adequately to housing sector through various banks, financial institutions, state and central boards. This study trace out such initiatives across the country with a deeper insights into the policies issues and their effectiveness in the process of implementation. This study started with banks and financial institutions as well as specialized institutions operating in the country. The study concludes that there is a need to strengthen the institutional structure financing the housing sector.

Keywords – Specialized Institutions, NHB, HUDCO

## Introduction

The study of policy of Housing Finance and the changes in policy approach affect the number and type of the programmes, quantum of the investment, and efficiency levels. The purpose of this study is to analyze the government's housing finance policies and programmes that evolved and were implemented by the central and state governments during the five decades of planning. It serves to appreciate housing adequacy and demand from a proper perspective; it traces the origin of housing policy and explains the features of the first and recent housing policies of the Government of India, housing programmes of

schemes designed to meet the housing needs, and the critical institutions such as National Housing Bank (NHB) and Housing And Urban Development Corporation (HUDCO).

## Research Questions

There is a critical need to examine the housing policies evolved over a period of time. It is very essential to look into the institutional structure prevailed in the Indian Economy for financing housing sector.

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## Methodology

The study applied secondary data from Five-year Plans, Planning Commission, and GOI. Financial Institutions, Reserve Bank of India, National Housing Board (NHB), other Banks, National Institute of Rural Development (NIRD), Journals and periodicals, newspapers, annual reports, etc.

Table -1- Phases of Indian Housing Finance

Phases	Period	Status
Phase I	Before 1970	Government Domination
Phase II	1970 – 1980	HUDCO and HDFC
Phase III	1980 – 1990	establishment
Phase IV	1990 – 2000	Establishment of NHB
Phase V	2000 to Present	Liberalization of interest rates  High growth

*Source: ISB, Indu Centre for Real Estate and Infrastructure.*

Before 1970, the government's domination was more on housing finance. In 1970 the Housing and Urban Development Corporation (HUDCO), a fully-owned government corporation, was established to finance various housing and urban infrastructure activities. In 1977, India's first private-sector housing finance company, Housing Development Finance Corporation Limited (HDFC), came into existence. Since then, housing finance in India has been flying high. With the establishment of the National Housing Bank (NHB) in 1988, a wholly owned subsidiary of RBI, the housing finance companies in India were regulated. In the years 1990 – 2000, the interest rates of housing finance companies were liberalized. From 2000 onwards, there was high growth in housing finance in India.

### **Housing Finance Institutions in India: Schemes Offered**

Presently, different groups of institutions provide housing finance in India, viz., Scheduled Commercial Banks, Scheduled Cooperative Banks, Housing Finance Companies (with public deposits & without public deposits), and State Level Apex Housing Finance Societies, etc. The same is presented in Table 3.2 below, along with the number of companies and schemes offered. Table .2: Housing Finance Institutions in India: Schemes

Offered

S. No.	Category of Institution	No. of Companies	Schemes
1.	Scheduled Commercial Banks	43	Direct Housing Finance, Indirect Housing Finance, Housing Loans under Priority Sector
2.	Scheduled Co-operative Banks	53	Construction/Purchase of Houses by Individuals, Repairs, Alterations and Additions to Houses by Individuals, Housing Schemes for SC, ST and Slum Clearance Schemes
3.	Housing Finance Companies (Non-accepting Deposits)	33	Direct And Indirect Housing Finance
4.	Housing Finance Companies (Accepting Deposits)	19	Direct and Indirect Housing Finance
5.	State-Level Apex Housing Societies	25	Construction/Purchase of Houses by Individuals, Repairs, Alterations and Additions to Houses by Individuals, Housing Schemes for SC, ST and Slum Clearance Schemes

*Source: National Housing Bank Reports*

As elucidated from the table, it is understood that the number of companies offering Housing Finance Schemes under Scheduled Co-operative Banks noted the highest with Fifty-three companies followed by Scheduled Commercial Banks 43. Housing Finance Companies that do not accept deposits are 33, numbers State Level Apex Housing Societies 25, and Housing Finance Companies that take deposits are 19. Both the Cooperative and Commercial Banks observed played a major role in the Housing Finance Sector due to their vast spread of branches, extending to every nook and corner of the country. The Schemes of the various institutions offering Housing Finance are both direct and indirect housing

finance, providing housing loans under the priority sector. The Direct Housing Finance is extended for individuals' construction, purchase, repairs, alterations, and additions to houses. Indirect Housing Finance includes refinancing sponsored schemes. Housing Loans under the priority sector consist of Housing Schemes for SC, ST, and Slum Clearance Schemes. Under the Five-year Plan, there was budgetary support for rural housing to implement schemes meant for weaker sections. In addition, other institutions were engaged and have been mobilizing finance for the housing sector.

## GENERAL FINANCIAL AGENCIES

This group of intermediaries includes the insurance sector, viz., the Life Insurance Corporation of India (L.I.C), General Insurance Corporation (G.I.C), and its four subsidiaries, Provident Fund and Commercial Banks. These financial institutions lend a portion of their funds for Housing. There are 17 Housing Finance Companies granted Certificate of Registration (RoR) under section 29 A of the NHB Act 1987. The following are the top Housing Finance Companies in India.

**Life Insurance Corporation of India (L.I.C):** The Life Insurance Corporation of India (L.I.C) plays a crucial role in the financing of Housing, with a view to solving the housing problem of housing shortage in the Country. LIC has made massive efforts by providing financial assistance to Individuals, Cooperative Housing Societies, and State Governments. LIC established a new subsidiary called LIC Housing Finance Ltd in 1989. The main objective of this organisation is to provide long-term financial assistance to realize the objective of the National Housing Society. LIC Housing Finance Ltd (LICHF), with its network of 67 area offices and 6 regional offices, has a cumulative housing loan disbursement of over Rs. 4536 Crore. It has a market share of 25 per cent of organized housing finance, and it ranks second only to HDFC, which has 54 per cent of the market share.

**General Insurance Corporation (G.I.C):** The General Insurance Corporation (GIC) provides funds to the State Governments and Public Agencies to execute village housing projects and housing for Economically Weaker Sections. GIC advanced around Rs. 2700 million for housing finance until mid-2004.

## COMMERCIAL BANKS IN HOUSING FINANCE

The commercial banking sector makes a small contribution to the housing finance effort

through the subscription of Bonds & Debentures of State Housing Boards and HUDCO. In 1981, the Reserve Bank of India earmarked Rs. 150 million for the entire banking system through housing finance. Under the following sections, it directed individual banks to provide up to 0.5% of their total advances to this sector.

**CAN Fin Homes Ltd:** CANFIN Homes Ltd is a housing finance company supported by NHB on a regional level in association with UTI, HDFC, ICICI, and Canara Bank Financial Services Ltd. The main objective is to lend money to Individuals, Cooperatives, and Corporate Bodies for the acquisition or construction of residential units only.

**State Bank of India Housing Finance:** State Bank of India is a major player in the Indian housing finance market with 17% of the market share, same on par with HDFC's share as on March 2010. The SBI Housing Loan schemes are specifically designed to meet the varied requirements of the customers.

**IDBI Home Finance Ltd:** Founded in January 10 2000, IDBI Home Finance Ltd has become one of the major players in the Indian Housing Finance Market with about 4% market share.

**ICICI Home Finance Company Ltd:** ICICI is India's third-largest housing finance company, with an almost 13% market share. It offers various types of home loans for its customers, which may have a tenure of up to 20 years.

**Provident Fund:** The provident fund organisation is another source of finance for housing activity. The provident fund can be a General Provident Fund (GPF), a Public Provident Fund (PPF), or a Contributory Provident Fund (CPF). To a limited extent, the GPF and CPF provide finance to its members for acquiring a house through an advance or permitting a withdrawal of only about one per cent. Rs. 54 million out of the annual collection of provident funds is channeled into housing.

## **SPECIALISED AGENCIES IN HOUSING FINANCE**

These institutions have been set up specifically to undertake financing house construction and home purchases by individuals, groups, or organisations. The Housing and Urban Development Corporation (HUDCO) functions primarily as an open national body for financing state-level agencies' housing activities. Local Bodies and Housing Co-operatives are crucial in developmental and promotional programmes.

**Housing and Urban Development Corporation (HUDCO):** Over the decades, the housing scenario presents a dismal picture of the living conditions of the people, especially those from the economically weaker strata, are abysmally low. Shelter, even though a roof over one's head, is an absolute requirement. Incorporated on April 25, 1970, HUDCO expressed the central government's concern regarding the country's deteriorating housing conditions and the desire to assist the state authorities and various agencies in dealing with them. HUDCO has emerged as the leading National – Techno Financial Institution with the major objective of financing and encouraging housing activity in the country and alleviating the housing shortage of all groups in rural and urban areas with an emphasis on catering to the needs of the Low-Income Groups (LIGs).

The present paid-up capital of HUDCO is Rs.1,613 crore as against the authorized capital of Rs. 2,500 crores. HUDCO created a reserve of Rs. 1,126 crores over the years. This institution has further mobilized resources from LIC, GIC, UTI, the Banking Sector, International Assistance, and Market Borrowings, as well as through public deposits to the tune of Rs. 20,000 crores. At present, the cumulative resource base of HUDCO is Rs. 28,043 crores.

Human Settlement Management Institute (HSMI), the research and training wing of HUDCO, is the model institute on behalf of the Ministry of Urban Affairs and Employment to co-ordinate various training and documentation activities under the Information, Education and Communication (IEC) component of Swarna Jayanti Shahari Rozgar Yojana (SJSRY). This major poverty alleviation programme lies in urban areas. Seventy training programmes were conducted under IEC from January 1999 to March 2000 and achieved a landmark performance from 1999 to 2000. It earned an all-time high sanction of Rs. 8899.89 crore, which is about 35 per cent growth over last year's achievement of Rs. 6666.67 crore by aiding the construction of 16.34 lakh dwelling units and 1.8 lakh sanitation units. It had also extended financial support to 86 urban infrastructural projects throughout the country.

**Housing Development Finance Corporation (H.D.F.C):** Incorporated in 1977 with a share capital of Rs. 100 million, HDFC has emerged as the largest mortgage finance Institution in the country, promoted by ICICI with initial investments from the LIC, GIC, Commercial Banks, and International Finance Corporation. HDFC received 12 per cent of its initial funding from NHB; \ the Corporation had a series of issues raising its capital to Rs. 1.19 billion. The primary objective of HDFC is to enhance residential housing stock

and to promote housing ownership. Another objective is to increase the flow of resources for housing through integrating housing finance institutions with the domestic capital market.

HDFC commenced operations as a mortgage bank; it raised large domestic and international resources and also lent primarily to individual households. In 1991, it entered the retail deposit market by offering savings and investment opportunities to households by competing with other institutions in the financial market. As a result, the number of depositors rose from 56 thousand in the year 1991 to 58 thousand in 1998, with an outstanding amount of Rs. 44.24 billion. HDFC has a mix of individual and corporate clients on the funding and lending sides. HDFC's lease finance facilities are Companies and development authorities offer it to develop infrastructural facilities and other assets.

Since its inception in 1977, HDFC loans accounted for a total investment of Rs. 9,820 million, corresponding to 1,11,000 dwelling units in 360 urban settlements. Loans are secured against the property mortgage, and 85 per cent of loan approvals are for individuals who own their houses. HDFC is the first Indian housing institution to raise funds under USAID assistance.

**National Housing Bank (N.H.B):** The desire for a safe and secure home is timeless and universal. The twin problems of affordability and accessibility that impede housing progress in our country need to be addressed sustainably. The non-availability of long-term finance to individual households was a major hindrance to the progress of the housing sector. Therefore, an apex-level institution, namely the National Housing Bank (NHB), was set up on July 9th, 1988, under the National Housing Bank Act 1987. It is wholly owned by the Reserve Bank of India (RBI). The functions of NHB are extending refinance in respect of loans granted by the primary lending institutions, providing financial assistance to project lending to a range of borrowers both in the public and private sector, guaranteeing bonds of housing finance companies, and playing a lead role in Mortgaged Backed Securitization. NHB has been in the field for over 36 years by providing Primary Lending Institutions with refinance facilities. The bank had an initial authorized capital of Rs.100 crores and is the principal agency for promoting housing finance institutions. The resources mobilized by the bank are channeled to the housing sector through co-operatives and public sector organisations engaged in housing development in urban and rural areas. NHB Acts



as a principal agency to promote housing finance institutions both at national and regional levels and provides financial and other services to such institutions. The years 2010 – 2011 have been important for the NHB as it has crossed Rs. 120 billion in loan disbursements, of which approximately 50 per cent was for rural housing.

**Co-operative Housing Finance Societies:** Most states have established Housing Finance Societies. To provide the bulk of the finance for housing development by primary cooperative societies. The balance comes from the members of the primary co-operative and mortgage of the assets of the society serves as the collateral. Loans amounting to over Rs. the societies have sanctioned 12,000 million up against 0.7 million units as of 2004.

### **Housing Policies in India**

An attempt has been made here to briefly state and analyse the housing policy of the Government of India. As the policies of the State Governments are largely molded by the policy of the Central Government and as the Government of India subsidizes most of the housing schemes implemented by the States, housing policies of the State Governments such as Andhra Pradesh (AP), Telangana is not separately discussed. The states are involved in the process of examining and finalizing the national housing policy.

**Seventh Five-Year Plan (1985-90):** In this plan, the government gave responsibility to the private and public sectors to construct the houses. The government has given investment of Rs. 18,000 crores to private sectors. In private The housing sector's growth rate for the seventh plan period is assumed to be the same as the sixth plan period, implying an investment of Rs. 29,000 crores. Under this plan, they established the National Housing Bank (NHB) to elaborate housing finance and introduced the National Building Organisation (NBO). This was later renamed the Building Material Technology Promotion Council (BMTPC), which works for the commercial production of innovative building materials. This plan mainly focused on urban poor problems and overcoming the government-introduced scheme, namely Urban Basic Services for the Poor (UBSO).

**National Housing Policy (NHP) 1988:** In 1988, the National Housing Policy (NHP) was introduced through the Global Shelter Strategy (GSS). The main aim of NHP (1988) was to remove houselessness and provide basic conditions to provide houses; this is in accordance with the UN General Assembly, which proclaimed 1987 as the international year of shelter for the homeless. In January 1987, the government prepared a draft policy meant to improve the growth of the housing sector intended to provide affordable dwellings

to every family in a short period of time. According to this policy, the Rent Control Laws & Urban Land Ceiling Act came into existence to provide investment in the housing sector to make more land and resources for Low- and Middle-Income Groups. National Housing Bank with an investment of Rs. 100 crores for the housing sector was established.

The main objectives of NHP 1988 were to motivate and help all people and, in particular, the homeless and the inadequately housed, to secure for themselves affordable shelter through access to land, construction materials, technology, and finance, to encourage investment in housing to achieve a sustained growth of the nation's housing stock and its proper conservation, renovation, and upgrading of the latter, to create an enabling environment by eliminating constraints and developing an efficient and accessible system for the delivery of inputs to maximum housing efforts, to improve the environment of human settlements to rise the quality of life through the provision of drinking water, sanitation, and other basic services and to promote vernacular architecture and preserve the nations rich heritage in the field of human settlements, etc.,

Further, the priorities of NHP 1988 policy include the Scheduled Castes, Scheduled Tribes and Freed Bonded Labourers, Rural Landless Labour including Artisans, Widows, Single Women, Female-headed Households, Economically Weaker Sections (EWS), and victims of Natural Calamities.

The main strategies of the National Housing Policy sought to be achieved were making available developed land at reasonable rates for housing, providing security of tenure to households, both in rural and urban areas, creating a viable and accessible institutional system for the provisions of housing finance, Promoting savings and investment in housing by developing suitable savings instruments and providing appropriate fiscal incentives, making available standardized building materials and components at reasonable prices, encouraging the production of building materials based on local resources and of standardized low-cost building materials and components, improving and upgrading construction skills, creating and strengthening basic infrastructure and services needed for a healthy environment in human settlements.

**National Housing Bank (NHB) 1988:** This act was established in the year 1987. National Housing Bank (NHB) develops housing finance institutions at local and regional levels. NHB provides financial support to housing through equity and housing credit needs and refinances of the population through primary lending institutions like Commercial Banks, Housing Finance Companies (HFCS), and Co-operative Institutions.

Housing Finance Companies are formed to support Economically Weaker Sections (EWS) in rural areas. NHB supports equity of 50 per cent of Paid-up Capital and 25 per cent of HFCs in urban areas.

**Eighth Five-Year Plan (1992-97):** In 1998, the new Housing & Habitat policy began. The purpose of this policy was “Shelter for All” for public and private household sector citizens. The main agenda of the policy was to announce housing for all but mainly targeted the poor people who needed housing. The achievement goal sets a target of 2 million dwellings to be constructed annually. Apart from the above, the main theme of this policy was to develop strong public-private partnerships to overcome the issues relating to housing and habitat issues.

**Ninth Five-Year Plan (1997-2002):** The ninth plan mainly targeted economically weaker sections and the low-income group category. The main goal of this policy was to provide 20 lakh units constructed annually. Under this planning, 7 lakh houses were constructed in urban areas and 13 lakh houses in rural areas.

The ninth five-year plan introduced certain schemes: (i) Additional Centre Assistance (Special Action Plan) under basic minimum services (ii) Golden Jubilee Rural Housing Finance Scheme 1997-98 (iii) Innovative Stream for Rural Housing and Habitat Development, a pilot scheme under IAY for below poverty line households, 1998-99.

**Samagra Awas Yojana:** This scheme was introduced in the year 1999-2000. The aim is to provide shelter, sanitation, and drinking water. This scheme focuses on human resources development and habitat improvement.

**Valmiki Ambedkar Awas Yojana:** This scheme was announced by the Prime Minister of India on 2 December 2001. The scheme mainly targets those below the poverty line who don't possess any shelter. This scheme helps them to improve urban slum area dwellings. The objective of the scheme was to improve the slum dwelling and to provide a healthy environment and basic necessities, i.e., provide toilets, etc.

**Two Million Housing Programme (2MHP):** The Two Million Housing Programme (2MHP) is essentially loan-based. The sanctions under 2 MHP from 1998-99 to 2003-04 in urban areas were by Housing and Urban Development Corporation Ltd. (HUDCO) co-operative sector, Housing Finance Institutions (other than HUDCO), AND Public sector Banks.

**Tenth Five-Year Plan:** The total agreed outlay for the 10<sup>th</sup> five-year plan was

Rs.400 crores for two schemes, i.e., Urban Housing and Urban development with a breakup of Rs. 170 crores for Urban Housing and Rs. 230 crores for Urban Development. Urban Housing comprises two schemes, i.e., Housing Co-operatives and Assistance to Local Bodies. Urban Development Authorities and Town Improvement Boards. Urban development includes the following three schemes viz., National Capital Region (NCR), Integrated Development of small and medium Towns (IDSMT), Other urban development schemes.

**Eleventh Five-Year Plan:** During this plan, four programming components were introduced:

Basic Services to Urban Poor (BSUP): This Housing and slum development project covered 65 mission cities, and the total allocation towards the project was Rs. 16,332 crores. Integrated Housing and Slum Development Programmes (IHSDP): This component provides for Housing and Integrated Slum Development in Non-mission cities /towns. The total allocation for IHSDP in the eleventh plan was Rs. 6,811 crores. Interest Subsidy Scheme for Housing Urban Poor (ISSHUP): Under this scheme, an interest subsidy of 5 per cent per annum was proposed to commercial lenders for lending to the EWS and LIG segments of urban areas. The interest subsidy was expected to leverage market funds to flow into housing for the poor. The amount of Rs. 1,378 crores was provided in the eleventh plan, of which only Rs. 132 crores (10 per cent) were utilized during 2009-10. Also, 110 crores expenditure was incurred during the first two years for the ongoing towns.

**Twelfth Five-Year Plan (2012-2017):** Under the sector-specific approach to affordable housing, a technical group for estimating urban housing shortage has estimated the shortage of 18.78 million dwelling units in the current year. Further, the group also estimated that 73 per cent of the shortage in self-occupied housing ranked in the bottom 40 per cent of urban households. The proportion of slum dwellers in large metropolitan areas was higher.

During the seven years of implementation of the BSUP and the IHSP components of JNNURM, only about 1.6 million dwelling units have been sanctioned. To bridge the gap between demands, affordable housing requires huge investment for its availability. All the costs could not be borne by the government. A multi-pronged strategy was required to attract private investment to meet the beneficiaries, increase their contribution, and fulfill

the housing requirement for the urban poor.

**Slum Rehabilitation Programme:** The Isher Ahluwalia HPEC has estimated a requirement of about Rs. 4.1 lakh crores over the 20 years for the purpose of slum rehabilitation. In addition, the 25 per cent of the urban population who live in slums the HPEC recommended for inclusive growth out of the estimated 34.1 lakh crore over a period of 20 years,

The budgetary requirement from the Central Government for the twelfth plan is critically linked to the innovation in low-cost housing, the flow of private capital for such dwelling units, and the extent of contribution from other stakeholders like the State Government, ULBS, and the beneficiaries.

According to the central budget, the resource availability with different levels of government activities required under BSUP and IHSDP components of JNNURM, the cumulative expenditure across seven years has been approximately Rs. 13,000 crores.

Despite its superior architecture, RAY has not evoked immediate response from the ULBs or the State Governments.

### **Schemes for Slum Rehabilitation and Affordable Housing in the Twelfth Plan**

**Period:** The schemes under the twelfth plan were as follows:

Rajiv Awas Yojana: Phase II of the Rajiv Awas Yojana launched by the Ministry of Housing and Urban Poverty Alleviation constituted a committee to recommend the design of the second phase of RAY by incorporating the learning *experience* from the pilot phase. Phase II of the scheme, which ought to retain the principal architectural feature of phase I of Rajiv Awas Yojana, emphasizes the following:

Phase –II of RAY would also emphasize the following:

Building affordable housing stock in peri-urban areas: RAY made provision for affordable housing for the urban poor in peri-urban areas. The provision of affordable housing in the peri-urban area was accompanied by the provision of basic services as well as functional transport linkages into the city.

To ensure convergence with other schemes in the urban sector, RAY should be implemented within the overall umbrella of JNNURM-II.

Affordable Housing Partnership: This scheme remained dovetailed with RAY; it completely revamped the thrust to incentive. To supply affordable housing per the

strategy envisaged under the National Urban Housing and Habitat Policy (NUHHP) 2007.

### **Policy Framework and Regulation for Affordable Housing**

Central Level Schemes: Several policies adopted by the Central Government have assisted in delivering affordable housing for the EWS, LIG, and lower MIG. The first National Housing Policy was formulated in 1988. A series of public sector interventions and related developments in the human settlement sector in India followed it. The National Housing Policy was formulated in 1994, the National Housing and Habitat Policy (NHHP) in 1998, and the 74<sup>th</sup> Constitution Amendment of 1992. These policy initiatives focused on the transition of the public sector's role as facilitator, the increased role of the private sector, decentralization, development of fiscal incentives and concessions, accelerated flow of housing finance, and promotion of environment-friendly, cost-effective, and pro-poor technology. The NHHP introduced landmark initiatives such as involving multiple stakeholders, repealing the Urban Land Ceiling Act, and permitting foreign direct investment in housing and real estate sectors.

However, all these policies were generic and applicable to both rural and urban areas. Considering the emerging challenges of required shelter and the growth of the slums, the first policy specific to urban areas, the National Urban Housing and Habitat Policy, was announced in December 2007.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM): JNNURM was launched in December 2005 to encourage and expedite urban reforms in India. The main goal for urban housing was the construction of 1.5 million houses for the urban poor during the mission period (2005-2012) in 65 million cities.

Table 3 Financing of Projects under JNNURM

Category of cities	Grant/Central Share	State/ULB/Parastatal Share
Cities with above 4 million population as per 2001 census	50 per cent	50 per cent

Cities with above 1 million population but less than 4 million population as per the 2001 census	50 per cent	50 per cent
Cities /towns in northeastern states and Jammu and Kashmir	80 per cent	20 per cent

Source: Modified Guidelines for submission on BSUP Feb 2009 MHUPA

Note: The percentage figure is on total project cost, including beneficiary contribution

Table 4: Housing Shortage in Urban India

	Monthly per capita expenditure	Estimated number of Households (2007)	Housing Shortage in millions (20067)	Percentage Shortage
EWS	0-3,300	21.81	21.78	99.9%
LIG	3,301-7,300	27.57	2.89	10.5%
MIG	7,301-14,500	16.92	0.04	0.2%
HIG	14,501 & Above			
<b>TOTAL SHORTAGE</b>		66.30	24.71	37.3%

Source: Report of the technical Group (11<sup>th</sup> Five Year Plan:2007-12) on estimating the urban Housing shortage.

Table 5 DEFINITION OF AFFORDABLE HOUSING MHUPA 2012

Income categories	Size	Income criterion	Affordability
EWS	21-27 SQM of carpet area EWS maximum, area could be between 25.2 and 30.8 sqm if subsidies are tied To them.	The maximum Household Income for the EWS and LIG category are recommended to be INR 8,000 and INR 16,000 per month and since many households in this category, do not have regular monthly income an annual income of INR 1,00,000 for EWS and INR 2,00,000 for LIG households could also, be used.	The task force recommended that the desirable goal of a house price to income multiples that should be pursued for affordable Housing projects should be 5.
LIG	28-40 sqm of carpet area Maximum area for LIG could be between 36.9 and 45.1 sqm if Subsidies are tied to them.		
MIG	41-60 sqm of carpet area		



*Source: Task force on promoting Affordable Housing MHUPA, 2012.*

### **A.P. Housing Board (APHB)**

Andhra Pradesh Housing Board, the oldest among all the State Government Housing Corporations, has come into existence with effect from 01.07.1960 under the A.P. Housing Board Act, 1956 merged with City Improvement Board (CIB) and erstwhile Town Improvement Trust (TIT) of Twin Cities. The board's objective was to provide affordable housing accommodation to the needy.

The Andhra Pradesh Housing Board (APHB) engaged in the activities like Houses Construction under Integrated / Composite Housing Schemes and allotment on hire purchase basis and or on an outright sale basis to Lower Income Group (LIG), Middle Income Group (MIG), and Higher Income Group (HIG) categories. Self-financing Schemes for Higher Income Group (HIG) and Middle-Income Group (MIG). Sites and Services, Construction of Shops and Commercial Complexes, letting out Multi-storied Buildings on rent to augment finance resources of the Board.

### **The Land Acquisition and Development Scheme (LA&DS):**

It was introduced in 1959 to encourage large-scale acquisition and developed plots for various income groups. The scheme was primarily taken up by State Housing Boards and Local Development Authorities, and often, the agencies constructed houses on the acquired land. The scheme was to stabilize land prices and to promote the growth of self-contained composite colonies with all the community facilities in accordance with the City Master Plan.

### **Samagra Awaas Yojana (SAY):**

This is another recent comprehensive Housing Scheme introduced in 1999-2000 as a pilot project. It ensures integrated provision of shelter, sanitation, and drinking water. Its philosophy was to provide convergence of existing water supply schemes. It also emphasizes human resource development and habitat improvement with people's participation.

### **Valmiki Ambedkar Awaas Yojana (VAMBAY):**

The Prime Minister of India announced it on 2<sup>nd</sup> December 2001. It intended to improve the conditions of the urban slum dwellers below the Poverty Line who did not possess adequate shelter. Its main aim was to construct and upgrade dwelling units for the slum dwellers and provide a healthy and proper environment through community toilets. Later, it was supplied under Nirmal Bharat Abhiyan, a component of the Scheme.

### **Rajiv Gruha Kalpa (RGK):**

Introduced during 2005-06 to cater to the beneficiaries just above the poverty line who could not afford to construct a house, 90 per cent of the unit cost was arranged as a loan, and the balance 10 per cent would be contributed by beneficiaries. The unit cost of the houses under this scheme varied from Rs.7,000 to Rs.70,000.

### **Jawaharlal Nehru National Urban Renewal Mission (JNNURM):**

In response to the investment requirements of the country's urban sector, the government of India launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) on 3<sup>rd</sup> December 2005. The mission, with the provision of Rs.50,000 Crores for investment in Urban infrastructure for 63 mission cities, was made available as reform-linked Central assistance over Seven years from 2005 to 06. Provisions were made for basic services to the urban poor, including security tenure at affordable prices, improved housing, water supply and sanitation, etc.

Table 6: Central Government Housing Policies implemented under various schemes in the Erstwhile United Andhra Pradesh State as follows:

Sl. No.	Policy/programme	Target	Organisation
1	2	3	4
1	HUDCO Nivas	Individuals	HUDCO (1970)

2	Indira Awaas Yojana (1985 – 1986)	SC/ST 60%, BPL families 40%.	Central and State 75:25 APSHCL
3	National Housing & Habitat Policy (1998)	20 lakh houses p.a. 13rural, 7 lakh urban for EWS, LIG, SC/ST. Rs. 4,000 Crores p.a.	NHB (1988) HUDCO (1970)
4	Valmiki Ambedkar Awaas Yojana (15 <sup>th</sup> August, 2001)	Urban Slum Dwellers, Below Poverty Line.	HUDCO (1970)
5	Central Government Employees Housing	Government of India Employees	Central Government Employees Welfare Organisation.

*Source: Government of India, 2003, Ministry of Information and Broadcasting New Delhi pp. 656-661*

**Planning and Advantages of Housing:** The erstwhile United Andhra Pradesh State has gone through planned economic development; the country and other states, in which investments were increased from plan-to-plan and public and private sectors spent more and more on housing accordingly plan investment had gone from Rs. 96.78 crores in the fifth-year plan to Rs. 27,719.88 crores in the eleventh five-year plan, which was 300 times more. Such plan investments entitle a good deal of housing construction activity. Housing was a priority sector; every year, the Government committed to constructing 2.5 lakh housing units, emphasizing housing for weaker sections. All Housing Finance Companies must register with the National Housing Bank. The housing finance companies assist with housing finance along with other financial services like leasing and credit, financial consultancy, auto finance, car finance, personal loans, mortgage loans, and insurance, etc.; out of the 17 finance institutions registered with NHB, 10 finance companies are providing exclusively housing finance services and rest of the Financial Institutions offering other services along with Housing Finance.

### **Telangana Housing Policy**

After the formation of Telangana State, the housing boards and corporations established in the United Andhra Pradesh State got bifurcated, and they continued in Telangana State, along with the current housing schemes under

various policies. To fulfill the long pending aspirations of the people of Telangana for pucca houses, the Hon'ble Chief Minister Shri. K. Chandrasekhar Rao, instrumental in forming Telangana State, introduced the Dignity Housing Scheme, popularly called the 2BHK Housing Scheme or Double Bedroom Scheme, in October 2015. It is a dream project of the Hon'ble Chief Minister, who envisioned a roof over the heads of the homeless and poor who cannot afford a pucca house. While the centre and other various state governments offer subsidized housing to the economically weaker sections, the Telangana Government went a step further and decided to make these units, which are priced anywhere between Rs. 5 lakhs to Rs. 8.65 in rural and urban areas, totally free of cost to the beneficiaries. The Telangana Housing Department focused on this dignity project and has constructed 2.80 lakh units. In a fresh development, the state government plans to merge the Centre's Pradhan Mantri Awas Yojana (PMAY) with the state's 2BHK Housing Scheme for better synergy. The primary motive for merging seems to be to utilize PMAY funds, which can flow straight into the state's scheme> As of now, 30,000 units are made ready for occupation under the 2 BHK scheme, and the state is planning to construct another 20,213 units within this financial year. Each unit of the 2 BHK scheme costs nearly Rs. 5.30 lakhs; after adjusting with PMAY funding, the state must provide Rs. 3.80 lakhs per unit. Telangana is now to raise Rs. 2,500 crores from the Housing & Urban Development Corporation (HUDCO), Rs. 1,365 crores from the PMAY funds, and Rs. 185 crores from the state's revenue. So far, the Telangana government has spent Rs. 6,972 crores towards the 2BHK scheme.

### **Pricing of units under the 2BHK Scheme**

The state government is developing basic infrastructure; therefore, the total unit cost is higher, including infrastructure. The entire project cost is estimated to be Rs 18,000 crores, of which Rs 3,230 crores have already been sanctioned. The center's aid for developing infrastructure has also been sought. The basic infrastructure, that is, water supply, electricity lines, approach or internal roads, sewerage lines, etc., should also be taken care of. The state government also asked the center to provide power connections/electricity under Pradhan Mantri Sahaj Bijli Har Ghar Yojana-Saubhagya. If the center obliges,

beneficiaries will get comparatively lower electricity bills.

### Objective

Telangana government formulated a double-bedroom housing scheme in October 2015 to provide dignity to poor people by delivering 100 per cent subsidized housing without beneficiary contribution, which is one of its kind in the country. In some rural regions, the beneficiaries entirely depend on seasonal conditions for their earnings and livelihood; the 2BHK housing will help them protect from debt traps.

### Framework

Hitherto to the old yardstick of providing a 260 Sft house with just a single room, the "Double Bedroom Housing Scheme" provides (2) bedrooms, (1) hall, (1) kitchen, and (2) two toilets covering 560 Sft plinth area in toto. The area is 125 Sq yards in plot size for an independent house size in a rural area and works out to 36 Sq yards of undivided land share in G++ pattern houses in urban areas. Thus, the land is provided totally free of cost apart from 2BHK dwelling units. Telangana State is perhaps the only in India to launch such a liberal scheme for the poor. Under this 2BHK scheme, the beneficiaries shall neither take any loans nor contribute financially, which is an excellent boon for poor rural and urban families in acquiring a dwelling unit. It is a paradigm shift of housing scheme from a credit and subsidy-based scheme to a "fully subsidized scheme," which will create a sound economic asset and a hygienic living environment for the beneficiaries, thereby enormously contributing to the socio-economic growth of an individual and as well as the community as a whole. Table 7 and Table 9 presents the cost details of 2 BHK units and Table 8 depicts the status of allocations and sanctions across the state.

Table 7 - The details of unit cost

(in Rs)

Sl.No	Area	Unit cost with Infra			Unit cost without Infra
		House	Infra	Total	
1	Rural	5,04,000	1,25,000	6,29,000	5,04,000
2	Urban	5,30,000	75,000	6,05,000	5,30,000

3	GHMC up to G+3	7,00,000	75,000	7,75,000	7,00,000
	GHMC C+S+9	7,90,000	75,000	8,65,000	7,90,000

The Telangana Housing Department, through the District Collectors / GHMC, has taken up the construction of 2.80 lakh houses in the State.

Table 8 - Telangana Government 2BHK Housing

S l . N o	District	Total Allocation/Sanctions			Administrative Sanction Accorded	Tenders Status	
		General	SR Q	Total		Invited	Finalized
1	Mahaboob Nagar	5,600	270 0	8300	2300	2300	2300
2	Ranga Reddy	5,600	125 0	6850	4450	0	0
3	Medak	4,000	740 0	1140 0	8850	6385	485
4	Nizamabad	3,600	406 5	7665	7515	6245	0
5	Adilabad	4,000	750	4750	2468	158	0
6	Karimnagar	5,200	174 7	6947	5447	5447	0
7	Warangal	4,800	508 4	9884	1784	1784	1784
8	Khammam	4,000	200 0	6000	5200	2022	422
9	Nalgonda	4,800	0	4800	4000	0	0
10	Hyderabad	6,000	0	6000	6000	2158	0
	<b>TOTAL</b>	47,600	2499 6	7259 6	48014	26499	4991

Source: [two2bhk.telangana.gov.in](http://two2bhk.telangana.gov.in)

Table 9 UNIT COST FOR 2BHK

		Unit cost per each 2BHK house (In rupees)
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S.No.	Area	House	Infrastructure	Total
1	Rural	Rs. 5,04,000	Rs. 1,25,000	Rs. 6,29,000
2	Urban	Rs. 5,30,000	Rs. 75,000	Rs. 6,05,000
3	GHMC	Rs. 7,00,000	Rs. 75,000	Rs. 7,75,000

**Source:** 2bhk.telangana.gov.in

### Conclusion

The central and state governments have executed channels and established many housing institutions to cope with the homeless. The problem of allotting constructed houses for people in India is unrelated to the quantum of finance. Still, the predominant concern has been the type of services being offered by housing finance institutions. Further, the schemes and subsidies announced by the governments are far from reaching the poor as the banks are more concentrated on the priority sector and lack in catering to the poor and needy. Thus, housing policies have been introduced to benefit the homeless population and cater to their needs. State-level housing boards were established during the 1970s to develop housing for the economically weaker sections of the population, with the Housing and Urban Development Corporation (HUDCO) as an apex institution to provide financial and technological support. The government and planning commission have provided housing finance in India. The RBI allows 1- 1/1 per cent of their incremental deposits for housing finance purposes. To improve the quality of life in urban areas, the eleventh five-year plan 2007-12 emphasized the improvement of housing stock through urban renewal, city slum improvement, and development of new housing stock and new townships, etc.; housing policies are now focused on conditions, for sensible and affordable housing of the people.

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