

राष्ट्रीय आवास बैंक अधिनियम, 1987 की धारा 42 के अनुसार केन्द्र सरकार / भारतीय रिज़र्व बैंक को प्रस्तुत 30 जून 2004 को समाप्त अवधि के लिए भारत में आवास की प्रवृत्ति एवं प्रगति संबंधी रिपोर्ट

**Report on Trend and Progress of Housing in India for the period ended June 30, 2004 submitted to the Central Government / Reserve Bank of India in terms of Section 42 of the National Housing Bank Act, 1987**



**राष्ट्रीय आवास बैंक**

(भारतीय रिज़र्व बैंक के संपूर्ण स्वामित्व में)

**National Housing Bank**

(Wholly owned by the Reserve Bank of India)

भारत में आवास की प्रवृत्ति एवं प्रगति पर  
जून, 2004 की रिपोर्ट

**REPORT ON TREND & PROGRESS OF  
HOUSING IN INDIA, JUNE, 2004**

भारत में आवास की प्रवृत्ति एवं  
प्रगति संबंधी रिपोर्ट, जून, 2004  
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HOUSING IN INDIA, JUNE 2004**

पी. के गुप्ता

अध्यक्ष एवं प्रबन्ध निदेशक

**P. K. Gupta**

Chairman & Managing Director



राष्ट्रीय

आवास बैंक

National

Housing Bank

संप्रेषण पत्र

एनएचबी/सीएमडी/1353/विअप्र/2005-06

24 अक्टूबर, 2005

गवर्नर,  
भारतीय रिज़र्व बैंक,  
केन्द्रीय कार्यालय, 18वीं मंजिल,  
शहीद भगत सिंह मार्ग,  
मुम्बई - 400 023

प्रिय महोदय,

राष्ट्रीय आवास बैंक अधिनियम, 1987 की धारा 42 के प्रावधान के अनुसार हम 30 जून, 2004 को समाप्त वर्ष की "भारत में आवास की प्रवृत्ति एवं प्रगति संबंधी रिपोर्ट" की दो प्रतियां इस पत्र के साथ प्रेषित कर रहे हैं।

भवदीय,

( पी.के.गुप्ता )

अध्यक्ष एवं प्रबंध निदेशक

संलग्न : यथोपरि

भारतीय रिज़र्व बैंक  
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कोर-5-ए, इंडिया हैबिटाट सेंटर, लोधी रोड, नई दिल्ली-110 003

दूरभाष (सी.) 2464 2722 (पी.बी.एक्स.) 2464 9031-35 फ़ैक्स : 011-2464 9030 तार : निवास बैंक

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“बैंक हिन्दी में पत्राचार का स्वागत करता है”

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एनएचबी/सीएमडी/1353/विअप्र/2005-06

24 अक्टूबर, 2005

वित्त सचिव,  
भारत सरकार,  
वित्त मंत्रालय,  
नॉर्थ ब्लॉक,  
नई दिल्ली - 110 001

प्रिय महोदय,

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राष्ट्रीय

आवास बैंक

**National**

**Housing Bank**

## Letter of Transmittal

No. NHB/CMD/1353/MR/2005-06

October 24, 2005

The Governor,  
Reserve Bank of India,  
Central Office, 18th Floor,  
Shahid Bhagat Singh Road,  
Mumbai - 400 023

Dear Sir,

In pursuance of provisions of Section 42 of National Housing Bank Act, 1987, we forward herewith two copies of the Report of the Trend and Progress of Housing in India for the period ended June 30, 2004.

Yours faithfully,

(P. K. Gupta)

Chairman & Managing Director

Encls : as above

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अध्यक्ष एवं प्रबन्ध निदेशक

**P. K. Gupta**

Chairman & Managing Director



राष्ट्रीय

आवास बैंक

**National**

**Housing Bank**

## Letter of Transmittal

No. NHB/CMD/1353/MR/2005-06

October 24, 2005

The Secretary,  
Government of India,  
Ministry of Finance,  
Department of Economic Affairs,  
North Block,  
New Delhi - 110 001

Dear Sir,

In pursuance of provisions of Section 42 of National Housing Bank Act, 1987, we forward herewith two copies of the Report of the Trend and Progress of Housing in India for the period ended June 30, 2004.

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## Report on Trend & Progress of Housing in India, June 2004

### CONTENTS

CHAPTER HEADING	PAGE
1. ECONOMIC DEVELOPMENT AND HOUSING FINANCE	75
2. TREND IN HOUSING AND HOUSEHOLDS IN INDIA	79
3. GOVERNMENT INITIATIVES IN HOUSING	86
4. RURAL HOUSING	93
5. INSTITUTIONAL PERFORMANCE	101
6. ASSET QUALITY IN HOUSING FINANCE	119
7. ROLE OF NHB IN HOUSING FINANCE	122
8. KEY ISSUES AND FUTURE OUTLOOK	127
APPENDIX	132
ABBREVIATIONS	141



राष्ट्रीय आवास बैंक  
National Housing Bank

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## CHAPTER - 1

### ECONOMIC DEVELOPMENT AND HOUSING FINANCE

#### Development in Housing Finance

1.1 Investment in housing is an important driver of economic development. The growth in housing and housing finance activities in recent years reflect the buoyant state of housing finance market in the country. The multiplier effect of investment in housing has grown over the past years as the proportion of outstanding housing loans as percentage of GDP increased from 3.4% in 2001 to 6.1% by 2004. The growth in the housing sector notwithstanding, there is enormous scope of improvement as the present level of investment in housing in our country is meagre as compared to the figures of more than 50% in some of the developed countries like US, UK and Netherlands.

1.2 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. The relevance of housing as a social need is long recognized and has therefore influenced the policy making at different levels, viz. national, state and local levels. This is reflected in the efforts of the Government undertaken to improve the housing and habitat conditions by way of financial allocations in the Five Year Plans and fiscal measures related to housing announced in the Union Budgets.

1.3 The reach of the financial market has been extended to serve the housing sector in different regions and different components of the population. The accessibility to housing finance for the people at large has improved over the years. The financing institutions have come to see good value in funding this component of the economy. With growing number of players and increased competition, the housing sector has become increasingly market-driven. The sector has offered good business opportunities for the lending agencies and attractive terms for the borrowers. Overall, the affordability of housing loans clearly appears to have improved with growing number of borrowers willing to take loans rather than postponing their decisions. This has also partly resulted from higher levels of disposable income seen among the earners and the changing age profile among the home loan borrowers who prefer to own their home early in life. While the sector has been thronged by the borrowers community, the market has also witnessed change in lending practices in certain segments to accommodate the customer needs, as an offshoot of increased competition and a buyers' market. There have also been growing instances of fraud in the housing loan market, which if not checked, can impact the lending sentiments in the sector. There is definite need for standardisation and uniformity in practices in order to improve transparency in the market and bring greater efficiency.



1.4 The impact of these positive growth indicators and sentiments have not been uniform in the rural and urban areas. The reasons are infrastructural limitations and legal inadequacies coupled with geographical divergences. There has been growing concern about reaching credit for rural housing on market terms and conditions. The concerns have been articulated in various policy pronouncements and the sector has to gear up to find market related solutions to these concerns. Investment in housing in the rural areas on a large scale, besides ameliorating the living conditions, also impact the economic profile of the region and can result in all-round development. There is a strong case for a supportive and an enabling policy framework for bringing in large investments in rural housing. This can well change the economic landscape of rural India.

### The market

1.5 Census of India, 2001 has estimated the Indian population at 1029 million, next only to China, with an unfavourable land-man ratio reflecting high density in pockets. The demographic profile has been marked by disproportionate urbanisation caused by steady migration of people from rural to urban areas at the aggregate level. This has resulted in huge demand on the infrastructure of the cities, besides causing pressure on the land. For the average masses, the price-to-income ratio is still high for acquiring a house. Innovative loan products from financing institutions are facilitating them in their efforts to own a house. The housing finance institutions and the banks have made significant strides in this direction.

1.6 As per the Tenth Plan (2002 to 2007), the total number of houses that would be required cumulatively during the plan period is estimated at 22.44 million dwelling units. It is estimated that the investment required from public sector institutions would be of the order of Rs.415000 crore. This will have to supplement the contribution from private players to tackle the growing demand for housing finance during the Plan period.

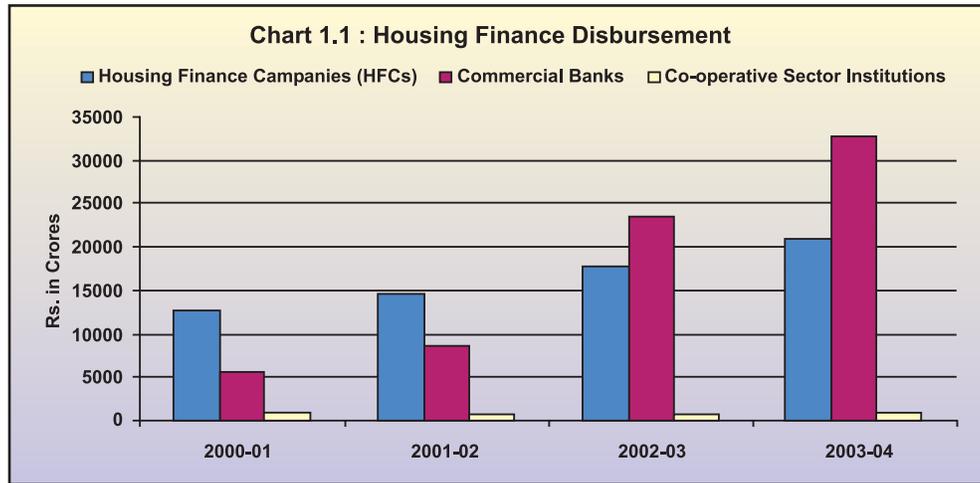
**Table 1.1: Housing Finance Disbursement**

(Rs. crore)

Institution Category	Disbursements			
	2000-01	2001-02	2002-03	2003-04
Housing Finance Companies (HFCs)	12637.85	14614.44 (15.64)	17832.01 (22.02)	20862.23 (16.99)
Commercial Banks	5553.11	8566.41 (54.26)	23555.37 (174.97)	32816.39 (39.33)
Co-operative Sector Institutions	867.72	677.58 ( -21.91)	641.48 ( - 5.33)	623.08 (-2.87)
<b>Total</b>	<b>19058.68</b>	<b>23858.43 (25.18)</b>	<b>42026.86 (76.15)</b>	<b>54301.70 (29.21)</b>

Figures in parentheses indicate percentage growth over the previous year

1.7 Over the past few years, the steady growth registered in housing finance disbursements indicates continued buoyancy in the industry. Table 1.1 reveals that the housing finance disbursements have shown significant increase during the year 2003-04, the commercial banks recording an impressive growth of 39.33 per cent. The total disbursements of housing finance stood at Rs. 54301.70 crore registering an overall growth of 29.21 per cent (Chart 1.1).



1.8 Aggressive competition, lower cost of funds for banks and thinner margins of non banking housing finance institutions have offered good opportunities for the individual home loan seekers. This is also reflected in the increasing trend in disbursement towards housing activities by these financial intermediaries.

### The road ahead

1.9 The age old concept of a house as a “shelter” has transformed with time to mean a popular “investment” for significant segment of the population who consider this as a good source of return on capital. In the past few years, the housing finance industry has also been experiencing, in some measure, the process of integration with the capital market through the securitization route. This integration has established functional links between savers, home loan borrowers, financiers and capital market investors. This market has huge growth potential to serve as an important funding source for the housing sector and this should be possible to realize in the coming years.

1.10 The emergence of housing on the national map as a critical sector continues to engage the policy makers, regulators and the players on the ground. While the Government has continued its commitment towards housing by way of supportive fiscal measures, the Reserve Bank of India (RBI) has cautioned the industry about the potential problems arising out of the overheating of the sector and the need to maintain a watchful surveillance on the developments. There has also been a word of caution on the likelihood of NPAs in the sector. The provisions of the SARFAESI

Act can be invoked by the lenders to realize their unpaid/defaulted loans. The Act also serves as a deterrent for the potential defaulters and can arrest the growth of potential NPAs. These provisions are expected to result in more efficient lending and recovery practices in the industry and will generate more resources for the sector with higher confidence among the lending institutions.

1.11 The spurt in housing finance activities which was witnessed two years ago due to recession in non-food credit offtake of commercial banks has since stabilized. However, the intense competition in the housing finance segment is leading to consolidation in a number of cases with the banks deciding to merge back their housing finance subsidiaries and smaller housing finance companies being taken over by bigger ones. The quality of loan originations, the quality of assets, and the quality of service are becoming the hallmarks of efficiency and sustainability for the lending institutions which will eventually determine their staying capacity in business amidst growing competition.



## CHAPTER - 2

### TREND IN HOUSING AND HOUSEHOLDS IN INDIA

#### Population, Households and Residential Housing Stock

2.1 Growth in population, formation of new households and the Residential Housing Stock are inter-related factors. The income of a household plays a vital role in house building activities and in determining the housing characteristics – especially on qualitative aspects. The housing situation in India today is highly dynamic due to the decline in the household size coupled with increase in income. Based on the latest results of Census of India, 2001, a few salient trends in residential housing stock and households are as follows.

2.2 India's total population of 1028.61 million as per Census of India, 2001, consists of 191.96 million households residing in 187.16 million housing units. The decennial distribution of population, households, residential housing stock and persons per house during the post independence era for urban and rural areas is depicted in Appendix A 2.1. It may be observed therein that the average number of persons per house in urban area has declined continuously from 6.06 in 1951 to 5.50 in 2001. On the contrary, the scenario in rural sector has been somewhat fluctuating. The figure was 5.52 in 1951, which increased to 6.03 in 1981, but declined to 5.50 in 2001. Occupancy i.e., the number of persons per house, in both the urban and rural areas has become almost equal by 2001.

2.3 The decennial growth rates of urban and rural population have shown a declining trend during the past two decades, 1981-91 and 1991-2001 as shown in Table 2.1.

**Table 2.1: Decennial Growth Rate of Population, Households and Housing Stock: 1971 to 2001**

Type	Decennial Growth Rate (Percentage)		
	1971-1981	1981-1991	1991-2001
<b>Urban</b>			
Population	46.6	36.3	31.5
Households	52.4	40.0	31.8
Housing Stock	50.3	44.8	32.0
<b>Rural</b>			
Population	19.9	19.6	18.1
Households	19.9	20.5	22.7
Housing Stock	19.9	25.0	23.9
<b>Total</b>			
Population	25.2	23.5	21.5
Households	26.3	25.1	25.1
Housing Stock	26.0	29.7	26.1

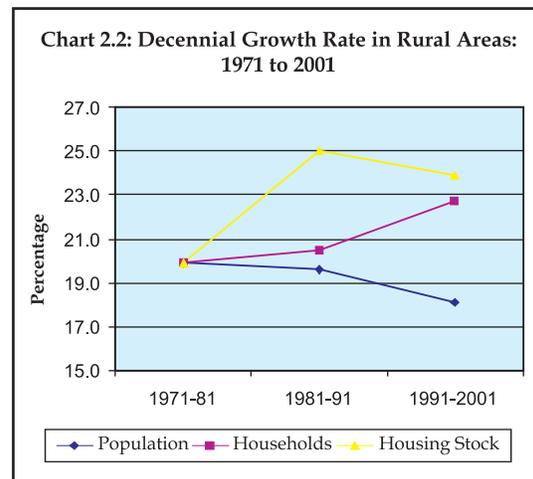
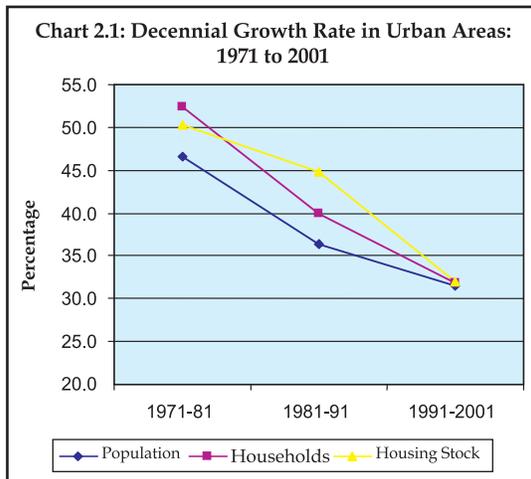
Source – Census of India



2.4 The growth rates of housing stock and household formation in the past two decades have more or less followed the same declining trend of population growth in urban areas. However, in rural areas, the growth rate of household formation has increased during the last two decades. The growth rate of housing stock increased during the decade 1981-91 but declined during the last decade i.e. 1991-2001. The decline in growth rate of housing stock coupled with the increase in growth of household formation accounts for increase in housing shortage in rural areas.

2.5 The trends in the decennial growth rate of population, households and housing stock in urban and rural areas are presented in the Charts 2.1 and 2.2. In the decade 1991-2001, the urban households have increased by 31.8 percent whereas the residential housing stock has increased by 32 percent. Similarly, the rural households have increased by 22.7 percent whereas the residential housing stock has increased by 23.9 percent.

2.6 The growth rate in the housing stock is higher than the growth rate of households. This has resulted in the reduction of the housing shortage as well as the ratio of households to housing stock.



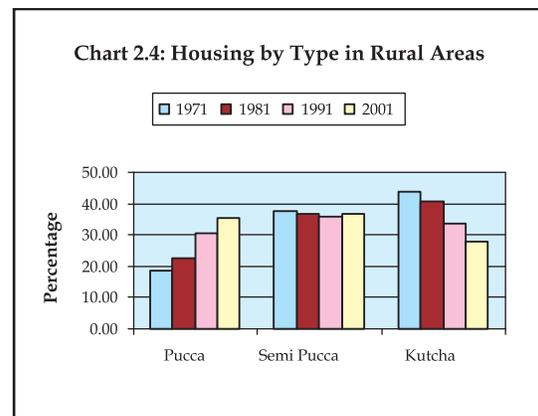
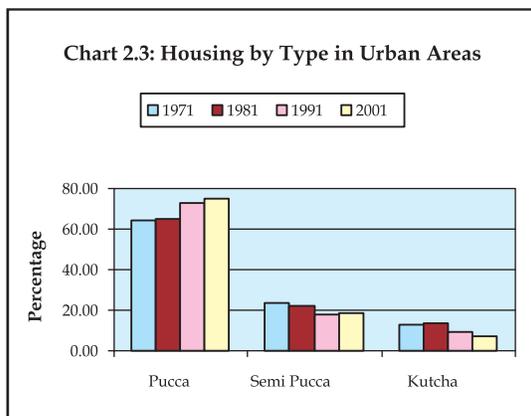
## Housing by Type

2.7 Data on houses by type (pucca houses, semi-pucca houses and the kutcha houses) are presented in Appendix A 2.2.

2.8 The percentage of pucca houses in urban areas increased from 64.0 percent in 1971 to 74.8 percent in 2001, whereas the percentage of semi-pucca and kutcha houses in the urban areas has declined during this period.

2.9 The percentage of pucca houses in rural areas increased from 18.5 percent in 1971 to 35.4 percent in 2001.

2.10 In absolute terms the number of pucca houses in rural areas has increased from 33.34 million units in 1991 to 47.48 million by the year 2001. This implies that use of permanent building materials for the construction of walls and roofs is becoming more popular in rural areas also.



2.11 The Charts 2.3 and 2.4 give a clear picture of the above inferences on the percentages of pucca, semi-pucca and kutcha housing types in both the urban and rural areas.

## Housing Completions

2.12 The absolute increase in the housing stock during a particular period is known as Housing Completions during that period. The housing completions or census houses added in urban areas in each decade has shown an increasing trend from 11.55 million in 1971-81 to 19.53 million in 1991-2001 (Table 2.2). Similarly, the absolute increase in number of households in urban areas has also shown an increasing trend from 10 million in 1971-81 to 12.95 million in 1991-2001. However, this increase in households is less than the housing completions during the corresponding period.



**Table 2.2: Addition of Census Houses per 1000 Population**

Type	1971-81	1981-91	1991-01
<b>Urban</b>			
Added Census Houses (million)	11.55	16.55	19.53
Added Households (million)	10.00	11.64	12.95
Annual Housing Completions/1000 pop	7.23	7.61	6.83
<b>Rural</b>			
Added Census Houses (million)	19.25	29.02	34.56
Added Households (million)	15.50	19.16	25.61
Annual Housing Completions/1000 pop.	3.66	4.62	4.65
<b>Total</b>			
Added Census Houses (million)	26.53	45.58	54.08
Added Households (million)	25.50	30.80	38.56
Annual Housing Completions/1000 pop.	3.87	5.39	5.26

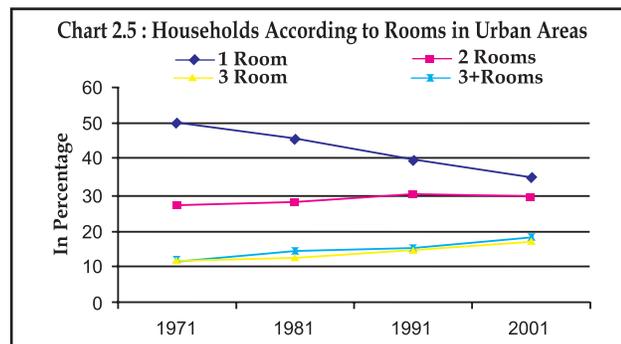
Source: Census of India

2.13 The average annual housing completions in urban areas per 1000 population was around 7 housing units during the past three decades. The norms recommended by the United Nations for the annual housing completions is about 8 to 10 housing units per 1000 population for developing countries. In the rural areas, the annual housing completions per 1000 population are much below the urban housing completions. It was only 3.66 in 1971-81, which increased to 4.65 by 1991-2001.

### Housing by Rooms

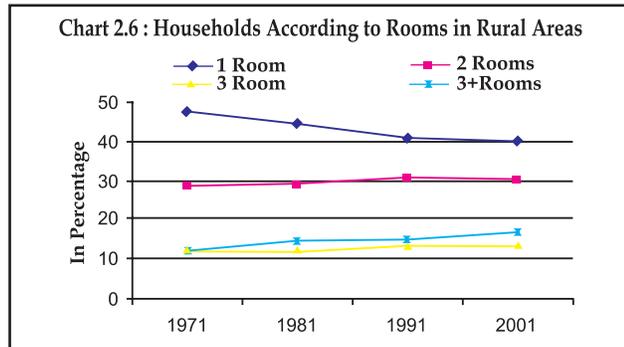
2.14 Both in the urban and rural areas, the number of households living in 1 room has shown a considerably declining trend during the last four decades, whereas, an increasing trend is seen in the other categories, i.e., 2 rooms, 3 rooms and more than 3 rooms.

2.15 The size of houses has increased more in the case of urban areas as compared to the rural areas (Appendix A 2.3). The trend of housing by rooms for urban and rural areas is also shown in Charts 2.5 and 2.6.



### Housing by Structural Condition

2.16 As per census 2001, the condition of the urban residential houses is better than that of the rural areas. Less than 4 percent of the urban housing and more than 6 percent of rural housing is in dilapidated condition (Appendix A 2.4).



2.17 The number of houses in good and liveable condition in urban areas was in the ratio 2:1 whereas, in rural areas the ratio was approximately 1:1, which implies that larger proportion of houses in the rural areas, where more than 70 percent of population reside, need upgradation structurally as compared to that of the urban areas. Also, the percentage of houses in dilapidated condition in the rural areas is more as compared to that in the urban areas.

### Housing by Tenure Status

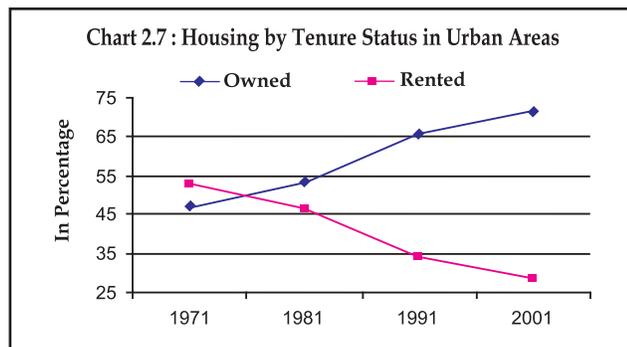
2.18 The tendency to own a house has shown an increasing trend among the urban households. The percentage of houses owned by the rural households is above 95 percent. [Table 2.3]

**Table 2.3 : Tenure Status in Urban and Rural Areas**

	1961	1971	1981	1991	2001
<b>Urban</b>					
Owned	46.2	47.1	53.5	65.9	71.5
Rented	53.8	52.9	46.5	34.1	28.5
<b>Rural</b>					
Owned	93.6	93.8	93.0	94.5	95.4
Rented	6.4	6.2	7.0	5.5	4.6

Source : Census of India

2.19 There is a marginal decline in rural households residing in rented houses from 6.4 percent in 1961 to 4.6 percent by 2001. The Charts 2.7 and 2.8 clearly show that there is a drastic change in the tenure status in urban areas in the last four decades. However, in rural areas the trend remains more or less the same.





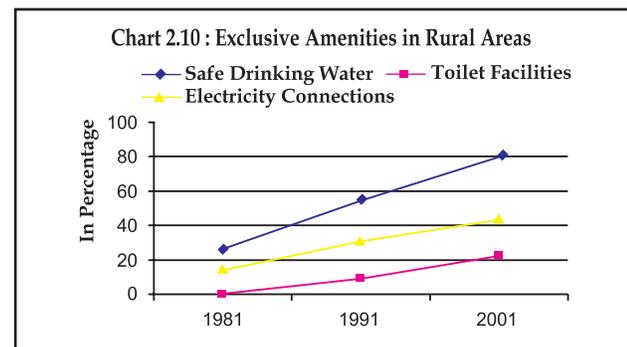
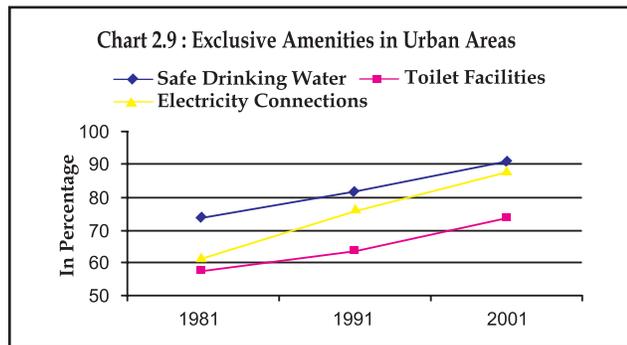
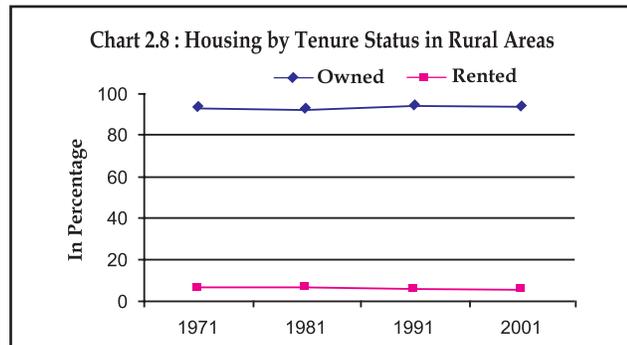
## Housing by Exclusive Amenities

2.20 There has been a considerable improvement in the exclusive amenities like safe drinking water, toilet facilities and the availability of electricity connection enjoyed by the households during the past three decades (Appendix A 2.5).

However, there still exists a wide disparity in the amenities available in urban and rural areas as well as those available to various income groups. Availability of safe drinking water in the urban areas has significantly improved from about 74 percent in 1981 to about 91 percent in 2001. In the case of the rural areas, the change is even more drastic. In 1981, only 26.3 percent households had access to safe drinking water, which increased to 80.5 percent in 2001. Though the progress is noteworthy, the uncovered gap calls for attention on priority basis because safe drinking water is a vital necessity for human life whether in urban or rural areas. The gap between the urban and rural households having access to safe drinking water has decreased over the decades.

2.21 About 57 percent of the urban households had accessibility to toilet facilities in 1981, which increased to 73.7 percent by 2001. But, in rural areas, the number of households with toilet facilities has increased from about 8.8 percent in 1991 to 21.9 percent by 2001.

2.22 Availability of electrical connection in the urban areas has increased from about 62 percent in 1981 to 88 percent by 2001. In rural areas only 14 percent of the households had electrical connection in 1981 and this percentage increased to 43 percent by 2001. A considerable increase is observed in the percentage of the dwelling units with electricity facility in rural areas but much more is required to be achieved in the future (Chart 2.9 and 2.10).



## Cost per Housing Unit

**Table 2.4: Key Indicators for Housing: 1981 to 2001**

Indicator	1981	1991	2001
<b>Urban</b>			
Avg. Housing Unit Cost	31753	68833	144565
<b>Rural</b>			
Avg. Housing Unit Cost	6643	19260	46748
<b>Total</b>			
Avg. Housing Unit Cost	12243	37048	78698

Source - 58<sup>th</sup> Round of NSSO Survey

2.23 As per the results of 58<sup>th</sup> Round of Survey by National Sample Survey Organisation (NSSO), the average cost of a house in urban areas has increased by about 4.5 times between 1981 and 2001. In rural areas, it has increased by about 7 times, over the same period. However, as observed in the survey, the cost of construction of an urban house is about 3 times that of a rural house (Table 2.4).



## CHAPTER - 3

### GOVERNMENT INITIATIVES IN HOUSING

#### National Housing and Habitat Policy

3.1 The National Housing and Habitat Policy (NHHP) enunciated in 1998 had envisioned eradication of houselessness, improvement in housing conditions of the inadequately housed people and providing a minimum level of basic services and amenities to all. The Policy recognised the role of various agencies like Central and State Governments, Co-operative Sectors, Communities and Non-Governmental Organisations, Private Sector etc. at different levels. The NHHP stressed on a major shift in Government's role from being a provider to a facilitator. The new Housing Policy is under consideration of the Government of India (GoI).

3.2 The central theme of the policy was to enable strong public-private partnerships for tackling housing and infrastructure related problems. The Government is providing fiscal concessions, supporting legal and regulatory reforms and is engaged in creating a healthy environment for housing. The Private and Co-operative Sectors are expected to come forward in partnership to tackle the problem of housing shortage in a collective endeavour. Some of the important initiatives undertaken by Government for urban and rural housing development are discussed below.

#### Initiatives in Urban and Rural Housing

##### *Two Million Housing Programme*

3.3 The National Agenda for Governance focuses on 'Housing for All' as a priority theme, with particular stress on needs of the economically weaker sections and low-income group people. The two million housing programme (2MHP) envisages facilitating construction of 2 million additional housing units every year. Of these, 0.7 million units are to be taken up for construction in urban areas and 1.3 million units in rural areas. Target of financing 0.4 million housing units in urban areas and 0.6 million units in rural areas per annum has to be met by HUDCO. The Housing Finance Companies (HFCs) registered with NHB and Public Sector Banks (PSBs) have to meet a target of 0.2 million units per annum and the Co-operative Sector has been allocated a yearly target of 0.1 million units, in the urban areas under this programme.

3.4 The progress under 2 MHP since its inception in 1998-99 till 2003-04 achieved by the implementing agencies is presented in Table 3.1. In the first year of this scheme, only 72 percent of the target of 2 million housing units was achieved. This achievement has increased to about 82 percent during the year 2003-04. Hence,

there was a shortfall of about 18 percent during 2003-04. The annual target of sanctioning 2 million housing units has not been achieved in any year since inception. The overall cumulative achievement has been about 74.8 per cent. The annual achievement ranges from 63.3 per cent in 2001-02 to 82.1 per cent in 2003-04.

**Table 3.1: Progress of 2 MHP in Urban & Rural Areas**

(Rs. crore)

Item	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Total
<b>HUDCO (Urban)</b>							
Dwelling Units Sanctioned	430399	460218	470881	401078	459969	427443	<b>2649988</b>
Amount Sanctioned	1193.25	1159.11	578.87	450.48	2792.91	685.77	<b>6860.39</b>
<b>HUDCO (Rural)</b>							
Dwelling Units Sanctioned	634638	654050	732131	333113	413078	542428	<b>3309438</b>
Amount Sanctioned	697.42	933.89	643.33	494.39	494.38	590.91	<b>3854.32</b>
<b>Housing Finance Companies (HFCs)</b>							
Dwelling Units Sanctioned	153932	135035	171496	262991	259772	291955	<b>1275181</b>
Amount Sanctioned	5032.69	3583.64	4587.30	7420.89	7433.21	11548.78	<b>39606.51</b>
<b>Public Sector Banks</b>							
Dwelling Units Sanctioned	39739	91460	162240	195624	377319	329376	<b>1195758</b>
Amount Sanctioned	1090.36	2055.75	4284.36	5449.23	11715.50	10942.57	<b>35537.77</b>
<b>Co-operative Sector (Urban)</b>							
Dwelling Units Sanctioned	174944	88218	80899	73659	73461	50000	<b>541181</b>
Amount Sanctioned	1205.88	1240.86	1367.72	1392.90	1287.09	550.00	<b>7044.45</b>
<b>Total</b>							
Dwelling Units Sanctioned	1433652	1428981	1617647	1266465	1583599	1641202	<b>8971546</b>
Amount Sanctioned	9219.60	8973.25	11461.58	15207.89	23723.09	24318.03	<b>92903.44</b>
<b>% of the Dwelling Units Sanctioned*</b>	<b>71.7</b>	<b>71.4</b>	<b>80.9</b>	<b>63.3</b>	<b>79.2</b>	<b>82.1</b>	<b>74.8</b>

Source - Computed from Annual Report 2003-04 of Ministry of Urban Development & Poverty Alleviation, Government of India

\* Against the target of 2 Million

3.5 The primary responsibility for fulfilling the targets in physical terms depends on the State Governments. HUDCO and other financing agencies ensure the availability of funds in the form of loans. Therefore, the success of the scheme largely depends on the co-ordination among the agencies of the State Governments responsible for taking up of various housing schemes. In order to achieve this target, Housing Co-operative Societies and private sector will have to participate in a big way. For this a favourable environment is required to be created by the State Governments in the form of legal, administrative and fiscal reforms.



### Twenty Point Programme

3.6 The 20 Point Programme envisages the nation’s commitment to eradicate poverty, reduce income disparity and socio-economic inequalities and also to provide basic amenities, including housing, for improving the quality of life of the poor and other weaker sections of society.

3.7 The 20 Point programme introduced by the GoI included – Economically Weaker Section (EWS) Housing, Low Income Group (LIG) Housing and Environment Improvement of Urban Slums (EIUS) under the category of housing sector.

### Economically Weaker Section Housing

3.8 Investments for EWS housing are made by the State Governments through provisions made under their plans. This is supplemented by the loans through institutional finance. Refinance is also available from the NHB to States, HUDCO, Co-operatives and other Organisations involved in construction of EWS housing.

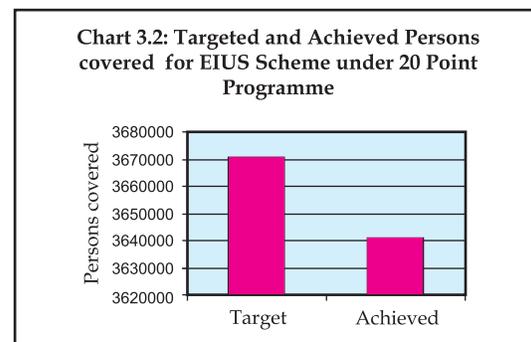
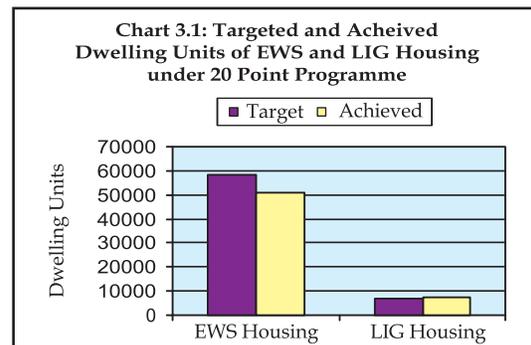
3.9 During 2003-04, about 50,653 dwelling units were constructed upto January 2004, against the annual target of 58,241 dwelling units (Chart 3.1).

### Low Income Group Housing

3.10 This is a long-term scheme and is being implemented by the State Governments through Housing Boards and Housing Departments. Against the annual target of 6,847 dwelling units, 7,565 dwelling units were constructed by January 2004 in 2003-04 (Chart 3.1).

### Environment Improvement of Urban Slums

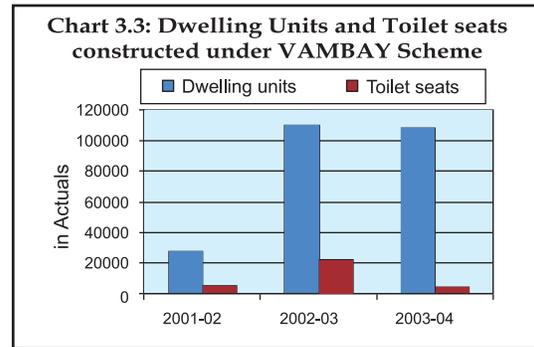
3.11 The objective of the scheme is to ensure environmental improvement of urban slums by extending basic infrastructure in the peripheral dwelling units. Promotion of environmental improvement is undertaken by providing the basic amenities like water supply, sewer-open drains, storm water drains, community baths and latrines, widening and paving of existing pathways, street lighting and other community facilities to slum dwellers. By January 2004, about 3.6 million persons were covered under this scheme, against the target of 3.7 million persons in 2003-04 (Chart 3.2).



## Initiatives in Urban Housing

### *Valmiki Ambedkar Awas Yojana*

3.12 The centrally sponsored Valmiki Ambedkar Awas Yojana (VAMBAY) was introduced in 2001 with a view to enhancing the housing conditions of the urban slum dwellers living below poverty line without adequate shelter. The primary objective is to facilitate the construction and upgradation of the dwelling units of the urban slum dwellers and to provide healthy urban environment through construction of community toilets under Nirmal Bharat Abhiyan.



3.13 This scheme is the first of its kind meant exclusively for slum dwellers where a subsidy of 50 percent is provided by GoI and the balance amount is to be provided by the State Governments. The State's share of funds may be in the form of subsidy or loan from HUDCO or any other agency.

3.14 During a short span of time (2001-02), a central subsidy of Rs.73.6 crore was released under this scheme for construction of 27,271 dwelling units and 4,605 toilet seats. In the year 2002-03 a central subsidy of Rs.218 crore was released for construction of 1,10,388 dwelling units and 21,488 toilet seats. In the financial year 2003-04 a central subsidy of Rs.239 crore was released for construction of 1,08,376 dwelling units and 3,170 toilet seats (Chart 3.3). Hence, the total central subsidy released in the past three years is about Rs.530 crore for construction of 2,46,035 dwelling units and 29,263 toilet seats of which about 1,11,579 dwelling units, 19,998 toilet seats have been constructed and about 50,325 dwelling units, 4,259 toilets seats are under construction.

## General Initiatives

### *Urban Reforms Incentive Fund*

3.15 The urban reforms incentive fund (URIF) was created in 2002-03 by GoI with an initial allocation of Rs.500 crore to provide Urban Reform linked assistance to States. The fund seeks to provide incentives to the States to have urban reforms, in the first phase, in the following areas, with weightage indicated against each –

- Repeal of the Urban Land Ceiling and Regulation Act at the State level by Resolution – 10 percent of State's share out of URIF.
- Rationalisation of Stamp Duty, in phases, to bring it below 5 percent by the end of Tenth Plan period – 20 percent of State's share out of URIF.
- Reform of Rent Control Laws to remove rent control so as to stimulate private investment in rental housing – 20 percent of State's share out of URIF.

- Introduction of computerised process of registration – 10 percent of State’s share of URIF.
- Reform of Property Tax to make it a major source of revenue of urban local bodies and arrangements for its effective implementation so that collection efficiency reaches at least 85 percent by the end of Tenth Plan period – 10 percent of State’s share out of URIF.
- Levy of reasonable user charges by urban local bodies, with the objective that full cost of operation and maintenance is collected by the end of Tenth plan period – 20 percent of State’s share out of URIF.
- Introduction of Double Entry System for accounting in urban local bodies – 10 percent of State’s share out of URIF.

3.16 The State wise allocation of funds is made on the basis of urban population. The Finance Ministry on the recommendations of the Ministry of Urban Employment & Poverty Alleviation (MUEPA) releases the funds. 50 percent of the funds for the year 2003-04, against each agreed reform area, were released on signing of memorandum of understanding by the concerned State Government with the MUEPA and the remaining funds are to be released by an empowered committee designated for the purpose after assessing the progress of each State during the year 2003-04. For 2004-05 and subsequent years, funds would be released on the achievement of the milestones against each reform area in each year.

### **Technology Extension**

3.17 Adoption of appropriate construction technologies is very essential to mitigate the housing problem. Building materials account for about 70-75 percent of the total cost of construction. The demand for housing is continuously rising with the increasing need for housing, both in urban and rural areas. Inadequate technology facilities, lack of co-ordination and promotion programmes at local levels to support cost-effective and eco-friendly building components have been responsible for the very limited application of the emerging technologies.

3.18 In the rural areas, the problem is more severe due to the decline in the use of traditional building materials like timber, bamboo, thatch, etc., for house construction. A strong policy support is, therefore, essential for house construction with appropriate building materials and better availability of alternate materials at affordable prices. In this direction, the Building Materials Technology Promotion Council (BMTPC) has taken up the following initiatives:

- The council has taken up large number of programmes, projects and activities to achieve its objectives of technology development and dissemination. A number of technologies based on utilisation of agro-industrial wastes have been developed and utilised in various housing projects. Use of these technologies has demonstrated a good potential for reducing cost and time for house construction.

- During 2003-04, BMTPC laid greater emphasis on transfer of technologies for field application. The Council has developed various simple machines for production of cost-effective building components based on use of fly ash, mine tailings and other industrial wastes.
- BMTPC, working closely with the Bureau of Indian Standards (BIS) and several research laboratories under Council for Scientific and Industrial Research (CSIR), has been responsible for development of standards and codes on several new technologies. For the new materials and construction techniques, which are not covered by the Indian Standards, the BMTPC is operating a scheme for Performance Appraisal Certification.
- In the year 2003-04, the Council undertook several demonstration buildings in rural areas in the States of Orissa, Andhra Pradesh, Punjab & Rajasthan. Under VAMBAY scheme, the Council is implementing a demonstration project of 125 houses to demonstrate use of cost-effective materials and technologies.

### **NRI/PIO/OCB Investment in Housing and Real Estate Sector**

3.19 The housing sector suffers from lack of funds. The available domestic funds leave a huge “resource gap” resulting in increase of housing shortage. To pass benefits of the ongoing economic reforms and liberalisation process to NRIs/PIOs/OCBs, GoI introduced a scheme in 1993 for NRI investment in housing and real estate development covering the following areas:

- Development of serviced plots and construction of built-up residential premises.
- Construction of residential and commercial premises.
- Development of townships.
- City and regional level urban infrastructure facilities.
- Investment in manufacturing of building materials.
- Investment in participating ventures in the above mentioned areas.
- Investment in financial housing institutions.

3.20 Cumulatively till December 2003, an investment of about Rs.580.64 crore has been made by NRIs/PIOs/OCBs in housing and real estate development sector.

### **Foreign Direct Investment in Housing:**

3.21 Complementing the thrust being given to housing, the Government permitted 100% Foreign Direct Investment (FDI) in housing through integrated township development. FDI is now allowed in townships, housing, built-up infrastructure and construction development projects, which could include *inter-alia* housing and commercial premises. This has opened the sector to the

professional expertise of international developers and facilitated introduction of new technology and inflow of capital.

3.22 The FDI is subject to prior approval of the Foreign Investment Promotion Board (FIPB) and has a stipulation of minimum land holding of 100 acres. The investment also has a minimum lock-in period of three years in respect of repatriation of profit in the original capital invested. Few such projects have already been approved and are under way. As the developers starts to exploit this route more intensely, some of these clauses may need amendments to suit the requirement of the sector.



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*In March, 2005 the Government of India issued the revised guidelines regarding FDI in housing and construction and as per the guidelines, prior permission of FIPB is not required for such investments. Similarly, the stipulation of minimum land holding has been reduced to 25 hectares and the investor may exit before the stipulated period of three years with prior approval of the Government or through FIPB.*

## CHAPTER - 4

### RURAL HOUSING

#### Status

4.1 The Census of India, 2001 figures show that 72% of the total population of India still lives in the rural areas where the problem of housing shortage and the lack of civic amenities have been a serious cause for concern. The data released by the Census of India, 2001 on Houses, Households, Amenities and Assets for 2001, indicate that total number of households in rural areas is 138.27 million as against the availability of 135.05 million houses (used as residence and residence-cum other purposes), of which nearly 11.40 million houses were non-serviceable kutch/ temporary houses needing replacement. Thus we may consider requirement of houses in rural areas as 14.6 million units (11.40 million on account of replacement and additional 3.2 million new units). Besides this absolute shortage, if congestion and obsolescence factors as also the damage to houses due to vagaries of nature e.g. cyclone/flood/earthquake etc., are taken into consideration, the housing requirement in rural areas is estimated to further increase to 24 million.

4.2 Recent years have witnessed phenomenal growth in the housing sector especially in terms of increased flow of institutional finance resulting in increase in supply of housing stock in the country. However, bulk of this increase has taken place in urban areas. This has been enabled by fiscal concessions including income tax extended through budgetary measures of the Government. The benefits of the liberalized policies and fiscal concessions in the housing sector have, however, not percolated to the rural areas. Though average annual growth in lending for housing during the last three years is around 40%, a major portion of these lendings are confined to urban areas, with less than 15% of the total housing loan disbursements flowing to the rural areas.

4.3 The housing situation in these areas needs substantial improvement both in terms of addition of new housing stock keeping in view the massive shortage, as also upgradation of the existing stock.

#### Impediments in Rural Housing

4.4 Commercial banks as well as RRBs have significant retail presence in the rural areas and are quite well entrenched in the sector dealing extensively with agricultural and rural credit delivery. However, their lending for rural housing is very limited and constrained by various factors resulting in low credit disbursals for housing by their rural branches. The lending agencies generally associate higher credit risk with the rural housing portfolios on account of a number of factors. These typically include:

- fluctuations in the level of income of the borrowers particularly agriculturists due to vagaries of nature,



- difficulties faced by lending institutions in assessing the income of the rural borrowers in the absence of a uniform model for this purpose,
- difficulties in obtaining tangible marketable securities for housing loans and difficulties encountered in enforcing the securities in rural areas,
- non-availability of title deeds poses problems in legally establishing title to the property in *Abadi/Lal Dora* areas,
- higher costs on account of stamp duty towards creation of simple mortgage.

4.5 Overall high operational costs for lending institutions in rural areas and risk perception associated with rural lending for housing make rural housing a less attractive business for lenders.

### Initiatives in Rural Housing

#### (a) Golden Jubilee Rural Housing Finance Scheme

4.6 National Housing Bank formulated the Golden Jubilee Rural Housing Finance Scheme [GJRHFS] in 1997 which was launched by the Hon'ble Finance Minister on the occasion of the Golden Jubilee of the country's Independence. The scheme in particular aims to address the problem of housing shortage in the rural areas through improved access to institutional housing finance which would enable individuals to build their house or improve or add to his existing dwelling unit in rural areas. The scheme envisages expansion in lending with due regard to the viability and bankability of the cases, to ensure sustainability of the programme.

4.7 During the first year of operation of the Scheme (April 1997 - March 1998) over 50,000 rural housing loans were granted. The targets, in terms of number of units financed, have been progressively increased over the years from 50,000 in 1997-98 to 2,50,000 for the year 2003-2004. The progress under the scheme during the different years has been shown in Table 4.1:

**Table 4.1: Achievement under Golden Jubilee Rural Housing Finance Scheme**

(No. of dwelling units)

<i>Year</i>	<i>Target</i>	<i>Achievement</i>
1997-1998	50000	51272
1998-1999	100000	125731
1999-2000	125000	141363
2000-2001	150000	158426
2001-2002	175000	187268
2002-2003	225000	178200
2003-2004	250000	243753

*Refinance by NHB*

4.8 Refinance from NHB is offered to the eligible institutions in respect of loans extended by them in terms of the GJRHFS, for acquiring or constructing new dwelling units up to a maximum limit of Rs. 10 lakhs [since enhanced to Rs.15 lakhs]. Besides, refinance is also available to eligible institutions in respect of loans extended by them for upgradation/major repairs to existing units as per the terms and conditions specified by the refinance scheme from time to time.

4.9 NHB has been encouraging lending to the rural sector by extending 25 bps concession over the normal refinance rates for lending to rural areas under GJRHFS effective from July 2002. Pursuant to the announcement by the Hon'ble Finance Minister in his Budget speech in July 2004, an additional benefit of 25 bps (i.e. the effective benefit of 50 bps) for lending to rural areas under GJRHFS is being extended by NHB.

4.10 During the last three years, the refinance disbursements by NHB to eligible Primary Lending Institutions under GJRHFS have been as shown in Table 4.2:

**Table 4.2: Refinance by NHB under Golden Jubilee Rural Housing Finance Scheme**

(Rs. Crore)

Year	Amount
2001-02	216.03
2002-03	383.06
2003-04	1700.88

*(b) Indira Awas Yojana*

4.11 Launched in 1985-86, the objective of Indira Awas Yojana (IAY) is to provide financial assistance primarily to below poverty line (BPL) rural households belonging to SC / ST and freed bonded labourers. Assistance upto 40 percent of IAY allocation can be provided to beneficiaries outside the above target group. Assistance has also been extended to the families of ex-servicemen of the armed and paramilitary forces killed in action.

4.12 Assistance per dwelling in the plains and hills was Rs.20,000 and Rs.22,500, respectively, till March 2004. This has been increased to Rs.25,000 and Rs.27,500 from April 2004. Similarly, assistance for upgradation of a kutch house to semi-pucca/pucca house has also been enhanced from Rs.10,000 to Rs.12,500.

4.13 Allocation of funds is made based on the poverty ratios as approved by the Planning Commission and the rural housing shortage as per Census 2001, giving equal weightage to both the parameters. Gram Sabha is empowered to select the beneficiaries under IAY. Further, the allotment of dwelling unit goes in the name of the female member of the beneficiary household.



4.14 The construction of the house is the responsibility of the beneficiary. The house is not to be constructed and delivered by any external agency such as government departments, NGOs, contractors, etc. Sanitary latrines and smokeless chullah are an integral part of the IAY scheme.

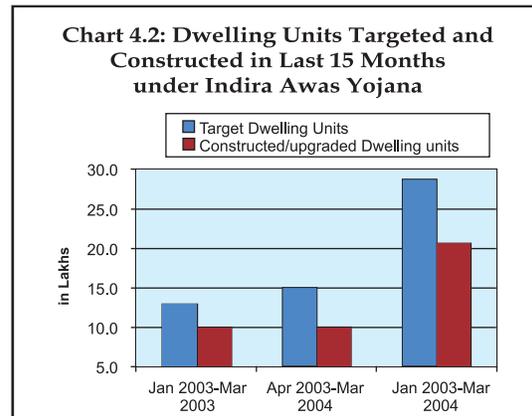
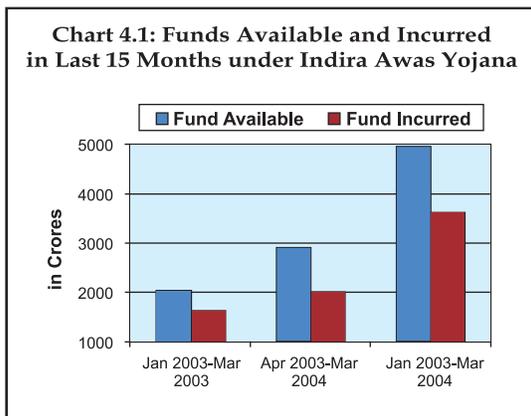
*(c) Credit cum Subsidy Scheme*

4.15 Under Credit-Cum-Subsidy Scheme (CCSS), rural families having annual income upto Rs.32,000 are provided subsidy upto Rs.10,000 and a maximum loan of Rs.40,000. District Rural Development Agencies (DRDAs) are responsible for making the loan arrangements for the beneficiaries from Commercial Banks, Regional Rural Banks and Housing Finance Institutions, etc.

4.16 From year 2002-03, the Central allocation under IAY and CCSS has been combined. Now, 80 percent of the total funds allocated is for the new constructions and remaining 20 percent is for building upgradation.

4.17 In the period from January to March 2003 (within three months), an amount of Rs.1,605 crore was spent against the total available fund of Rs.2036.27 crore. Against the target of 1.3 million houses, about 1.1 million houses were constructed/ upgraded (Chart 4.1 and 4.2).

4.18 During 2003-04, against the total available funds of Rs.2,925 crore, an amount of Rs.2,004 crore was released. About 1.1 million houses were constructed/ upgraded against the target of 1.5 million houses in the period (Chart 4.1 and 4.2).



*(d) Innovative Stream for Rural Housing and Habitat Development*

4.19 This Rural Housing scheme was launched in 1999-2000 with an objective of promoting and propagating cost-effective and environment-friendly construction technologies, materials, designs, etc., for sustainable rural settlements consistent with agro-climatic variations and vulnerabilities to the natural disaster. It is a demand-driven scheme and implemented on the basis of the project proposals from recognised educational/technical institutions, corporate bodies, autonomous

societies, State governments, development institutions and credible NGOs with proven track record and experience in the field of rural housing.

4.20 The maximum assistance permissible for NGOs/autonomous societies and Government Departments is Rs.2.0 million and Rs.5.0 million, respectively. During 2002-03, Rs.10 crore was allocated and the entire amount was released for 16 project proposals. In the year 2003-04, the funding for proposals increased marginally to Rs.11 crore for the proposed 15 projects.

*(e) Setting up Rural Building Centres*

4.21 The objectives of setting up Rural Building Centres are:

- Technology Transfer and Information Dissemination
- Skill Upgradation through Training
- Production of cost-effective and environment-friendly materials/components.

4.22 A one-time grant of Rs.1.5 million is provided for setting up a Rural Building Center. This scheme is also demand driven and being implemented on the basis of the project received from various implementing agencies. During 2002-03, Rs.3 crore was allocated against which Rs.1.8 crore was released for 17 project proposals. During 2003-04, Rs.3 crore was allocated and the entire amount was released for 14 project proposals under the scheme.

*(f) Equity Support to HUDCO*

4.23 With a view to enabling the economically weaker section households in rural areas and to meet the housing requirement in rural areas, equity support to HUDCO was hiked from Rs.5 crore in the Eighth Plan period to Rs.350 crore during Ninth Plan Period and the entire amount has been released.

4.24 In the last five years, HUDCO has sanctioned 2.8 million dwelling units under 2 million housing programme, i.e., at an average of 0.6 million dwelling units per year, against which an amount of Rs.3,209 crore has been released.

*(g) National Mission for Rural Housing and Habitat*

4.25 This Mission was set up by Ministry of Rural Development (MoRD) to facilitate the induction of science and technology inputs, on a continuous basis, in the sector; and convergence of available technology, habitat and energy related issues, with a view to making affordable shelter available for all in the rural areas, within a specific time frame and through community participation. A working group was constituted by the empowered committee of MoRD to:

- Specify the aims and objectives of the Mission;
- Firm up specific time framework to achieve these aims and objectives;

- Formulate a road map to facilitate the entry of private capital in housing development in rural areas; and
- Short-listing the agencies, which could undertake the task of preparing a techno-legal regime for rural planning.

### **Suggestive Initiatives**

#### *(a) Delivery Mechanism*

4.26 Micro Finance Institutions have been playing a crucial role in community development by inculcating saving and credit habits among their members. The Self Help Groups nurtured by these agencies, over a period of time, are steadily maturing to handle housing credit for their members. Demand from this segment is bound to increase. There is a need to strengthen these institutions in the informal sector and utilise their network in a big way to reach the lower segments of the society. The recent initiatives of the NHB to extend housing finance to this segment are expected to accelerate the flow of funds to the needy in the rural/unorganised sector.

4.27 In rural areas, maintenance and improvements to existing dwelling units is more in demand than building new dwelling places. This is because of the habitation practices involving joint family system, etc. Further, most of the people in rural areas look for a 'functional' dwelling place, meeting not only the shelter requirements, but also their economic activities. For example, if a weaver or artisan would require a work shed attached to his house, a farmer may like to have an extra storage space for stocking farm produce, a drying yard or cattle shed, and so on. The scope of 'rural housing' should be broad-based to help in meeting such requirements.

4.28 In the villages, the local institutions like Panchayat Raj Institutions (PRIs) would do well to construct common infrastructure for farm or non-farm activities for the rural households. These facilities could also be funded by the housing finance institutions by providing loans directly to the PRIs or other organisations taking up the infrastructure support activities. The PRIs could repay such loans from the service charges that could be collected from the beneficiaries using the common infrastructure.

4.29 The real penetration of HFCs into Rural Housing is limited by the absence of their rural network. Further, the commercial banks may be reaching the targets by spreading to the urban-agglomerations. It is, therefore, necessary to induct co-operatives into this sector in view of their rural orientation with their reach and accessibility in the rural areas. There is a need for developing special packages to provide financial as well as technical support to the co-operatives even by relaxing the existing norms, applicable to co-operatives, with particular emphasis on the capacity building of these institutions.

*(b) Financial Incentives*

4.30 As rural housing is generally not for commercial purposes, the repaying capacity of the rural borrowers could pose a problem. In this regard, some of the measures, which could be considered for channelising funds into rural housing are as under:

- In lendings for rural housing, certain factors have a vital bearing on the debt servicing capacity of the borrowers, viz. ill health and loss of earnings or death of the householder loanees, etc. and as such, the loans have to be insulated by an appropriate insurance mechanism. As a welfare measure the Government could consider suitable tie-up with insurance companies and agree to meet the premium amount in full or part as subsidy element to encourage lending by the financial institutions to the rural population belonging to the weaker sections as a welfare measure.
- The private builders may be provided with additional tax concessions for their projects in rural areas to make their returns commercially viable.

*(c) Policy Support Requirements*

4.31 Besides a robust finance system, a sound and sustainable policy is equally important for expansion of rural housing credit. Policies guided by short-term objectives in the housing construction segment can impose serious constraints on the credit system. While the financial and fiscal policies are well disposed towards housing, it is the 'Real' sector that needs to respond to the emerging challenges and opportunities.

4.32 The farmers and other rural households do not get any benefit on account of borrowing housing loans such as the income tax concessions available for their urban counterparts (in view of agricultural income being non-taxable). Therefore, certain reliefs in lieu of the concessions in the income tax may have to be built into the rural housing loan schemes. Such relief could be by way of capital subsidy or interest subsidy to be built into the housing finance schemes for the rural areas. State and Central Governments may consider providing appropriate subsidies for this purpose. Though we are moving away from the "subsidy" regime, the need for such support in this segment is clearly recognised provided the delivery is well targeted and transparent. Also, the subsidy to the financial intermediaries on behalf of the borrowers (rather than to the borrowers directly) will act as incentive to the lenders and will also eliminate the misuse/mistargetting of subsidies.

4.33 The vexatious problem of absence of records of rights to the rural house properties (as also agricultural land) has to be addressed by the State Governments with a massive exercise of updating records and computerising the same. The individual beneficiary could be given passbooks of rights in the land and house properties to facilitate quick processing of the housing loan applications in the villages. Based on this information, a process should be set in motion for the issue

of record of rights or the encumbrances promptly at the village level. Such exercise will improve the transparency in the sector and enhance confidence of the lenders resulting in expansion of rural housing with all its attendant benefits.

4.34 The mechanism to create equitable mortgage or hypothecation of title deeds could be extended also to rural areas to facilitate lending for housing and improvement in habitat conditions. These measures will help in overcoming the bottlenecks in credit flow into rural housing. Together with reforms in the land records system, rationalisation of stamp duty across the States and reforms in the registration regime, will generate positive sentiments in the lending as well as the construction industry. Reduction in existing stamp duty and registration charges on mortgaged securitised papers across the States will pave the way for increased flow of funds into the housing finance sector. These measures can have significant impact on the housing activities in the States. To address these issues in the right perspective, the State Governments should adopt appropriate and comprehensive State level housing policies.



## CHAPTER - 5

### INSTITUTIONAL PERFORMANCE

#### A. Housing Finance Companies

5.1 The Housing Finance Companies (HFCs) have stepped up their lending over the years contributing significantly to the growth of the housing sector, however they are still far from realising their full potential. Their strength lies in their specialised set of skills in lending exclusively for housing. The performance of the HFCs in recent years has been overshadowed by the competing banking sector with aggressive lending abilities, the relatively high cost of funds, higher regulatory capital requirement and lower degree of penetration in terms of geographical presence and market segments of the HFCs.

5.2 The sources of funds of HFCs include public deposits (which are subject to the regulatory stipulations of NHB), institutional borrowings (from banks etc.), refinance from NHB and their own capital. Most institutions are struggling with low capital adequacy ratio. There are limitations on the capacity of HFCs to raise long-term resources at reasonable cost. In the absence of access to such long-term funds, HFCs often resort to short-term borrowings to support their long-term lending operations resulting in mismatch that requires efficient asset-liability management. NHB has issued directions for the asset-liability management for the HFCs as part of the risk management measure.

5.3 Though the sector has been witnessing increased competition, there is scope for contribution from all institutions active in housing finance. Cost of funds notwithstanding, efficient customer servicing is emerging as the cutting edge in the industry. The sector has witnessed increased awareness among the borrower community about the industry practices and there are increased expectations about transparency and information disclosures from the perspective of depositors as well as borrowers. With these developments, the market is expected to mature further with the businesses becoming more robust and stable. The housing finance companies have also been resorting to securitisation as a measure to improve their liquidity, capital adequacy, and better asset-liability management. As a funding source, the HFCs have availed refinance from NHB, mostly under the Liberalised Refinance Scheme (introduced by NHB with effect from April 2002) customized to the market demand.

5.4 The refinance availed by HFCs during the year 2003-04 from NHB at Rs.1845.86 crore recorded a nominal increase of 4.5 per cent. The market share of the HFCs registered a decline with their total disbursements accounting for 38.87 per cent, during the year 2003-04 as compared to 43.09 per cent during the year 2002-03.



## Financial Indicators of HFCs

5.5 All HFCs, in existence as on June 12, 2000 or established thereafter, are required to obtain a certificate of registration from the NHB for carrying on housing finance business. Till June 30, 2004, NHB had registered 45 HFCs, of which 24 were permitted to accept public deposits. However, some of these HFCs, which have been given a certificate of registration without permission to accept public deposits, still hold some public deposits which they had accepted earlier and are required to repay these deposits on maturity.

5.6 The data and the analysis thereof in this Chapter are based on the information furnished by the HFCs registered with NHB. The important financial indicators of the HFCs as on March 31, 2004 are given in table 5.1.

**Table 5.1: Important Financial Indicators of HFCs**

(Rs. Crore)

Type	Outstanding as on 31 <sup>st</sup> March				
	2002	2003	Growth %	2004	Growth %
Paid up capital*	2322.04	2761.77	18.94	2941.31	6.50
Free Reserves	4612.46	5476.73	18.74	6255.67	14.22
Net Owned Fund (NOF)	6733.23	7757.93	15.22	8565.27	10.41
Public Deposits	11268.18	12760.32	13.24	13534.71	6.07
Housing Loans	41843.65	49237.97	17.67	59111.44	20.05

Source: Annual returns submitted by HFCs to NHB

\*Including preference shares which are compulsorily convertible into equity.

NOF = (a) the aggregate of paid up capital and free reserves reduced by accumulated losses, deferred revenue expenditure and other tangible assets, minus

(b) amounts representing investments in shares of its subsidiaries, companies of the same group and other housing finance companies, book value of debentures, bonds outstanding loans, and advances made to and deposits with subsidiaries and with companies of the same group; to the extent such amount exceeds ten percent of (a)

## Mobilisation of Funds

5.7 The net owned funds of these 45 HFCs registered an increase of 10.41 per cent from Rs.7,757.93 crore as on March 31, 2003 to Rs.8,565.27 crore as on March 31, 2004. The paid-up capital of these HFCs (including the preference share capital which is compulsorily convertible into equity) increased from Rs.2,761.77 crore to Rs.2,941.31 crore during the same period. The HFCs could not sustain the growth rate in mobilisation of share capital and public deposits during the year 2003-04 as compared to the year 2002-03.

5.8 The total outstanding public deposits with these HFCs have increased from Rs.12,760.32 crore as on 31<sup>st</sup> March, 2003 to Rs.13,534.71 crore as on March 31, 2004,

recording a growth of 6.07 per cent which is significantly lower than the growth of 13.24 percent witnessed during the corresponding period last year.

5.9 However, the outstanding housing loans in respect of HFCs have increased by 20.05 percent during the year 2003-04 as compared to the growth of 17.67 percent during 2002-03.

### Classification of Public Deposits

#### *Classification based on size of deposits*

5.10 The size-wise details of public deposits outstanding at the end of each of the last three years are given in Table 5.2. The share of public deposits of over Rs.1,00,000 accounted for 67.92 per cent of the total deposits as on March 31, 2004, as against 58.53 percent as on March 31, 2003.

**Table 5.2: Size-wise public deposits with all reporting HFCs**

(Rs. Crore)

Size	Outstanding public deposits as on 31 <sup>st</sup> March					
	2002		2003		2004	
	Amount	%	Amount	%	Amount	%
Upto Rs. 5,000	53.55	0.47	45.64	0.36	37.50	0.28
Rs. 5,001 to Rs. 10,000	467.13	4.15	291.64	2.29	249.35	1.84
Rs. 10,001 to Rs. 25,000	1240.28	11.01	1184.96	9.29	1052.46	7.78
Rs. 25,001 to Rs. 50,000	1808.71	16.05	1936.18	15.17	1818.06	13.43
Rs. 50,001 to Rs. 1,00,000	1313.09	11.65	1832.59	14.36	1184.17	8.75
Over Rs. 1,00,000	6385.42	56.67	7469.31	58.53	9193.17	67.92
<b>Total</b>	<b>11268.18</b>	<b>100.00</b>	<b>12760.32</b>	<b>100.00</b>	<b>13534.71</b>	<b>100.00</b>

Source: Annual returns submitted by HFCs to NHB

#### *Classification based on Interest rate*

5.11 The interest rate-wise classification of deposits outstanding with all the registered HFCs is given in Table 5.3. HFCs still have sizeable amount of deposits in the interest rate range of 9% to 11%. The HFCs are at a disadvantage in this regard as they would not be in a position to compete in the market while lending these funds since the market interest rates are around 8%. Unless the HFCs reduce the cost of funds, their competitive strength and operating results will continue to be adversely affected. Every effort has to be made by the HFCs to restructure their liabilities and bring down their average cost of funds in order to improve their balance sheet.



**Table 5.3: Interest rate-wise public deposits of all reporting HFCs**

(Rs. crore)

Rate of interest (Rate per annum)	Outstanding public deposits as on 31 <sup>st</sup> March					
	2002		2003		2004	
	Amount	%	Amount	%	Amount	%
Below 6%	8.74	0.08	8.94	0.07	172.22	1.27
6% to below 9%	548.38	4.87	3648.43	28.59	6630.96	48.99
9 % to below 11%	6990.08	62.03	6531.46	51.19	4740.91	35.03
11% to below 13%	2994.91	26.58	2108.32	16.52	1671.61	12.35
13% or more	726.07	6.44	463.17	3.63	319.01	2.36
<b>Total</b>	<b>11268.18</b>	<b>100.00</b>	<b>12760.32</b>	<b>100.00</b>	<b>13534.71</b>	<b>100.00</b>

Source: Annual returns available with NHB

Classification based on maturity of deposits

5.12 Maturity-wise classification of public deposits indicates the depositors' preference for maturity period of 24 to 48 months. However, the share of these deposits has been showing a declining trend during the last three years as may be observed from Table 5.4. Significant increase has been witnessed in the category of deposits of 84 months' and more.

**Table 5.4: Maturity-wise public deposits with all reporting HFCs**

(Rs. crore)

Maturity period	Outstanding public deposits as on 31 <sup>st</sup> March					
	2002		2003		2004	
	Amount	%	Amount	%	Amount	%
Less than 12 months	9.55	0.09	1.68	0.01	16.91	0.12
12 months or more but less than 24 months	871.37	7.73	785.10	6.15	872.38	6.45
24 months or more but less than 48 months	5553.14	49.28	5799.53	45.45	5455.86	40.31
48 months or more but less than 60 months	192.06	1.70	499.37	3.91	248.49	1.84
60 months	2510.03	22.28	2520.14	19.75	2367.94	17.50
More than 60 months but less than 84 months	617.53	5.48	743.83	5.83	760.69	5.62
84 months	926.27	8.22	1224.66	9.60	1802.67	13.32
More than 84 months	588.23	5.22	1186.01	9.30	2009.77	14.84
<b>Total</b>	<b>11268.18</b>	<b>100.00</b>	<b>12760.32</b>	<b>100.00</b>	<b>13534.71</b>	<b>100.00</b>

Source: Annual returns, NHB-2003-04

### Borrowings and other deposits (excluding public deposits)

5.13 The aggregate outstanding borrowings of HFCs as on March 31, 2004 were Rs.57,871 crore as compared to Rs.46,981 crore as on March 31, 2003 showing an increase of 23.18 per cent over previous year. Of these outstanding borrowings, borrowings from the banking system constituted 44.7% amounting to Rs.25,876 crore as on March 31, 2004.

### Refinance Availed from NHB

5.14 The HFCs availed refinance of Rs.1,845.86 crore from NHB during the year 2003-04 as against Rs.1,766.69 crore during the year 2002-03.

### Housing Loans

#### Size-wise Loan Disbursal

5.15 The housing loans up to Rs. 3 lacs, which formed 40.2 per cent of the total loans disbursed by the HFCs during 2001-02, reduced to 32.4 per cent of the total loans disbursed during 2002-03. This further reduced to 27.7 per cent during 2003-04. In fact, housing loans above Rs.10 lacs increased from Rs.1,749.89 crore during 2002-03 to Rs.2,663.94 crore during 2003-04. They accounted for 25.1 per cent of the loans disbursed during 2003-04 (Table 5.5).

**Table 5.5: Size-wise Disbursement of Housing Loans by HFCs**

(Rs. In crore)

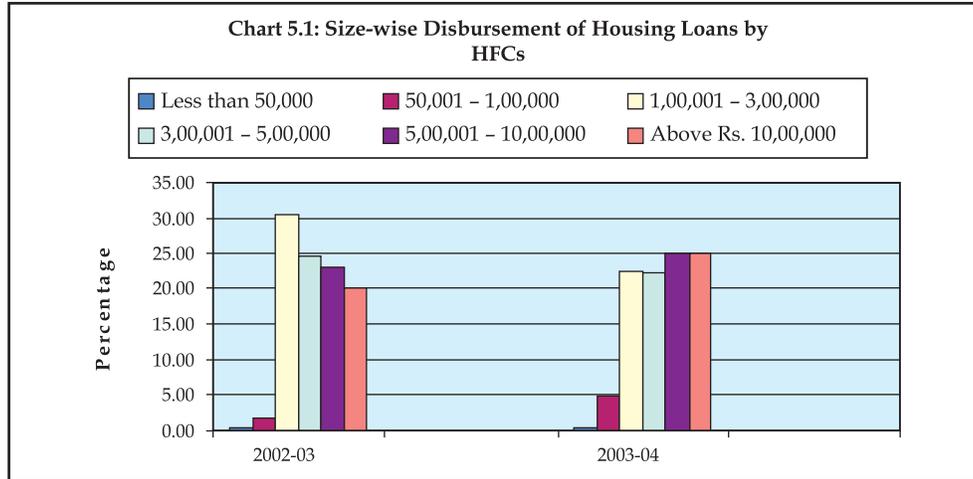
Size of Housing Loan (Rs.)	Data received from 20 major HFCs*	
	2002-2003	2003-2004
Less than 50,000	15.72 (0.2%)	16.26 (0.2%)
50,001 – 1,00,000	147.80 (1.7%)	507.82 (4.8%)
1,00,001 – 3,00,000	2675.61 (30.5%)	2409.62 (22.7%)
3,00,001 – 5,00,000	2164.48 (24.7%)	2358.98 (22.2%)
5,00,001 – 10,00,000	2023.90 (23.0%)	2652.84 (25.0%)
Above Rs. 10,00,000	1749.89 (19.9%)	2663.94 (25.1%)
Total	8777.40 (100.0)	10609.50 (100.0)

Source: Annual returns submitted by HFCs to NHB \* Excluding HUDCO

Figures in parenthesis indicate percentage share



5.16 The size-wise disbursement of Housing Loans by HFCs in the last two years is presented in Chart 5.1.



5.17 The aggregate outstanding housing loans of HFCs, which were Rs.49,237.97 crore as on March 31, 2003 increased by 20.1 per cent and stood at Rs.59,111.44 crore as on March 31, 2004. A trend based on the data received from HFCs, indicates that the loans in the term period above 7 years, which formed 66.5 per cent of the total housing loans outstanding as on March 31, 2003, decreased to 59.9 per cent as on March 31, 2004. The term-wise Outstanding Housing Loans by HFCs in the previous two years are presented in Table 5.6.

**Table 5.6: Term-wise Housing Loans outstanding by HFCs**

(Rs. crore)

Term of Housing Loan	2002-2003		2003-2004	
Upto 1 year	2695.31	(5.5%)	4089.14	(6.9%)
1 to 3 years	4670.82	(9.5%)	7849.98	(13.3%)
3 to 5 years	4510.48	(9.1%)	6839.28	(11.6%)
5 to 7 years	4620.91	(9.4%)	4910.42	(8.3%)
Above 7 years	32740.45	(66.5%)	35422.62	(59.9%)
<b>Total</b>	<b>49237.97</b>	<b>(100.0%)</b>	<b>59111.44</b>	<b>(100.0%)</b>

Source: Annual returns submitted by HFCs to NHB

Figures in parenthesis indicate percentage share

5.18 At the end of March 2002, the outstanding housing loans of HFCs amounted to 6.2 times their net owned funds. This proportion increased to 6.35 by the end of March, 2003 and further increased to 6.90 by March 31, 2004.

### Other loans and advances

5.19 Other loans and advances outstanding of HFCs were Rs.15,846.57 crore as on March 31, 2004 as compared to the corresponding figure of Rs.13,357.94 crore as on March 31, 2003. These loans and advances mainly included urban and infrastructure development loans disbursed by HUDCO.

### Investments

5.20 Aggregate investments of HFCs stood at Rs.5,845.71 crore as on March 31, 2004 as against Rs.6,516.66 crore as on March 31, 2003.

### B. Scheduled Commercial Banks

5.21 The outreach of housing finance has increased manifold due to the emergence of new players in the market such as Schedule Commercial Banks (SCBs). They have created a new scenario in retail lending like never before. With growing competition in the market, a variety of options and choices have become available to the borrowers. The expansion in the market has the potential of overheating the sector and therefore needs to be closely followed and monitored particularly when the prices in the real sector appear to rise dramatically in a short time. The focus has to be on the long-term stability of the sector and sustainability of the housing finance activities.

5.22 SCBs, despite being late entrants in the field, have surpassed the total lendings done by the HFCs over the past few years. The share of banks has increased from about 37 percent to about 61 percent of the housing loan market over the two year period viz. 2002-2004. About 47 percent of the total retail loans by SCBs are housing loans and net NPAs as percentage of outstanding loans is the least (1.4%) in the case of housing loans (Table 5.7)

**Table 5.7: Retail portfolio of banks as at end of March' 04**

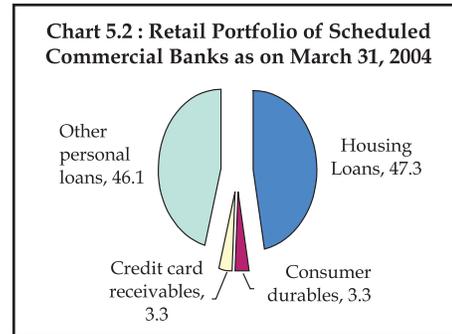
Items	Amount Outstanding (Rs crore)	Impaired Credit as % of Outstanding Loans	Net NPAs as % of outstanding loans
Housing Loans	89449 (47.3)	1.9	1.4
Consumer durables	6256 (3.3)	6.6	4.0
Credit card receivables	6167 (3.3)	6.3	2.4
Other personal loans	87170 (46.1)	2.6	1.6
<b>Total retail loans</b>	<b>189041 (100.0)</b>	<b>2.5</b>	<b>1.6</b>
<b>Total Loans &amp; Advances</b>	<b>859092</b>	<b>7.4</b>	<b>2.8</b>

Figures in parenthesis indicate percentage

Source: RBI Trend and Progress Banking in India – 2003-04.



5.23 The statistics for the banking sector's retail portfolio, further establish that housing loans are increasingly finding favour among the banks, public and private sector as well as foreign banks. The retail portfolio of banks as on March 31, 2004 is presented in Chart 5.2.



*Lending by Scheduled Commercial Banks to Sensitive Sectors*

5.24 The finance extended by SCBs to sensitive sectors during the last three years is given in Table 5.8. The finance to real estate maintained its position around the level of 50 per cent.

**Table 5.8: Lending to Sensitive Sectors by Scheduled Commercial Banks**

(Rs. crore)

Advances to	Outstanding as at 31 <sup>st</sup> March		
	2002	2003	2004
Capital Market	3082 (14.8)	2504 (10.5)	3333 (12.1)
Real Estate	9012 (43.3)	12464 (52.0)	14170 (51.6)
Commodities	8727 (41.9)	8979 (37.5)	9952 (36.3)
<b>Total</b>	<b>20821 (100.0)</b>	<b>23947 (100.0)</b>	<b>27455 (100.0)</b>

Figures in parenthesis indicate percentage to total

Source: Trend and Progress of Banking in India, 2004

5.25 The refinance availed during the year 2003-04 from NHB at Rs.1276 crore represented a significant growth of about 61.5 per cent. Their share in the total refinance disbursements by NHB increased to 39.2 per cent during the current year as compared to 29.2 per cent in the previous year.

5.26 The upward trend of participation of SCBs in housing finance continued during the year 2003-04 at an accelerated pace. The period saw stiff competition among banks, which led them to offer competitive rates of interest and also adopt aggressive strategies like tele-marketing, engaging direct sales agents, conducting exhibitions and loan melas besides offering softer terms of repayment, enhanced quantum of loan, taking over of loans from other banks/HFCs, shifting of loan from fixed rate to floating rate and vice-versa, etc. As a significant marketing measure, property advisory/consulting services also came in vogue. The housing finance (inclusive of direct, indirect housing finance and subscription to NHB / HUDCO Bonds) disbursed by the banks far exceeded 3% of their incremental deposits, as can be seen from Table 5.9. [As per RBI guidelines banks are required

to allocate minimum 3% of their incremental deposits during a year for the housing sector].

**Table 5.9: Housing finance by Commercial Banks**

(Rs. crore)

Year	Allocation	Achievement
2000-2001	3405.95	9787.24
2001-2002	5159.22	14744.85
2002-2003	8574.10	33840.53
2003-2004	8389.10	45378.20

Source:: Reserve Bank of India

### Direct Housing Finance

5.27 The period also saw continued decentralisation and freedom to the banks in determining their own course in retail banking activities including housing finance. This is significant since housing finance was a relatively new field for the banks involving long term funding and required specialised skills.

5.28 The banks are free to evolve their own guidelines with the approval of their Boards on aspects like security, margin, dwelling units' age, repayment schedule in respect of direct finance provided to individuals including the co-operative societies. With considerable delegation allowed to the individual banks, the sector has become very competitive and accounts for nearly 50% of the total retail lending by the banking sector.

**Table 5.10: Bank Group wise Direct Housing Finance Disbursal**

(Rs. crore)

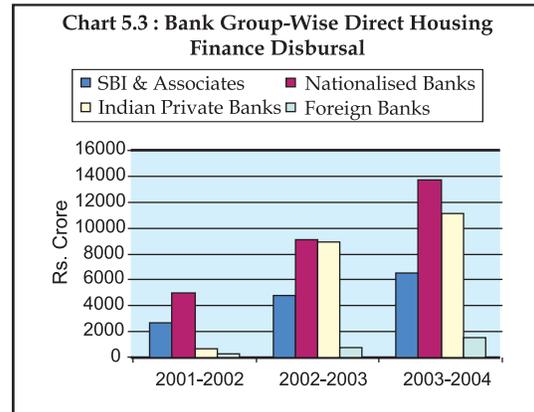
Banks	2001-2002	2002-2003	2003-2004
SBI & Associates	2636.34 (30.8)	4782.88 (20.3)	6478.80 (19.7)
Nationalised Banks	4963.62 (57.9)	9129.47 (38.8)	13722.91 (41.8)
Indian Private Banks	696.79 (8.1)	8864.03 (37.6)	11102.52 (33.8)
Foreign Banks	269.66 (3.1)	776.99 (3.3)	1512.16 (4.6)
<b>Total</b>	<b>8566.41 (100.0)</b>	<b>23553.37 (100.0)</b>	<b>32816.39 (100.0)</b>

Figures in parenthesis indicate percentage to total

Source:: Reserve Bank of India



5.29 There has been a steady growth of direct housing finance disbursement by all categories of banks during the last three years as evident from Table 5.10. However, the quantum increase in 2002-03 as compared to 2001-02 was largely on account of huge disbursement by Indian private sector banks. This accounted for 37.6 per cent of total direct housing finance of the banking sector in 2002-03, which has reduced to 33.8 percent during 2003-04 [Chart 5.3].



### Indirect Housing Finance

**Table 5.11: Bank Group wise Indirect Housing Finance Disbursement**

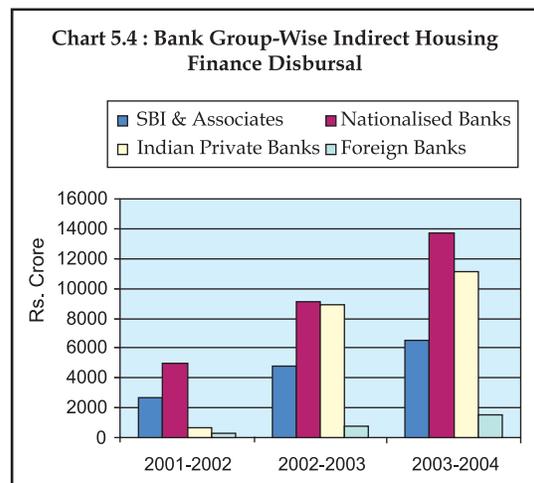
(Rs. crore)

Bank Group-wise	2001-2002	2002-2003	2003-2004
SBI & Associates	174.40 (3.1)	152.00 (2.2)	915.19 (9.3)
Nationalised Banks	3838.60(67.3)	4916.63 (72.3)	5966.52 (60.6)
Indian Private Banks	1192.85 (20.9)	1159.73 (17.1)	2470.27 (25.1)
Foreign Banks	494.85 (8.7)	568.12 (8.4)	492.87 (5.0)
<b>Total</b>	<b>5700.70 (100.0)</b>	<b>6796.48 (100.0)</b>	<b>9844.85 (100.0)</b>

Figures in parenthesis indicate percentage to total

Source:: Reserve Bank of India

5.30 Banks are required, as per RBI stipulations, to ensure that their indirect housing finance channelled by way of term loans to housing finance institutions, housing boards, other public housing agencies, etc., is primarily for augmenting the supply of serviced land and constructed units. They are required to ensure that plots/houses are made available under time bound programmes and that public agencies do not utilise the bank loans merely for acquisition of land which is a known sensitive item amenable to price distortions. Similarly, when



lendings are done to public agencies for plots, serviced plots are required to be sold by these agencies to co-operative societies, professional developers and

individuals with a stipulation that the houses should be constructed thereon within a reasonable time, not exceeding three years. Bank Group wise Indirect Housing Finance Disbursal is given in Table 5.11 and Chart 5.4.

### Investments in Bonds

5.31 The investment by banks in bonds floated by NHB/HUDCO for financing are to be reckoned for inclusion under priority sector, irrespective of the loan size per dwelling unit, if the amount mobilised through these bonds by NHB/HUDCO is utilised for their long term housing business.

5.32 Similarly, the amount invested by Banks in MBS issues of Housing Finance Companies registered with NHB is also classified as priority sector advance. Bank Group-wise investments in NHB/ HUDCO Bonds are presented in Table 5.12. These bonds have been subscribed by the banking sector, particularly the private banks.

**Table 5.12: Bank Group wise Investments in NHB / HUDCO Bonds**

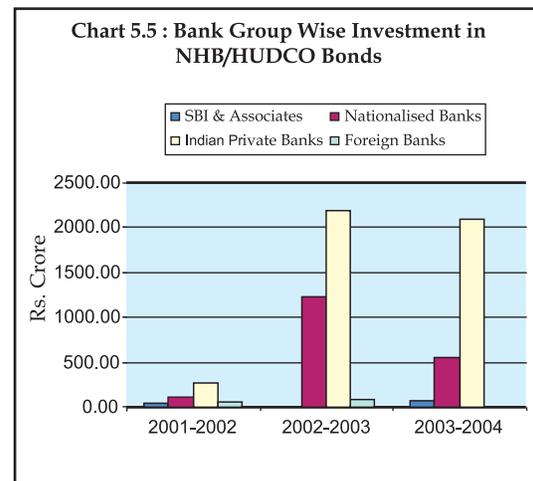
(Rs. crore)

Bank Group-wise	2001-2002	2002-2003	2003-2004
SBI & Associates	40.80 (8.5)	0.00 (0.0)	70.76 (2.6)
Nationalised Banks	112.67 (23.6)	1224.46 (35.1)	551.56 (20.3)
Indian Private Banks	263.10 (55.0)	2184.77 (62.6)	2093.54 (77.1)
Foreign Banks	61.60 (12.9)	81.45 (2.3)	1.10 (00.0)
<b>Total</b>	<b>478.17 (100.0)</b>	<b>3490.68 (100.0)</b>	<b>2716.96 (100.0)</b>

Figures in parenthesis indicate percentage to total

Source: Reserve Bank of India

5.33 With direct financing by the Banks rising, the investments by Banks under this category have declined from Rs.3490.68 crore during 2002-03 to Rs.2716.96 crore during the year 2003-04. The decline is mainly because of decline in investments by Nationalised Banks which are focussing on direct housing finance (Chart 5.5).





## Housing Loans

5.34 Classification of outstanding housing loans of SCBs according to region, size of loans and population is given in Appendix A 5.1, A 5.2 and A 5.3 respectively.

5.35 The growth of housing loans in the year 2003-04 was robust except for the North-Eastern Region. The growth in outstanding housing loans was maximum in the Western Region [98.38%] followed by the Northern Region [83.37%]. During the year 2003-04, the share of North Eastern Region increased only by 8.66%.

5.36 The outstanding housing loans in the slab of Rs.2 lakh to Rs.5 lakh continued to account for more than 30% of the total outstanding loans. There has been remarkable increase in the outstanding loans in the slab of above Rs. 10 lakhs and upto Rs. 25 lakhs which have increased from a level of Rs. 4624.93 crore as on March 31, 2003 to Rs. 13902.80 crore as on March 31, 2004 registering an increase of about 200%. Similarly the outstanding loans in the slab above Rs. 25 lakhs and upto Rs. 50 lakhs have also increased by about 200%. The outstanding loans in the lowest slab (below Rs.25,000) have declined by about 40% from the level of Rs.555.62 crore as on March 31,2003 to Rs.335.68 crore as on March 31, 2004.

5.37 Though the outstanding housing loans in rural areas have increased from Rs. 5386.77 crore as on March 31, 2003 to Rs. 7712.09 crore as on March 31, 2004, registering a growth of about 43%, the share of rural housing loans in the total outstanding housing loans has declined from about 11% as on March 31, 2003 to about 9% as on March 31, 2004. On the other hand, the share of metropolitan cities in total outstanding housing loans has increased to about 48% as on March 31, 2004 as compared to 40.65% as on March 31, 2003. This clearly shows the preference of lending in big cities.

## Regional Rural Banks

5.38 The performance of the Regional Rural Banks (RRBs) for the last three years is presented in Table 5.13.

**Table 5.13: Performance of Regional Rural Banks**

(Rs. crore)

Type	As on 31 <sup>st</sup> March				
	2002	2003	Growth %	2004	Growth %
Total Loans	10571	12641	19.6	15579	23.2
Housing Loans	282	307	8.9	609	98.4

Source: NABARD

5.39 The RRBs have disbursed housing loans to the tune of Rs.609 crore in 2003-04 as against Rs.307 crore during the year 2002-03, thereby registering an impressive

growth of about 98 per cent. The share of housing loans to the total loans has also shown an increase from 2.4 per cent in 2002-03 to about 3.9 per cent during 2003-04.

### **C. Co-operative Sector**

5.40 The concept of Co-operatives as an institutional mechanism for satisfying various needs of the people is premised on the principles of 'self-help' as well as 'collective-effort'. Housing cooperatives have a prominent place in the cooperative movement in the country. Today, it is estimated that there are over 92,000 primary housing cooperatives with over 6.5 million members.

5.41 The co-operative sector has played an important role in providing housing to their members and has made significant impact across the country. The co-operative sector is expected to play a lead role, particularly in land acquisition, allotment of land and housing sites to encourage group-housing and development of amenities in their projects, as envisaged in the National Housing and Habitat Policy.

#### **The National Co-operative Housing Federation of India**

5.42 About three and half decades back, the National Co-operative Housing Federation (NCHF) was established as an apex organisation for coordinating, guiding and promoting cooperative housing activities in the country. The cooperative housing structure consists of primary housing cooperatives at the grass root level and Apex Cooperative Housing Federations [ACHFs] at the State level. ACHFs at the state level are affiliated to NCHF, which looks after their growth strategies, policy formulations and evolving housing programmes besides interfacing with various institutions to channelise finances for these Federations for onward lending to the ultimate borrowers. In addition, NCHF also helps the member Federations in improving their financial, organisational and technical capabilities.

#### **Apex Co-operative Housing Federations**

5.43 At present, 26 ACHFs represent about 92,000 housing co-operatives all over the country with a membership of over 6.5 million. Of these, about 31,000 housing co-operatives are affiliated to state level ACHFs for getting financial assistance. The rest of the co-operatives are those (i) which got finances from other sources, (ii) which have not yet started construction activities and (iii) which have repaid their loans fully.

5.44 These Federations have so far disbursed Rs.8,761.25 crores to primary housing co-operatives for construction of dwelling units for their members. The co-operatives in turn have constructed 2.24 million houses. 75 per cent of these housing units are for EWS and LIG families, 18 per cent for MIG and the rest for HIG category.



**Table 5.14: Borrowings of Apex Co-operative Housing Federations**

(Rs. crore)

Lending Agency	2000-01	% of Total	2001-02	% of Total	2002-03	% of Total	2003-04	% of Total
LIC	2985.65	46.4	3121.81	44.4	3198.81	41.4	3297.77	40.5
NHB	483.06	7.5	595.06	8.5	706.56	9.1	738.21	9.1
HUDCO	1449.42	22.5	1514.84	21.6	1539.78	19.9	1557.34	19.1
State Govt.	50.13	0.8	50.13	0.7	229.97	3.0	247.43	3.0
Deposits	156.63	2.4	130.59	1.9	115.09	1.5	185.33	2.3
Banks	982.00	15.3	1184.17	16.9	1448.44	18.7	1620.50	19.9
Debentures	145.26	2.3	142.60	2.0	142.60	1.8	142.60	1.8
Others	179.57	2.8	283.40	4.0	346.25	4.5	345.10	4.2
<b>Total</b>	<b>6431.72</b>	<b>100.0</b>	<b>7022.50</b> (9.19)	<b>100.0</b>	<b>7727.50</b> (10.04)	<b>100.0</b>	<b>8134.28</b> (5.26)	<b>100.0</b>

Source: National Co-operative Housing Federation of India

Figures in parenthesis indicate percentage growth over previous year

### Mobilisation of Resources

5.45 The details of resource mobilisation by the ACHFs during the last four years are presented in Table 5.14. ACHFs could not sustain the growth in borrowings during 2003-04.

5.46 As in the earlier years, LIC has been the major source of funding for ACHFs. However, the share in total borrowings from LIC has shown a declining trend. It has decreased from 46.4 percent in 2000-01 to 40.5 percent in 2003-04. Though borrowings from HUDCO have been about Rs.1500 crores during the last three years, its share in total borrowings has shown a marginal decline from about 22.5 percent in 2000-01 to 19.1 percent in 2003-04. The share of Banks and State Governments has been increasing in the past five years. The borrowings from Banks have increased from Rs. 982 crore in 2000-01 to Rs. 1620.50 crore during 2003-04. Similarly, the contribution of NHB to total borrowings by ACHFs has also increased from about 7.5 percent in 2000-01 to 9.1 percent in 2003-04.

5.47 During the year 2003-04 only four ACHFs [viz. Punjab ACHF, Kerala ACHF, Karnataka ACHF and Pondicherry ACHF] availed refinance from NHB to the tune of Rs. 99.48 crores as against Rs. 111.50 crores availed during the year 2002-03.

### Deployment of Resources

5.48 The sanctions/disbursements of housing loans by ACHFs during the last four years are given in Table 5.15.

**Table 5.15: Lending Operations of Apex Co-operative Housing Federations**

(Rs. crore)

Type	2000-01	2001-02	2002-03	2003-04
Loan Sanctioned	842.81	730.12	672.99	595.45
Loan Disbursed	867.72	677.58	641.48	623.08

Source: National Co-operative Housing Federation of India

5.49 The declining trend of housing loans sanctioned and disbursed continued in 2003-04 also. The total amount of loan sanctioned reduced to Rs.595 crore in 2003-04 as against Rs.673 crore during the previous year. Similarly, the total amount of housing loans disbursed reduced to Rs.623 crore in 2003-04 as against Rs.641 crore during 2002-03.

5.50 State/UT-wise break-up of housing loan disbursed and number of units constructed with financial assistance from ACHFs during last four years is presented in Appendix A 5.4.

5.51 The average loan per dwelling unit for all apex federations was about Rs.1.6 lakh in 2000-01, which increased to Rs.1.9 lakh during 2003-04. It is noticed that Tamil Nadu accounts for about 35 per cent of the housing loans disbursed by all ACHFs during 2003-04, followed by Kerala (18.7 per cent), Punjab (18.5 per cent) and Delhi (10.1 per cent). These four States together account for more than 80 percent of the housing loan disbursements by ACHFs during 2003-04.

5.52 The quantum of cumulative sanction of housing loan by the ACHFs increased to Rs.9,169.67 crore during 2003-04 while cumulative disbursal rose to Rs.8,761.25 crore (95 percent of sanctioned amount). Cumulatively, the financial assistance provided by ACHFs till March 31, 2004 enabled construction of 2.24 million dwelling units (Appendix A 5.5).

### Refinance Assistance from NHB

5.53 The refinance granted by NHB to the co-operative sector institutions amounted to Rs.118.10 crore (3.63 per cent of the total refinance disbursements) during the year 2003-04 as against Rs.139.77 crore (5.16 per cent of total refinance disbursements) during the year 2002-03. The cumulative refinance to this sector registered a growth of 8.28 per cent during 2003-04 and stood at Rs.1543.76 crore (11.67 per cent of total), as on June 30, 2004.

5.54 The refinance availed by the institutions in co-operative sector has declined during the year 2003-04. Similarly the percentage of cumulative refinance for this sector to the total refinance disbursements by NHB has also shown a declining trend.



### Primary Co-operative Housing Societies

5.55 These societies, under the co-operative fold have been purveying credit for construction of dwelling units and tenements by their members. They have been availing loans from various sources, viz., government, financial institutions, LIC, HUDCO, State co-operative Housing Finance Societies and others, besides NHB.

**Table 5.16: Performance of Primary Co-operative Housing Societies**

(Rs. crore)

Area Type	No. of independent houses / tenements constructed		Amount of Finance released	
	During the year 1999-2000	Up to the year ending 31.03.2000	During the year 1999-2000	Up to the year ending 31.03.2000
South zone	17576	290278	2.27	19.32
North zone	37679	139794	2.27	6.11
North-East zone	371	330	1.10	0.20
East zone	70819	24028	0.11	0.51
Central zone	9983	38660	0.31	1.20
West zone	117813	1420125	10.74	78.08
<b>Total</b>	<b>254241</b>	<b>1913215</b>	<b>16.80</b>	<b>105.42</b>

Source: NABARD

5.56 The zone-wise dwelling units constructed are presented in Table 5.16. As per the latest data available (as on March 31, 2000), the number of societies stood at 89,251 with a membership of 54,03,304. Their own funds stood at Rs.6.2 crore and total borrowings at Rs.27.7 crore. The borrowings were mainly through State Co-operative Housing Finance Societies (Rs.14.77 crore). The borrowings from NHB accounted for Rs.0.2 crore. Their outstanding loans stood at Rs.41 crore (with over-dues at Rs.3 crore). During the year 1999-2000, as many as 2,54,241 dwelling units/tenements were constructed with a loan support of Rs.16.80 crore from the societies. This took the cumulative units constructed to 19,13,215, by March 31, 2000.

5.57 The Western Zone accounted for the bulk of the dwelling units constructed. The North Eastern Region gets the least share out of the total contribution by these societies. With the revitalisation of the co-operative societies and credit structure, the housing societies will have an important role to play in the rural housing sector.

### **Agriculture and Rural Development Banks**

5.58 Keeping in view the housing shortage in rural areas, a few State Governments, after suitable legislative amendments, have permitted the ARDBs to lend for housing. As the ARDBs do not fall under the category of either scheduled bank or specialized housing finance institutions, NHB, in order to extend financial assistance to this category of institutions, formulated a scheme to subscribe to special rural housing debentures floated by ARDBs backed by the mortgages originated by them.

5.59 During the year 2003-04, NHB disbursed Rs. 18.62 crore to ARDBs as compared to Rs. 28.27 crore during the year 2002-03. The cumulative disbursements by NHB to these banks as on June 30, 2004 stood at Rs.737.72 crore and outstandings as on June 30, 2004 were Rs. 495.14 crore.

### **State Co-operative Banks**

5.60 In order to strengthen the cooperative credit structure of the country which is connected with the decentralized regions and semi-urban and rural areas, NHB has been extending refinance assistance to the State Co-operative Banks in respect of the housing loans given by them either directly or through the District Central Co-operative Banks/primary agricultural credit societies. So far, a few of these banks have been found eligible for availing the refinance facility from NHB. The cumulative refinance assistance extended by NHB to these banks as on June 30, 2004 stood at Rs.49.89 crore.

### **Primary (Urban) Co-operative Banks**

5.61 The Scheduled Primary (Urban) Co-operative Banks are also eligible to avail refinance assistance from NHB provided they meet the prescribed recovery norms. However, not many of these banks have been in a position to avail refinance assistance from NHB. During the year ended June 30, 2004, Rs. 40.50 crore was disbursed by NHB to this category of institutions as against the corresponding figure of Rs.40.00 crore during the year 2002-03. The cumulative refinance assistance extended by NHB to these institutions stood at Rs.142.65 crore by June 30, 2004 and the outstanding as on June 30, 2004 was Rs.113.80 crore.

### **Recovery Performance of ARDBs/ACHFs**

5.62 As per the information available from these institutions, the recovery position has declined in case of Punjab ACHF and Kerala ACHF, during the year 2003-04 as compared to the year 2002-03, while it has improved in case of Pondicherry ACHF and Kerala ARDB.



**Table 5.17: Recovery Performance of Cooperative Sector Institutions**

Institution	2001-02	2002-03	2003-04
Punjab ACHFs	84.60	80.61	78.64
Tamil Nadu ACHFs	61.43	NA	46.28
Kerala ACHFs	85.59	86.62	81.05
Pondicherry ACHFs	66.00	70.00	86.00
Kerala ARDB (state level rec.)	84.54	79.83	82.30

*Figures in percentage*

### **Institution-wise Performance**

5.63 The percentage of outstanding housing loans to GDP has increased from 3.44% as on 31<sup>st</sup> March, 2001 to 6.09% by the end of March, 2004. The outstanding housing loans witnessed a growth of 25.48% during the year 2001-02 which increased to 29.55% during 2002-03 and further increased to 43.94% during the year 2003-04. The institution-wise movements in the outstanding housing loans and disbursements during the year over last four years are given in Appendix A 5.6.

5.64 It is observed that there was a spurt in the disbursements by Banks during the year 2002-03. The disbursements by the cooperative sector decreased by more than 20 percent during the year 2001-02 and the disbursements by this sector further declined by 5.33% and 2.87% during the year 2002-03 and 2003-04, respectively.

### **Prudential norms for housing finance sector**

5.65 The extent of housing needs and the scope of housing finance industry have grown leaps and bounds in the recent years. The small number of players in the earlier years has now increased and all are trying to capture a sizeable share of the market. In order to ensure stability in the sector which is experiencing the growth spurt, the financing activities of the different category of institutions have been drawing closer attention from their respective regulators. Stipulations regarding income recognition, asset classification, capital adequacy and credit concentration have been specified from time to time depending on the industry requirements. In case of housing loans extended by HFCs and SCBs, NPA recognition norm was changed from 180 days to 90 days past due. The subsequent increase of risk weight in the case of housing loans for commercial banks from 50 per cent to 75 percent in the Annual Policy for 2004-05 indicated the enhancement in the risk perception in this traditionally low risk lending area. This will affect the capital requirement of the banks that still control the major share of the market. With Basle II norms being introduced in the system, these prudential norms are expected to ensure a more stable financial system.

## CHAPTER - 6

### ASSET QUALITY IN HOUSING FINANCE

6.1 Maintaining the asset quality in housing finance involves sustained surveillance and monitoring as the funds are deployed over a long period. Equally, for the same reasons, origination of housing loans requires specialized skills. Though the incidence of NPAs in the housing sector is low, this needs to be protected. The low level of NPAs in the sector has attracted the financing institutions, particularly the banking sector that has seen good value in this sector. Housing finance is being seen as good business for its low level of NPAs as also good returns together with supportive regulatory and fiscal policies. However, during the last couple of years, the level of NPAs in the housing finance sector has shown an upward trend, though still significantly lower as compared to the other sectors of the economy as may be observed from the Table 6.1:

**Table 6.1: Retail Portfolio of Banks**  
(as at 31st March, 2004)

Items	Impaired credit as percentage of outstanding loans	Net NPAs as percentage of outstanding loans
(i) Housing Loan	1.9	1.4
(ii) Consumer Durables	6.6	4.0
(iii) Credit Card Receivables	6.3	2.4
(iv) Other Personal Loans	2.6	1.6
Toatl Retail Loans (i)+(ii)+(iii)+(iv)	2.5	1.6
<b>Total Loans &amp; Advances</b>	<b>7.4</b>	<b>2.8</b>

Source: Trend & Progress of Banking in India, 2003-04, RBI

6.2 Out of 45 registered HFCs there were 30 HFCs having asset base of Rs.10 crore and more as on June 30, 2004. Though the HFCs in the past had very low level of NPAs, there has been an upward trend during the last two years. The proportion of gross NPAs to total assets of these companies increased from a level of 2.23% as at March 31, 2002 to 2.39% as on March 31, 2003 which further increased to 4.45% by March 31, 2004.

6.3 For the purpose of analysis, 30 companies have been grouped according to their asset size as given below (Table 6.2):



**Table 6.2: Asset Base of Approved HFCs**

Asset Size ( as on 30.06.2004)	No. of Companies
Between Rs 10 crore and Rs.150 crore (Group A)	11
Between Rs.150 crore and Rs. 500 crore (Group B)	6
Above Rs.500 crore (Group C)	13

6.4 The assets, gross NPAs and net NPAs of these groups are given in the following Table 6.3:

**Table 6.3: NPAs as at 31st March for Various Groups of HFCs Classified according to Asset Size**

(Rs in Crore)

	Total Assets	Gross NPAs	Gross NPAs as % of Total assets	Net NPAs	Net NPAs as % of Total assets
<b>Group A</b>					
2002(12)	422.17	57.22	13.55	40.28	9.54
2003(10)	455.92	61.55	13.50	42.97	9.43
2004(11)	568.03	60.92	10.73	39.85	7.02
<b>Group B</b>					
2002(10)	1762.47	186.97	10.61	180.51	10.24
2003( 7)	2190.31	175.68	8.02	116.10	5.30
2004( 6)	1929.00	134.66	6.98	107.45	5.57
<b>Group C</b>					
2002( 8)	33961.22	563.13	1.66	398.69	1.17
2003(10)	40406.97	792.75	1.96	656.61	1.63
2004(13)	77989.51	3386.85	4.34	1599.53	2.05
<b>Total</b>					
2002(30)	36145.86	807.32	2.23	619.47	1.71
2003(27)	43053.20	1029.98	2.39	815.68	1.89
2004(30)	80486.54	3582.43	4.45	1746.83	2.17

Figures in parenthesis indicate number of HFCs in the group during that particular year

Note: It may not be possible to draw a direct comparison with the figures published in the last report due to regrouping of HFCs on the basis of their asset size as on 31.3.2004

6.5 Total assets of these companies increased from Rs. 36145.86 crore as at March 31, 2002 to Rs. 80486.54 crore by March 31, 2004. During the same period gross non-performing assets increased from the level of Rs.807.32 crore to Rs.3582.43 crore.

In percentage terms, the proportion of gross NPAs to total assets has increased from 2.23% as at March 31, 2002 to 4.45% as on March 31, 2004.

6.6 Similarly, the net NPAs which were Rs. 619.47 crore as on March 31, 2002, increased to Rs.815.68 crore by March 31,2003 and then increased to Rs.1746.83 crore as on March 31, 2004. The proportion of net NPAs to total assets increased from 1.71 % as on March 31, 2002 to 1.89% as on March 31, 2003 and further increased to 2.17% as on March 31, 2004.

6.7 In the case of HFCs with asset size of more than Rs. 10 crores and up to Rs.150 crore the gross NPAs increased from Rs. 57.22 crore as on March 31, 2002 to Rs. 61.55 crore as on March 31, 2003 but marginally declined to Rs.60.92 crore as on March 31, 2004. However, the proportion of gross NPAs to total assets for this category witnessed a decrease from the level of 13.55% as on March 31, 2002 to 13.50% as on March 31, 2003 and further to 10.73% as on March 31, 2004. A similar trend was observed in the case of net NPAs. The proportion of net NPAs to total assets of these companies decreased from 9.54% as on March 31, 2002 to 9.43% as on March 31, 2003 and further to 7.02% as on March 31, 2004. This reflects increasing awareness about asset quality among the small HFCs and their efforts to contain the NPAs.

6.8 In respect of HFCs having asset size above Rs.150 crore and up to Rs.500 crore the gross NPAs have declined from the level of Rs.186.97 crore as on March 31, 2002 to Rs.175.68 crore as on March 31, 2003 and further to Rs. 134.66 crore as on March 31, 2004. In the percentage terms, the proportion of gross NPAs to total assets of these companies is on the decline and this percentage share declined from 10.61% as on March 31, 2002 to 8.02% as on March 31, 2003 and further to 6.98% as on March 31, 2004. The variation in the proportion of net NPAs to the total assets has been different from the variation observed in the case of proportion of gross NPAs to total assets. It decreased from 10.24% to 5.30% during 2002-2003 but marginally increased to 5.57% during 2003-2004.

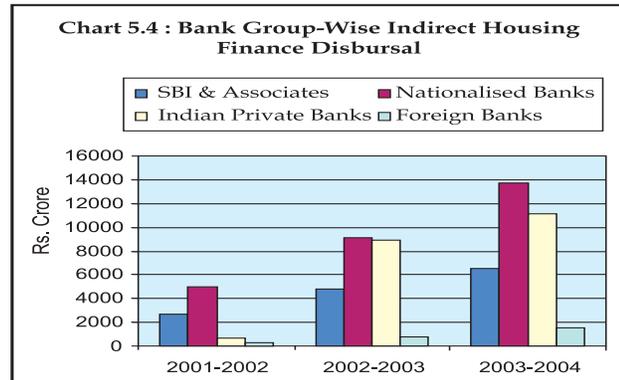
6.9 For companies having an asset size above Rs.500 crore, it is observed that the declining trend of NPAs as a percentage of total assets during the last few years has reversed and this proportion has increased during the last two years. This proportion increased from 1.66% as on March 31, 2002 to 1.96% as on March 31, 2003 and further increased to 4.34% as on March 31, 2004. Similarly, the proportion of net NPAs to total assets for these companies increased from 1.17% to 1.63% during 2002-2003 and further to 2.05% during 2003-2004. This trend clearly reflects the pressure of competition in the sector which has led to dilution of standards on the part of big HFCs for maintaining/increasing their market share in the highly competitive environment.

## CHAPTER - 7

### ROLE OF NHB IN HOUSING FINANCE

#### Introduction

7.1 The NHB completed its sixteenth year of functioning as the apex institution to promote the housing finance system and provide financial and other support to housing finance institutions in the country. The NHB has been undertaking measures for capacity building for the housing finance system and for improving the credit absorption



capacity of the sector. The Bank continued to expand its financial assistance to the sector by introducing innovative products and liberalised schemes in tune with market demand. The thrust for the development of the secondary mortgage market was renewed and the Bank's efforts were continued to introduce mortgage credit guarantee in the country. The total assets of the Bank, which were about Rs.4,000 crore upto 2000-01 made an impressive growth during the last three years and crossed the Rs.13,000 crore mark (Chart 7.1). Financial performance of NHB during the last two years is given below (Table 7.1).

**Table 7.1: Financial performance of NHB during 2003-04**

(Rs. crore)

Type	2002-03	2003-04	% Change
1. Net Owned Fund	1538.63	1656.78	7.7
2. Disbursement	2782.78	3297.38	18.5
3. Total Assets	10289.66	13107.51	27.4
4. Profit before Tax	127.5	155.46	21.9
5. Profit after Tax	120.74	118.13	(-) 2.2
6. Capital Adequacy Ratio ( percent )	31.41	30.05	(-) 4.3
7. Return on Equity ( percent )	26.83	26.25	(-) 2.2
8. Return on average working funds	1.39	1.03	(-) 25.9
9. Staff Productivity	117.38	136.57	16.4

Source - NHB Annual Report 2003-04

## Financial Performance

### Resource Mobilisation

7.2 During the year, apart from raising funds at competitive rates, the loans aggregating Rs.400 crore availed from Banks/Financial Institutions were re-priced with a view to bring down the average cost of funds.

### Deployment and Funds

Table 7.2: Refinance Disbursements

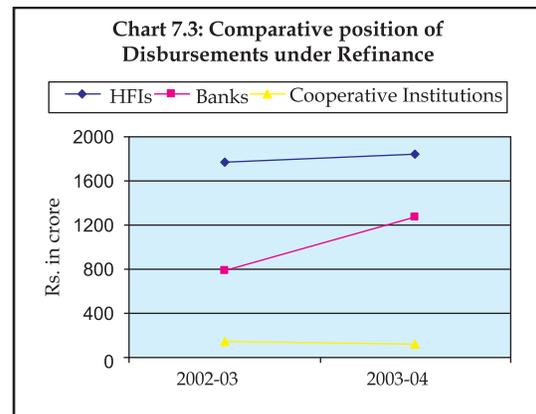
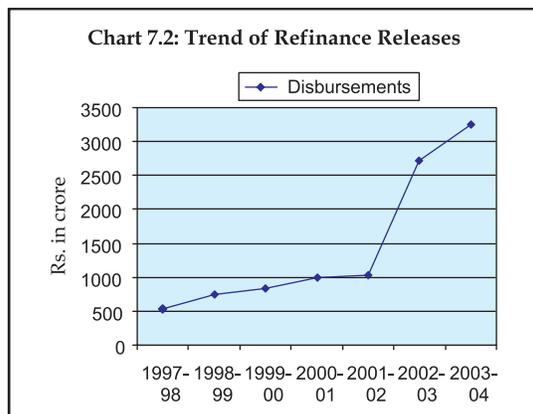
(Rs. Crore)

	2002-03	2003-04
HFCs	1766.69	1845.86*
Banks	790.00	1275.50
Cooperative Institutions	139.77	118.10
Gujarat Earthquake Scheme	13.26	13.43
<b>Total</b>	<b>2709.72</b>	<b>3252.89</b>

\* includes Rs.84.00 crore disbursed under the Short term Facility

7.3 The financial assistance extended by the Bank during 2003-04, in the form of refinance and direct finance, stood at Rs.3253 crore, as against Rs.2710 crore during the previous year, registering a growth of 20.1 percent (Table 7.2).

7.4 The refinance releases during the last few years and the comparative position of disbursements under refinance to various categories of Primary Lending Institutions [PLIs] during last two years, are presented in Chart 7.2 & 7.3, respectively.



### Cumulative Refinance Disbursements

7.5 A comparison of the cumulative refinance provided to HFCs, Scheduled Commercial Banks (SCBs) and Co-operative Sector Institutions is presented in Table 7.3.

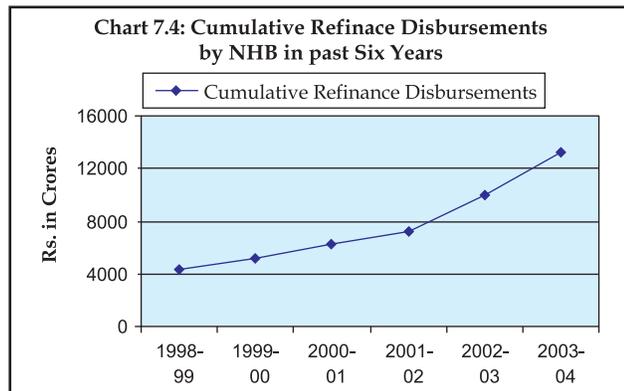
**Table 7.3: Cumulative Refinance Disbursements up to 30th June, 2004**

(Rs. crore)

Institution Category	30-6-2003	30-6-2004	Growth percent
Housing Finance Companies (HFCs)	7303.00	9164.87	25.5
Scheduled Commercial Banks	1232.42	2516.63	104.2
Co-operative Sector Institutions	1425.66	1543.76	8.3
<b>Total</b>	<b>9961.08</b>	<b>13225.26</b>	<b>32.8</b>

Source - NHB Annual Report 2003-04

7.6 The annual growth achieved by SCBs was the highest at about 104 percent followed by HFCs (25 percent) and Co-operative Sector Institutions (8 percent). The total cumulative refinance disbursements of the NHB for the last six years are presented in Chart 7.4.



### Modifications in Refinancing for Apex Co-operative Housing Federations (ACHFs)

7.7 NHB continued the modifications in the scheme for providing refinance to ACHFs. Pricing of refinance based on the recovery performance of ACHFs was introduced in order to align them with the general market movements.

### Short Term financial Assistance to HFCs

7.8 NHB introduced a scheme to provide financial assistance to the HFCs for meeting their short-term liquidity requirements arising in the normal course of business.

### Project Finance

7.9 NHB continued to extend financial assistance to public housing and development agencies for undertaking various types of housing projects. During the current year, 19 projects having total project cost of Rs.111 crore and loan component of Rs.84 crore were approved. Of this, Rs. 45 crore was disbursed as direct finance.

7.10 With a view to broadening the project finance portfolio, NHB introduced 'Project Finance Loan Policy' in September 2003 which incorporated an Internal

Credit Rating Model (ICRM). The scope of the Loan Policy has been widened to include private and joint sector entities as eligible borrowers.

### **Regulatory Role**

*Amendments made by NHB to Housing Finance Companies Directions, 2001*

7.11 NHB has made some critical amendments to the HFC Directions, 2001 from time to time, to keep pace with the market dynamics. Following are the highlights of the key directions issued:

- The period of default for asset classification has been made more stringent, with effect from March 31, 2005.
- Uniformity to be maintained in the interest rate payable on repatriable deposits accepted from NRIs by various players in the financial system.
- The ceiling on investments by an HFC, in real estate, except for its own use, was raised from 10 percent of its owned fund to 20 percent of its capital fund.
- Prudential norms relating to classification and valuation of investments were amended.
- Sanction of loans to State Government Undertakings/Special Purpose Vehicles (SPVs) only after a thorough appraisal of the project in terms of risks, risk mitigation measures, financial viability and creditworthiness of the borrower, etc.

### **Supervisory Role**

*Registration of Housing Finance Companies*

7.12 NHB had received 165 applications from HFCs for granting of Certificate of Registration (CoR) till the end of June 2004. Of these, only 46 HFCs were granted CoR.

*Monitoring of HFCs & Co-ordination with other Regulatory Authorities*

7.13 Company Secretaries were appointed on retainer basis in various states for gathering market intelligence and monitoring at the field level. They were specifically advised to gather information with respect to these HFCs whose application for registration have been rejected and those which have not applied for registration.

### **Promotional Issues – Training**

7.14 Apart from the promotional initiatives in the field of housing finance, NHB conducted 12 training programmes for various HFCs and Banks. These programmes addressed issues related to general awareness on housing finance and specialised topics such as regulatory framework for housing finance, securitisation, legal issues in housing, SARFAESI Act, risk management, etc.



## Other Initiatives

### *Golden Jubilee Rural Housing Finance Scheme*

7.15 The Golden Jubilee Rural Housing Finance Scheme (GJRHFS) was launched in August 1997 to commemorate the Golden Jubilee year of India's independence. This is a housing loan scheme without any subsidy element for areas with a population less than 50,000 as per Census of India, 1991 and the primary lending institutions are free to decide the terms and conditions of lending. The targets under the GJRHFS for the year 2003-2004 were enhanced to 2.50 lakh dwelling units from 2.25 lakh dwelling units in the previous year. The target was further sub-allocated amongst the various participating institutions.

7.16 The details of the targets and the achievements under the scheme for various categories of institutions during 2003-04 are as given below in Table 7.4.

**Table 7.4: Institution-wise Performance under GJRHFS during the year 2003-04**

(Number of dwelling units)

Category of Institutions	Target	Achievement
Banks	119275	171180
Housing Finance Companies	126000	71697
Others including Co-operative sector institutions	4725	876
<b>TOTAL</b>	<b>2,50,000</b>	<b>243753</b>

### *Residential Mortgage Backed Securitisation (RMBS)*

7.17 Considering that development of secondary residential mortgage market in India will largely depend on a sustainable securitisation transaction mechanism, it had been NHB's efforts to address issues relating to Residential Mortgage Backed Securitisation and evolve a suitable securitisation transaction structure within the existing legal and regulatory framework and at the same time, make the transactions simple and viable so that the product finds acceptability in the market. Accordingly, NHB has formulated a Residential Mortgage Backed Securitisation Policy and has been undertaking the securitisation transactions in accordance with the policy. With the amendment of the NHB Act during June 2000, NHB launched the first pilot issues of RMBS in India during August 2000. Following the successful completion of the pilot issues, till June 30, 2004, NHB completed ten residential mortgage backed securitisation transactions involving 35,116 housing loans amounting to Rs.663.92 crore originated by six HFCs and one Scheduled Commercial Bank. The success of the issues of RMBS has significantly provided means to better understand and address the various legal, regulatory, fiscal, accounting and other capital market related issues relating to such transactions as also various policy issues for a conducive environment for such issuances.

## CHAPTER - 8

### KEY ISSUES AND FUTURE OUTLOOK

#### Housing Finance Issues

##### Sustainable Policy Support

8.1 The past few years have witnessed fierce competition in the housing finance market and may unfold surprises in the coming years. The housing sector has witnessed varying standards and practices among the lending community, be it in origination and documentation or monitoring and supervision. Variation in standards across the industry imposes systemic risks, which can be a potential threat to the sector. Due care has to be exercised in originating loans as well as in monitoring and supervision to ensure the sustained quality of assets, more so, as the housing loans are of long tenor. Thus, there is a need for evolving uniform standards for appraisal and documentation. There is also a need for adoption of uniform practice by the housing finance industry relating to matters like prepayment of housing loans, conversion of fixed rate loans into floating rate loans and vice-versa and re-schedulement of repayment instalments. Besides uniformity, there is also need for greater transparency in dealings with the borrowers to enable them to exercise informed choices about products and lending institutions. Overall, these will help the market perform more efficiently.

8.2 Growing competition coupled with reduction in risk weights on housing loans has led the lending institutions to adopt aggressive practices including very high Loan to Value [LTV] loans, softening of collateral requirements, competitive pricing etc. The housing sector, in recent years, has been the favourite destination for financial institutions because of typically low default rates witnessed in this sector. However, with aggressive approach being followed by various players in the housing finance market arising from competition may lead to increase in the default rates. There is need for establishing a mechanism to monitor the trend and analyse the results for solutions in the housing finance sector as the volumes are likely to further grow in the coming years. Monitoring the housing loans performance at the industry level as well as the retail level togetherwith strategies for management of the NPAs at the lending institution level, state-wise, clientele-wise (rural/urban) will be emerge as important regulatory and business concerns.

##### Risk Factors

8.3 All the competing players in the Industry, especially Banks and HFCs are vying with each other to lure the customers in order to maintain and increase their share in the housing finance segment. The prevailing interest rate war due to reduction in deposit rates and excess liquidity in the financial market among the

players for the last few years has resulted in constant downward revision of interest rates. Further, the spreads are increasingly becoming thin as the lending rates [mostly sub PLR] are fast nearing the cost of funds. While during 1993-94, the interest rates on housing loans were in the range of 17-18 per cent the same right now are in the range of 7 per cent - 8.5 per cent. The constant rate-cuts may lead to erosion of profitability in the long run. Industry experts opine that the interest rates in India have already reached the rock bottom and may not fall further in the near future.

### **Security Deficit owing to Relaxed Norms**

8.4 Many primary lending institutions are making terms and conditions of sanction flexible and liberal, thus enabling the borrowers to avail the loans even more than the value of security for long tenure of 20 to 25 years. The large quantum of institutional finance in the property transactions may lead to the problem of security deficit.

8.5 The constant lowering down of margin requirements by SCBs, and HFCs has to be checked by the industry players and regulators. Logically, the RBI has stipulated higher risk weightage of 75 per cent as against 50 per cent in November 2004.

### **Compromise on Due Diligence**

8.6 Increasingly, there have been instances of dilution in due diligence on the part of lenders. Sometimes, loans are sanctioned without strictly complying with laid down rules, systems and procedures. This situation arises primarily out of fierce competitive pressures. It is observed that the growing customer expectations force the PLIs to compromise on due diligence, field verification process and appraisal norms, in a rush to sanction the loan at the earliest. Of late, instances have come to notice where housing loans were obtained on fake documents as also loans were provided by different institutions on the same documents. As such, the integrity of the borrowers has to be carefully scrutinised and internal appraisal systems have to be strengthened.

### **Lack of Level Playing Field for the Players**

8.7 While banks and HFCs are the prominent players, HFCs face a few constraints. The regulatory norms stipulate 10 percent capital adequacy for banks whereas the same is 12 percent for HFCs. Further, banks have access to lower cost retail funds compared to HFCs. Uniformity in norms and hence a level playing field has to be ensured for a healthy housing finance system. These are newer challenges which need to be addressed and resolved in times to come.

8.8 With a view to encouraging HFCs to mobilise long-term deposits, it may be examined whether any deposit insurance system could be thought of for well-organised and financially strong HFCs. While the floating rates of interest on

deposits could take care of the volatile nature rates of interest on deposits, it appears that the potential depositors still prefer to fixed rates of interest on deposits.

### **Central Registry for housing mortgages:**

8.9 In order to address the issue of rising incidence of frauds in housing finance, Section 20 of the SARFAESI Act introduced the provision of setting up a central registry. The Act empowers the Central Government to set up computerized Central Registry which would go a long way in providing a statutory backing to the security interest created in favour of Banks and Financial institutions and enabling them to claim priority over other claimants while enforcing the securities. Introduction of such a registration system would be conducive to credit growth and access to credit would become easy resulting in competition amongst lenders and better interest stared for the borrowers. It will facilitate efforts towards curbing frauds on account of financing due to unlawful mortgage of property.

### **Other Suggestions**

8.10 Some of the suggestions are as follows:

- The planning and design of buildings and public places must take care of the needs of persons who are physically challenged.
- While allotting house-sites/houses in rural and urban areas developed by either state agencies or the private sector with finance form financial institutions some percentage as specified by the State Government should be allotted to the families belonging to the Scheduled Castes/Scheduled Tribes communities.
- There is a need for the Government to encourage setting up an independent rating agency for builders/promoters to inspire public confidence in their activities. Similarly, a professional body could be set up to undertake demand assessment and survey for housing projects. This step can help in reducing speculative pressures created in the land and the housing market.
- The HFIs, which finance a project or the local authorities while approving a project, should take independent assessment into account, so that an independent agency could also take up the task of land valuation and title investigation for institutional financing.
- Industries should provide housing for employees as part of their industrial projects. Fiscal concessions could be provided to these industries. The housing for the low paid employees and workers would be planned in the close vicinity of their place of work.
- Plans of housing complexes and industrial estates must include a provision for hostel accommodation for working women, crèches and day-care centers.

- Non-conventional energy sources need to be harnessed for meeting the energy needs in both urban and rural areas and particularly to the remote and far-flung areas, which cannot be serviced through the grid supply.
- Construction of houses in rural areas by providing smokeless chulhas & latrines.
- A green belt should be developed and protected around the housing complexes to check pollution and enhance their aesthetics.
- Strengthening nation-wide Management Information System (MIS) on house building activities to help in designing, developing housing programmes & assist decision making.

## Outlook

8.11 With the thrust provided by way of policy initiatives of the Government and the measures initiated by NHB and other agencies in respect of issues referred to above, the housing finance sector is expected to maintain the growth momentum witnessed during the last few years, although renewed measures are required as above to address and tackle the core issues which can improve the growth of habitat development in our country.

Housing is one of the primary human needs and is next in importance to food and clothing. A house is not only a shelter to protect the human beings from vagaries of weather but also a workshop where people are moulded for constructive roles in the future. The need for housing in India has been growing at a phenomenal pace over the years. The problem of housing shortage grows at alarming proportions in India with the rapid pace of increase in population, urbanisation, changing family structure, rising per capita income, etc. The Tenth Plan has estimated the urban housing shortage at the level of 8.9 million dwelling units and the cumulative number of houses required during the Plan period as 22.4 million units. The total investment required for the above is estimated at the level of Rs.4,15,000 crore. And such a huge amount cannot be raised by the Central and State Governments alone. Rather active private sector participation is very much essential for achieving this goal, at least partly.

Housing is an industry with tremendous potential for contributing towards economic growth of any country. In a developing economy like India, its significance need not be overemphasised. This is because of different factors, like

- It is one of the top employment generators for the economy
- It has both forward and backward linkages with over 250 industries, including such core industries like cement, steel, timber, ceramics, tiles, etc.
- A small initiative in housing can propel multiplier effects in the whole economy through the generation of demand

- It is supposed to be the most preferred investment avenue in a recession-prone economy.

Researches done in advanced countries like US, UK and many OECD countries have revealed that house prices are strongly correlated with business cycle and have a significant impact on private consumption. Strong increase in property values has been noted to have unsustainable expansion on demand.

The other emerging feature is the shift from minimum housing to theme housing where the housing unit consists of building as well as other basic amenities necessary for any household. In this case, the pricing and the financial requirements will certainly be higher as compared to the residential unit consisting of building and infrastructure only.

Considering the very low NPA levels [less than 1 per cent annualised] and also strong security in the form of mortgage of the property financed, many tax incentives to the lenders [and borrowers], etc., housing finance is considered to be a comparatively safer kind of credit by the lenders. The enactment of SARFAESI Act 2002 has made the recovery of non-performing advances much easier. Further, the growing MBS market ensures secondary market for housing loan assets and many progressive players are tapping our MBS market periodically for financing themselves.

Though Indian housing finance system has got its own share of problems and handicaps, given the huge untapped housing loan market, government support and favourable macro-economic environment, reasonably resilient banking system, the industry has got excellent growth prospects. The present growth rate at about 30 percent or even higher, appears to be sustainable in the foreseeable future. Measures to promote Residential Mortgage Backed Securitisation [RMBS] market in India can further strengthen our housing finance system and make it more competitive.





## APPENDIX

### Appendix A 2.1 : Population, Households, Residential Housing Stock, Persons per Household and Persons per House: 1951 to 2001

Type	1951	1961	1971	1981	1991	2001
<b>Urban*</b>						
Population (million)	62.40	79.10	108.90	159.70	217.61	286.12
No. of Households (million)	12.80	14.90	19.10	29.10	40.74	53.69
Residential Housing Stock (million)	10.30	14.00	18.10	27.20	39.40	52.06
Persons per House	6.06	5.65	6.02	5.87	5.52	5.50
<b>Rural</b>						
Population (million)	298.50	360.10	438.30	525.50	628.70	742.49
No. of Households (million)	60.60	68.60	78.00	93.50	112.66	138.27
Residential Housing Stock (million)	54.10	62.20	72.70	87.20	109.00	135.10
Persons per House	5.52	5.79	6.03	6.03	5.77	5.50
<b>Total</b>						
Population (million)	360.90	439.20	547.20	685.20	846.31	1028.61
No. of Households (million)	73.40	83.50	97.10	122.60	153.40	191.96
Residential Housing Stock (million)	64.40	79.20	90.80	114.40	148.40	187.16
Persons per House	5.60	5.55	6.03	5.99	5.70	5.50

Source – Census of India

### Appendix A 2.2 : Distribution of Residential Housing Stock Types: 1971 to 2001

Type	1971		1981		1991		2001	
	Units (million)	% to Total						
<b>Urban</b>								
Residential housing Stock	18.10	100.0	27.20	100.0	39.40	100.0	52.06	100.0
Pucca	11.58	64.0	17.60	64.7	28.66	72.7	38.89	74.8
Semi-Pucca	4.21	23.2	5.93	21.8	6.97	17.7	9.49	18.2
Kutcha	2.31	12.8	3.67	13.5	3.77	9.6	3.68	7.0
<b>Rural</b>								
Residential housing Stock	72.70	100.0	87.20	100.0	109.00	100.0	135.10	100.0
Pucca	13.47	18.5	19.65	22.5	33.34	30.6	47.78	35.4
Semi-Pucca	27.41	37.7	32.20	36.9	38.86	35.6	49.65	36.7
Kut cha	31.82	43.8	35.35	40.5	36.80	33.8	37.67	27.9

\* As per Census, the area having a minimum population of 5000 persons, a population density of 400 persons per sq. km and having at least 75 per cent of male working population engaged in non-agricultural activity.

Type	1971		1981		1991		2001	
	Units (million)	% to Total						
<b>Total</b>								
Residential housing Stock	90.80	100.0	114.40	100.0	148.40	100.0	187.16	100.0
Pucca	25.34	27.9	37.37	32.7	61.75	41.6	86.67	46.7
Semi-Pucca	31.47	34.7	38.08	33.3	45.93	30.9	59.14	31.4
Kutchha	33.99	37.4	38.94	34.0	40.72	27.4	41.35	21.9

Source – Census of India

### Appendix A 2.3 : Distribution of Households according to Rooms Occupied (Percentage)

Type	1971	1981	1991	2001
<i>Urban</i>				
1 Room	50.0	45.8	39.5	35.1
2 Rooms	26.9	27.8	30.4	29.5
3 Rooms	11.4	12.2	14.8	17.1
3+ Rooms	11.6	14.1	15.3	18.3
<i>Rural</i>				
1 Room	47.3	44.3	40.8	39.8
2 Rooms	28.5	28.9	30.6	30.2
3 Rooms	12.1	12.2	13.5	13.3
3+ Rooms	12.1	14.6	15.0	16.8
<i>Total</i>				
1 Room	47.8	44.7	40.5	38.5
2 Rooms	28.2	28.6	30.6	30.0
3 Rooms	12.0	12.2	13.8	14.4
3+ Rooms	12.0	14.4	15.1	17.2



### Appendix A 2.4 : Condition of Residential Housing Stock

Condition	Housing stock (million)			% to Total		
	Total	Residential	Non-residential	Total	Residential	Non-residential
<b>Urban</b>						
Total	52.01	50.22	1.79	100.0	100.0	100.0
Good	33.30	32.19	1.11	64.0	64.1	62.0
Liveable	16.82	16.20	0.62	32.3	32.3	34.6
Dilapidated	1.89	1.83	0.06	3.6	3.6	3.3
<b>Rural</b>						
Total	135.05	129.05	6.00	100.0	100.0	100.0
Good	60.62	58.10	2.52	44.9	45.0	42.2
Liveable	66.01	62.81	3.20	48.9	48.7	53.3
Dilapidated	8.41	8.14	0.27	6.2	6.3	4.5
<b>Total</b>						
Total	187.06	179.27	7.79	100.0	100.0	100.0
Good	93.93	90.29	3.63	50.2	50.4	46.6
Liveable	82.83	79.00	3.82	44.3	44.1	49.1
Dilapidated	10.30	9.97	0.33	5.5	5.6	4.2

Source: Census of India, 2001

### Appendix A 2.5 : Distribution of Housing by Exclusive Amenities

Amenities	1981	1991	2001
<b>Urban (Percentage)</b>			
Safe Drinking Water	74.1	81.6	90.6
Toilet Facilities	57.4	63.6	73.7
Electricity Connections	61.6	75.9	87.6
<b>Rural (Percentage)</b>			
Safe Drinking Water	26.3	55.9	80.5
Toilet Facilities	0.0	8.8	21.9
Electricity Connections	14.3	31.1	43.5
<b>Total (Percentage)</b>			
Safe Drinking Water	37.9	62.7	83.3
Toilet Facilities	0.0	23.5	36.4
Electricity Connections	25.7	43.0	55.8

### Appendix A 5.1 : Region-wise Classification of Outstanding Housing Loans by Scheduled Commercial Banks as on March 31

(Rs. in crore)

Region / State/UT	2002		2003		2004	
	No. of A/cs	Amount out-standing	No. of A/cs	Amount out-standing	No. of A/cs	Amount out-standing
<b>Northern Region</b>						
Haryana	42965	672.20	47339	1140.20	64996	1667.32
Himachal Pradesh	14863	198.79	17880	291.91	23647	467.91
Jammu & Kashmir	18367	218.46	19797	268.76	18574	357.58
Punjab	83064	1191.16	92254	1713.71	114359	2780.88
Rajasthan	83060	1342.50	87617	1768.72	121445	2765.81
Chandigarh	7147	160.46	7703	280.59	17115	1058.49
Delhi	42908	1720.92	52155	3383.53	100772	7125.70
<b>Region Total</b>	<b>292374</b>	<b>5504.49</b> (21.76)	<b>324745</b>	<b>8847.42</b> (60.73)	<b>460908</b>	<b>16223.69</b> (83.37)
<b>North-Eastern Region</b>						
Arunachal Pradesh	299	10.02	193	6.43	1046	26.50
Assam	18535	314.91	42811	703.51	37304	574.46
Manipur	1028	18.41	1255	26.54	1905	47.21
Meghalaya	1152	25.48	1226	29.95	3593	128.27
Mizoram	1618	34.18	2982	64.41	4010	105.30
Nagaland	344	5.63	379	6.40	541	12.06
Tripura	1841	26.52	2322	35.59	3259	54.62
<b>Region Total</b>	<b>24817</b>	<b>435.15</b> (35.81)	<b>51168</b>	<b>872.83</b> (101.00)	<b>51658</b>	<b>948.42</b> (8.66)
<b>Eastern Region</b>						
Bihar	37270	499.12	52919	708.78	61811	1162.35
Jharkhand	17184	270.40	20478	371.81	30545	531.44
Orissa	87950	1018.92	140319	1320.32	163344	2317.57
Sikkim	1260	25.20	1756	35.49	3258	72.98
West Bengal	118175	1889.65	135074	2714.59	170195	3743.09
Andaman & Nicobar Islands	308	7.46	335	9.09	611	22.77
<b>Region Total</b>	<b>262147</b>	<b>3710.75</b> (42.36)	<b>350881</b>	<b>5160.08</b> (39.06)	<b>429764</b>	<b>7850.20</b> (52.13)
<b>Central Region</b>						
Chhatisgarh	14534	235.48	29566	412.10	22658	511.70
Madhya Pradesh	81737	1131.74	114243	1610.60	112491	2411.68
Uttar Pradesh	123446	2012.95	153108	2848.90	204528	5180.53
Uttaranchal	16123	247.69	30911	437.12	25444	598.46
<b>Region Total</b>	<b>235840</b>	<b>3627.86</b> (32.74)	<b>327828</b>	<b>5308.72</b> (46.33)	<b>365121</b>	<b>8702.37</b> (63.93)
<b>Western Region</b>						
Goa	5781	109.30	10315	199.66	10487	291.23
Gujarat	100943	1298.33	98876	1663.45	139250	3026.58
Maharashtra	209787	5772.99	305979	8180.36	435090	16611.73
Dadra & Nagar Haveli	167	2.88	309	6.24	457	8.81
Daman & Diu	185	2.52	252	3.73	867	6.14
<b>Region Total</b>	<b>316863</b>	<b>7186.02</b> (27.56)	<b>415731</b>	<b>10053.44</b> (39.90)	<b>586151</b>	<b>19944.49</b> (98.38)



Region / State/UT	2002		2003		2004	
	No. of A/cs	Amount out-standing	No. of A/cs	Amount out-standing	No. of A/cs	Amount out-standing
Southern Region						
Andhra Pradesh	163476	2814.56	294235	4746.90	279997	7118.63
Karnataka	163726	3204.43	223695	5294.18	279465	9369.49
Kerala	173325	2473.00	195958	3402.46	270818	5559.10
Tamil Nadu	180539	3821.58	257529	5304.67	305928	9507.54
Lakshadweep	19	0.39	16	0.23	37	1.28
Pondicherry	3189	47.69	4295	75.98	5179	121.22
<i>Region Total</i>	<b>684274</b>	<b>12361.65</b> (28.79)	<b>975728</b>	<b>18824.42</b> (52.28)	<b>1141424</b>	<b>31677.26</b> (68.28)
<b>Total All India</b>	<b>1816315</b>	<b>32825.92</b> (29.17)	<b>2446081</b>	<b>49066.91</b> (49.48)	<b>3035026</b>	<b>85346.43</b> (73.94)

Source: Basic Statistical Returns, RBI (figures in parenthesis indicate percentage growth)

### Appendix A 5.2: Size-wise classification of Outstanding Housing Loans of Scheduled Commercial Banks as on March 31

(Rs. in crore)

Loan Slab	2002		2003		2004	
	No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount
<b>Rs.25,000 and Below</b>	244376	280.10	442944	555.62	240759	335.78
<b>Above Rs.25,000 and Upto Rs.2 Lakh</b>	1133744	10840.76	1316608	12874.06	1532541	16041.53
<b>Above Rs.2 Lakh and Upto Rs.5Lakh</b>	350284	10979.69	513798	15973.65	847832	25931.05
<b>Above Rs.5 Lakh and Upto Rs.10 Lakh</b>	67146	4305.70	127959	8242.24	292757	18902.20
<b>Above Rs. 10 Lakh and Upto Rs.25 Lakh</b>	16870	2197.86	36202	4624.93	104558	13902.80
<b>Above Rs. 25 Lakh and Upto Rs.50 Lakh</b>	2773	772.71	5466	1384.91	13783	4121.07
<b>Above Rs. 50 Lakh and Upto Rs.1Crore</b>	610	314.19	1414	605.42	2142	1236.84
<b>Above Rs. 1 Crore and Upto Rs. 4 Crore</b>	344	482.56	1163	630.34	462	686.62
<b>Above Rs. 4 Crore and Upto Rs. 6 Crore</b>	55	182.28	226	274.69	52	211.07
<b>Above Rs. 6 Crore and Upto Rs.10 Crore</b>	40	219.55	132	404.75	40	273.34
<b>Above Rs. 10 Crore and Upto Rs. 25 Crore</b>	37	496.48	111	844.39	44	644.34
<b>Above Rs. 25 Crore</b>	36	1754.04	58	2651.91	56	3059.79
<b>Total</b>	<b>1816315</b>	<b>32825.92</b>	<b>2446081</b>	<b>49066.91</b>	<b>3035026</b>	<b>85346.43</b>

Source: Basic Statistical Returns, RBI

### Appendix A 5.3 : Population-group and Bank-group wise classification of Outstanding Housing Loans of Scheduled Commercial Banks as on March 31

(Rs. in crore)

	2002		2003		2004	
	No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount
<b>RURAL</b>						
- SBI & Associates	76727	1079.28	234852	2388.75	123658	2768.65
-Nationalised Banks	137200	1480.97	146284	2123.52	216223	3354.73
-Foreign Banks	79	4.54	117	4.56	60	3.82
-RRBs	63566	430.77	75060	586.98	100012	849.48
-Other SCBs	14634	164.31	15177	282.96	27090	735.41
<b>TOTAL</b>	<b>292206</b>	<b>3159.87</b>	<b>471490</b>	<b>5386.77</b>	<b>467043</b>	<b>7712.09</b>
<b>SEMI-URBAN</b>						
- SBI & Associates	199183	3124.50	393938	4800.25	302897	5716.86
-Nationalised Banks	191234	2523.65	218241	3582.15	319244	5548.09
-Foreign Banks	0	0	0	0.00	0	0.00
-RRBs	42065	364.21	37151	419.37	51561	586.51
-Other SCBs	47815	681.86	45922	768.57	75564	1859.55
<b>TOTAL</b>	<b>480297</b>	<b>6694.22</b>	<b>695252</b>	<b>9570.34</b>	<b>749266</b>	<b>13711.01</b>
<b>URBAN</b>						
- SBI & Associates	213726	4105.66	320200	5810.74	322175	7491.53
-Nationalised Banks	290572	4840.53	339196	7217.38	466630	11040.50
-Foreign Banks	452	27.45	2085	110.17	1511	166.68
-RRBs	48762	313.67	34390	336.74	30980	445.99
-Other SCBs	35129	503.10	33934	689.61	99705	3928.35
<b>TOTAL</b>	<b>588641</b>	<b>9790.41</b>	<b>729805</b>	<b>14164.64</b>	<b>921001</b>	<b>23073.05</b>
<b>METROPOLITAN</b>						
- SBI & Associates	110507	2833.09	174095	4650.70	174714	5271.55
-Nationalised Banks	272989	6618.93	296487	9455.62	386122	14212.81
-Foreign Banks	38221	2886.44	49544	4120.71	61643	5535.26
-RRBs	1211	19.65	1537	21.92	2185	31.53
-Other SCBs	32243	823.31	27871	1696.21	273052	15799.14
<b>TOTAL</b>	<b>455171</b>	<b>13181.42</b>	<b>549534</b>	<b>19945.16</b>	<b>897716</b>	<b>40850.29</b>
<b>All-INDIA</b>						
- SBI & Associates	600143	11142.53	1123085	17650.44	923444	21248.59
-Nationalised Banks	891995	15464.08	1000208	22378.67	1388219	34156.14
-Foreign Banks	38752	2918.43	51746	4235.44	63214	5705.76
-RRBs	155604	1128.30	148138	1365.01	184738	1913.50
-Other SCBs	129821	2172.58	122904	3437.35	475411	22322.45
<b>TOTAL</b>	<b>1816315</b>	<b>32825.92</b>	<b>2446081</b>	<b>49066.91</b>	<b>3035026</b>	<b>85346.44</b>

Source: Basic Statistical Returns, RBI



### Appendix A 5.4 : Housing Loans Disbursed and Units Constructed by ACHFs \*

(Rs. crore)

State	2000-01		2001-02		2002-03		2003-04	
	Units constructed/ financed	Loans disbursed						
Andhra Pradesh	300	21.68	75	13.76	920	25.37	2078	23.43
Assam	0	0	2146	1.42	199	24.25	31	0.84
Bihar	2325	25.65	0	18.46	0	0	0	0
Chandigarh	0	0	4184	4.62	4500	0	0	1.66
Delhi	317	50.47	99	31.47	286	39.99	39	63.04
Goa	107	2.44	35	0.98	144	0.36	24	0.56
Gujarat	0	0	0	0	0	0	0	0
Harayana	143	3.32	0	0	50	0.19	377	2.24
Himachal Pradesh	42	1.09	38	0.85	24	1.43	28	0.14
Jammu & Kashmir	14	3.21	16	7.04	0	0	11	15.62
Karnataka	383	6.17	151	8.86	185	5.04	502	8.58
Kerala	9351	92.23	8239	70.61	9276	123.38	6478	116.27
Madhya Pradesh	0	0	294	21.08	0	0	0	0
Maharastra	331	1.98	444	3.21	1066	5.3	761	8.42
Manipur	0	0	0	0	0	0.04	0	0
Meghalaya	0	0	0	0	0	0	0	0
Orissa	812	2.44	132	1.29	102	5.08	7843	17.61
Pondicherry	74	3.51	83	7	494	11.36	768	20.16
Punjab	3729	58.21	5670	90.38	2800	74.09	0	115.03
Rajasthan	44	1.27	655	5.76	253	0	237	3.46
Tamil Nadu	36611	574.21	14905	351.25	11716	303.68	13293	216.31
Uttar Pradesh	687	17.6	602	37.13	466	21.92	75	1.43
West Bengal	98	2.24	109	2.41	0	0	614	8.28
<b>Total</b>	<b>55368</b>	<b>867.72</b>	<b>37877</b>	<b>677.58</b>	<b>32481</b>	<b>641.48</b>	<b>33165</b>	<b>623.08</b>

Source: National Co-operative Housing Federation of India

\* - Excluding Chattisgarh, Mizoram & Andaman & Nicobar.

Boxes with '0' information indicate information not available

**Appendix 5.5: Region-wise / State-wise Distribution of Cumulative Sanctions, Disbursements and Dwelling units Constructed / Under Construction as on 31/03/2004**

(Rs. crore)

Region/State	Sanctions	Disbursements	% to Total	Units Constructed
<b>Southern</b>				
Andhra Pradesh	282.94	276.32	3.2	54954
Karnataka	123.74	103.48	1.2	25551
Kerala	883.85	883.12	10.1	151433
Pondicherry	67.52	65.07	0.7	4767
Tamil Nadu	4202.48	4202.48	48.0	1208123
<b>Sub - total</b>	<b>5560.53</b>	<b>5530.47</b>	<b>63.1</b>	<b>1444828</b>
<b>Northern</b>				
Chandigarh	9	9	0.1	9000
Delhi	565.89	519.2	5.9	41555
Haryana	138.1	122.19	1.4	21208
Himachal Pradesh	18.01	16.06	0.2	1695
Jammu & Kashmir	70.39	69.63	0.8	1986
Punjab	718.55	703.71	8.0	96953
Rajasthan	53	44.28	0.5	31118
<b>Sub - total</b>	<b>1572.94</b>	<b>1484.07</b>	<b>16.9</b>	<b>203515</b>
<b>Eastern</b>				
Bihar	162.04	133.46	1.5	21896
Orissa	134.71	91.95	1.0	28962
West Bengal	90.63	75.4	0.9	17607
<b>Sub - total</b>	<b>387.38</b>	<b>300.81</b>	<b>3.4</b>	<b>68465</b>
<b>Western</b>				
Goa	62.69	54.76	0.6	4542
Gujarat	313.13	313.13	3.6	232836
Maharashtra	768.69	640.54	7.3	218329
<b>Sub - total</b>	<b>1144.51</b>	<b>1008.43</b>	<b>11.5</b>	<b>455707</b>
<b>Central</b>				
Madhya Pradesh	164.22	156.68	1.8	27765
Uttar Pradesh	267.95	224.96	2.6	27657
<b>Sub - total</b>	<b>432.17</b>	<b>381.64</b>	<b>4.4</b>	<b>55422</b>
<b>North-eastern</b>				
Assam	60.38	47.85	0.5	12619
Manipur	10.91	7.19	0.1	1545
Meghalaya	0.85	0.79	0.0	272
<b>Sub - total</b>	<b>72.14</b>	<b>55.83</b>	<b>0.6</b>	<b>14436</b>
<b>Total</b>	<b>9169.67</b>	<b>8761.25</b>	<b>100.0</b>	<b>2242373</b>

Source: National Co-operative Housing Federation of India



## Appendix A 5.6 : Institution-Wise Housing Finance Disbursements and Outstanding Loans

(Rs. In crore)

		31.03.2001	31.03.2002	31.03.2003	31.03.2004
<b>HFCs</b>	<b>o/s Hsg lonas</b>	33249.80	41843.65	49237.97	59111.44
	<i>growth rate</i>		25.85	17.67	20.05
	<b>Disbursement during the year</b>	12637.85	14614.44	17832.01	20862.23
	<i>growth rate</i>		15.64	22.02	16.99
<b>Banks</b>	<b>o/s Hsg lonas</b>	25412.42	32825.92	49066.91	85346.43
	<i>growth rate</i>		29.17	49.48	73.94
	<b>Disbursement during the year*</b>	5553.11	8566.41	23553.70	32816.39
	<i>growth rate</i>		54.26	174.95	39.33
<b>Co-op</b>	<b>o/s Hsg lonas</b>	6819.11	7496.69	8138.17	8761.25
	<i>growth rate</i>		9.94	8.56	7.66
	<b>Disbursement during the year*</b>	867.72	677.58	641.48	623.08
	<i>growth rate</i>		-21.91	-5.33	-2.87
<b>Total</b>	<b>o/s Hsg lonas [HFCs + Banks]</b>	65481.33	82166.26	106443.05	153219.12
	<i>growth rate</i>		25.48	29.55	43.94
	<b>Disbursement during the year* [HFCs + Banks]</b>	19058.68	23858.43	42027.19	54301.70
	<i>growth rate</i>		25.18	76.15	29.21
	<b>GDP (at current prices)</b>	1902998.00	2090957.00	2249493.00	2516900.00
	<b>o/s Hsg. Loans as % of GDP</b>	3.44	3.93	4.73	6.09

\*Direct Housing Finance only

O/S : Outstanding

## ABBREVIATIONS

<b>AB</b>	Andhra Bank	<b>Et</b>	Cumulative Expenditure on Residential Buildings
<b>ACHFs</b>	Apex Co-operative Housing Federations	<b>EIUS</b>	Environment Improvement for Urban Slums
<b>ADB</b>	Asian Development Bank	<b>GI</b>	Galvanised Iron
<b>BHFL</b>	Birla Home Finance Limited	<b>GDP</b>	Gross Domestic Product
<b>BIS</b>	Bureau of Indian Standards	<b>GFCF</b>	Gross Fixed Capital Formation
<b>BMTPC</b>	Building Materials & Technology Promotion Council	<b>GOI</b>	Government of India
<b>BOI</b>	Bank of India	<b>GIC</b>	General Insurance Corporation of India
<b>BSR</b>	Basic Statistics Returns	<b>GJRHFS</b>	Golden Jubilee Rural Housing Finance Scheme
<b>CBRI</b>	Central Building Research Institute	<b>HDAs</b>	Housing Development Agencies
<b>CFHL</b>	Can Fin Homes Limited	<b>HFCs</b>	Housing Finance Companies
<b>CMHC</b>	Canada Mortgage and Housing Corporation	<b>HFIs</b>	Housing Finance Institutions
<b>COR</b>	Certificate of Registration	<b>HHs</b>	Households
<b>Ct</b>	Number of Housing Completions	<b>Ha</b>	Hectare
<b>CPWD</b>	Central Public Works Department	<b>HDFC</b>	Housing Development Finance Corporation
<b>CSIR</b>	Council for Scientific and Industrial Research	<b>HUDCO</b>	Housing and Urban Development Corporation
<b>CuM</b>	Cubic Meter	<b>ICRM</b>	Internal Credit Rating Model
<b>DCCBs</b>	District Cooperative Central Banks	<b>IFC</b>	International Finance Corporation
<b>DHFL</b>	Diwan Housing Finance Corporation Limited	<b>IBRD</b>	International Bank for Reconstruction & Development
<b>DAs</b>	Development Authorities	<b>IAY</b>	Indira Awas Yojana
<b>DSAs</b>	Direct Selling Agents	<b>LIG</b>	Low Income Group
<b>DUs</b>	Dwelling Units	<b>LIC</b>	Life Insurance Corporation of India
<b>DRDAs</b>	District Rural Development Agency	<b>LICHF</b>	LIC Housing Finance Ltd.
<b>EWS</b>	Economically Weaker Sections		



<b>LTV</b>	Loan to Value	<b>RMBS</b>	Residential Mortgage Backed Securitization
<b>MCGC</b>	Mortgage Credit Guarantee Corporation	<b>RHS</b>	Residential Housing Stock
<b>MBS</b>	Mortgage Banking Securities	<b>RCC</b>	Reinforced Cement Concrete
<b>MoU</b>	Memorandum of Understanding	<b>RUC</b>	Rural Unit Cost
<b>MoRD</b>	Ministry of Rural Development	<b>RIDF</b>	Rural Infrastructure Development Fund
<b>MIS</b>	Management Information System	<b>RRBs</b>	Regional Rural Banks
<b>NHB</b>	National Housing Bank	<b>RBCs</b>	Rural Building Centres
<b>NRI</b>	Non Residents of India	<b>R&amp;D</b>	Research & Development
<b>NSSO</b>	National Sample Survey Organization	<b>Rs.</b>	Indian Rupees
<b>NHHP</b>	National Housing and Habitat Policy	<b>SBI</b>	State Bank of India
<b>NGOs</b>	Non-Government Organizations	<b>SCs</b>	Scheduled Castes
<b>NPAs</b>	Non-Performing Assets	<b>STs</b>	Scheduled Tribes
<b>NABARD</b>	National Agricultural and Rural Development Bank	<b>SCARDBs</b>	State Co-operative Agricultural Rural Development Banks
<b>NOF</b>	Net Owned Fund	<b>SPVs</b>	Special Purpose Vehicles
<b>NCHF</b>	National Co-operative Housing Federation of India	<b>STEM</b>	Centre for Symbiosis of Technology, Environment & Management
<b>NHP</b>	National Housing Policy	<b>Sq. m</b>	Square Meter
<b>OCBs</b>	Overseas Co-operative Banks	<b>Sq. km</b>	Square Kilometer
<b>PCBs</b>	Public Sector Banks	<b>SHBs</b>	State Housing Boards
<b>PCARDBs</b>	Primary Co-operative Agricultural Rural Development Banks	<b>UG</b>	United Guarantee
<b>PLIs</b>	Primary Lending Institutions	<b>UK</b>	United Kingdom
<b>PTCs</b>	Pass Through Certificates	<b>UN</b>	United Nations
<b>PRIs</b>	Panchayati Raj Institutions	<b>US</b>	United States
<b>PNB</b>	Punjab National Bank	<b>UUC</b>	Urban Unit Cost
<b>PNBHF</b>	PNB Housing Finance Ltd.	<b>UEPA</b>	Urban Employment & Poverty Alleviation
<b>PWD</b>	Public Works Department	<b>USAID</b>	United States Agency for International Development
<b>RBI</b>	Reserve Bank of India	<b>URIF</b>	Urban Reforms Incentive Fund
		<b>VAMBAY</b>	Valmiki Ambedkar Awas Yojana
		<b>VH</b>	Vacant Houses