राष्ट्रीय आवास बैंक
NATIONAL HOUSING BANK

भारत में आवास की प्रवृत्ति एवं प्रगति रिपोर्ट

REPORT ON TREND AND PROGRESS OF HOUSING IN INDIA 2015

Report on Trend and Progress of Housing in India 2015

राष्ट्रीय आवास बैंक
NATIONAL HOUSING BANK

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श्रीराम कल्याणरामन
प्रबन्ध निदेशक एवं मुख्य कार्यपालक अधिकारी

Sriram Kalyanaraman
Managing Director & Chief Executive Officer

राष्ट्रीय आवास बैंक
NATIONAL HOUSING BANK

Letter of Transmittal

NHB (ND) / MD&CEO / 8256 / 2016
September 19, 2016

The Finance Secretary
Government of India
Ministry of Finance
North Block
New Delhi - 110 001

Dear Sir,

In pursuance of the provision of Section 42 of the National Housing Bank Act, 1987, I have pleasure in transmitting herewith a copy of the Report on Trend and Progress of Housing in India 2015.

Yours faithfully,

(Sriram Kalyanaraman)

Encl: As above

भारतीय रिज़र्व बैंक के संपूर्ण स्वामित्व में

कोर 5–ए, इंडिया हैबिटेट सेंटर, लोधी रोड, नई दिल्ली–110003
दूरभाष (सी.) +91–11–2464 2722 (पीबीएक्स) +91–11–2464 9031–35 फैक्स : +91–11–2464 9030
ई–मेल : sriram.kalyanaraman@nhb.org.in

Wholly owned by Reserve Bank of India

Core 5-A, India Habitat Centre, Lodhi Road, New Delhi-110003
Phone : (D) +91-11-2464 2722 (PBX) +91-11-2464 9031-35 Fax : +91-11-2464 9030
e-mail : sriram.kalyanaraman@nhb.org.in

"बैंक हिन्दी में पत्राचार का स्वागत करता है"

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Chapter 1: Global Economy and Policy Environment

1.1 Global Economic Outlook

1.1.1 A decline in oil prices; fluctuations in currency values around the world owing to changes in the United States (US) monetary policy stand; and low inflation and weaker growth in the European Union (EU), Japan and China significantly influenced the global economy. This resulted in a much lower growth in 2014–15 than expected. Box 1.1 captures some of the salient features.

Box 1.1: Global Economy Outlook[1]

- *Global growth is expected to be 2.8 per cent in 2015, slightly lower than anticipated in January, but is likely to rise to 3.2 per cent in 2016–17. This is broadly in line with previous forecasts.*
- *Developing economies are facing two transitions this year, as growth slows further to 4.4 per cent. First, the widely expected tightening of monetary conditions in the US, along with monetary expansion by other major central banks, has contributed to broad-based appreciation in the US dollar; this is exerting downward pressure on capital flows to developing countries. Second, despite a pick-up in the first quarter of 2015, lower oil prices are having an increasingly pronounced impact. In oil-importing countries, the benefits to activity have so far been limited, although they are helping to reduce vulnerabilities. In oil-exporting countries, however, lower prices are sharply reducing activity and increasing fiscal, exchange rate or inflationary pressures.*
- *Divergences across major economies will narrow in 2015–16 as growth plateaus in the US and strengthens in the EU and Japan. Lower oil prices will support consumer spending and hold inflation at record lows in the short term, but these effects will wane by 2016. Activity in China will continue to decelerate modestly in line with expectations, with the slowdown buffered by scaled-up monetary and fiscal accommodation.*
- *Growth in BRICS (except China) is soft and has increasingly diverged. Falling oil prices and geopolitical sanctions have been accompanied by a steep slowdown in 2014 and are expected to result in a contraction in the Russian Federation in 2015. Fragile confidence, increases in administered prices, and low commodity prices are expected to contribute to a recession in Brazil in 2015 with a modest recovery in 2016–17. In contrast, growth is gradually resuming in South Africa, but is held back by energy shortages, weak investor sentiment amid policy uncertainty, and the anticipated tightening of monetary and fiscal policies. In India, activity is buoyed by stronger confidence as a reform-minded Government implements its agenda and lower oil prices help contain vulnerabilities.*

1.1.2 Growth in advanced economies is projected to increase from 1.8 per cent in 2014 to 2.1 per cent in 2015 and 2.4 per cent in 2016. The unexpected weakness in North America, which accounts for the lion's share of the growth forecast revision in advanced economies, is likely to prove a temporary setback. The underlying drivers for acceleration in consumption and investment in the US—wage growth, labour market conditions, easy financial conditions, lower fuel prices, and a strengthening housing market—remain intact. The economic recovery in the EU seems broadly on track, with a generally robust recovery in domestic demand and inflation beginning to increase. Growth projections have been revised upward for many EU economies but, in Greece, recent developments are likely to take a much heavier toll on activity relative to earlier expectations. In Japan, growth in the first quarter of 2015 was stronger than expected, supported by a pick-up in capital investment. However, consumption remains sluggish and more than half of the quarterly

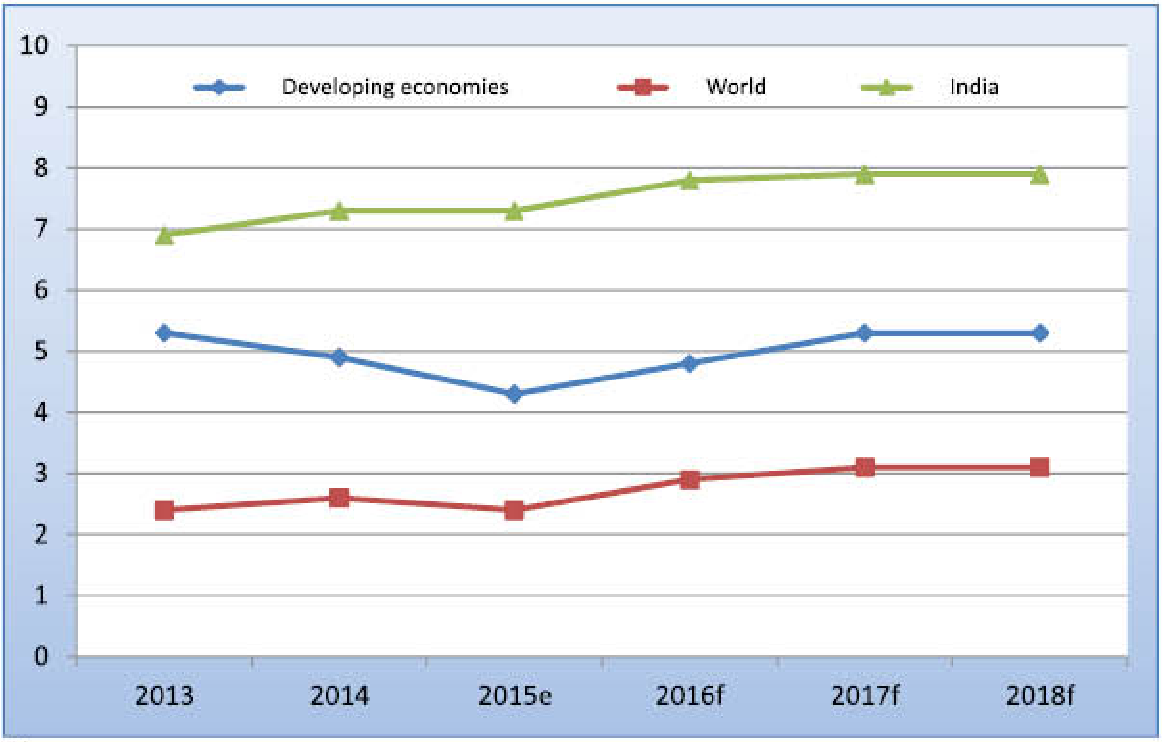
[1]*Global Economic Prospects, World Bank, June 2015*

growth stemmed from changes in inventories. With weaker underlying momentum in real wages and consumption, the pick-up in growth in 2015 is now projected to be more modest.

1.1.3 Growth in emerging market and developing economies is projected to slow down from 4.6 per cent in 2014 to 4.2 per cent in 2015, broadly as expected. The slowdown reflects the dampening impact of lower commodity prices and tighter external financial conditions (particularly in Latin America and oil exporting countries); the rebalancing in China; and the structural bottlenecks, as well as economic distress, related to geopolitical factors involving the Commonwealth of Independent States and some countries in the Middle East and North Africa. In 2016, growth in emerging markets and developing economies is expected to grow up to 4.7 per cent, largely on account of the projected improvement in economic conditions in a number of distressed economies, including Russia and some economies in the Middle East and North Africa.

1.1.4 The projected pick up in global growth, while still expected, has not yet firmly materialised. Raising actual and potential output through a combination of demand support and structural reforms continues to be the economic policy's priority. In advanced economies, an accommodative monetary policy should continue to support economic activity and lift inflation back to target. In a number of countries with fiscal space, the near-term fiscal stand should be eased, especially through increased infrastructure investment. In economies with high public debt, the pace of fiscal consolidation needs to strike an appropriate balance between debt reduction and imposing a drag on economic activity. Efforts at implementing structural reforms remain urgent across advanced economies, both to tackle crisis legacies and to raise potential output. In emerging markets and developing economies, the macroeconomic policy space to support demand is generally more limited but it should be used to the extent possible. In many of these economies, demand support should come from fiscal policy rebalancing aimed at boosting longer-run growth, through tax reform and spending reprioritisation. In oil importers, lower oil prices have reduced price pressures and external vulnerabilities, which will ease the burden on the monetary policy. Also, public spending should be adjusted to lower oil revenue where there is no fiscal space. Exchange rate depreciation can help to offset the demand impact of oil-related terms-of-trade losses in countries with flexible exchange rate regimes. Structural reforms to raise productivity and remove bottlenecks to production are urgently needed in many economies.

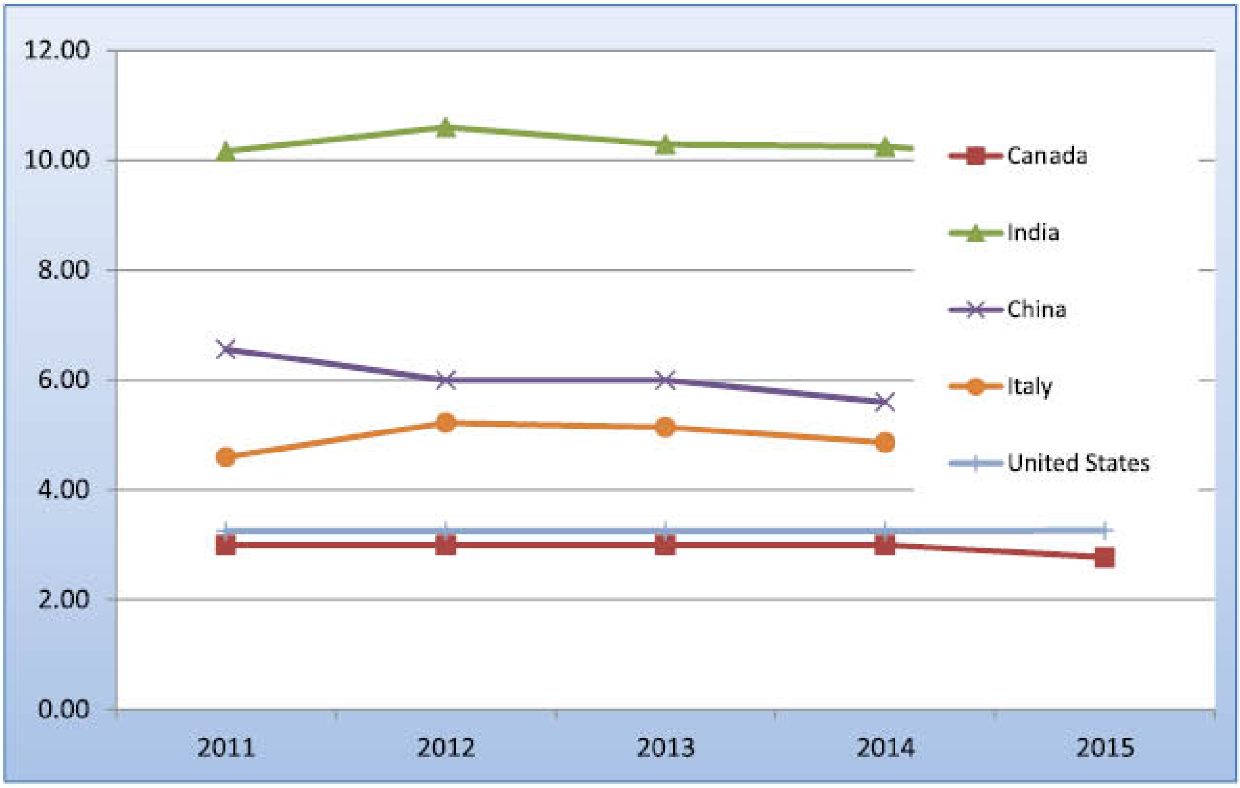
Graph 1.1: Trend and Future Projections of Real GDP Growth (%) (India and Developing Economies and the World)[2]



[2] *The World Bank*

1.1.5 Rising interest rates make for a more difficult borrowing environment. This has the potential to slow the sale of homes, which impacts banks and hurts homebuilders. The lending rate in India has stayed fairly constant during the last five years, as has been the case with other world economies.

Graph 1.2: Trend of Lending Interest Rate (%) Across the World's Regions and India[3]



1.2 Global Housing Finance Scenario

1.2.1 Globally, more people live in urban areas than in rural areas. In 2007, for the first time in history, the global urban population exceeded the global rural population; the world's population has remained predominantly urban thereafter. The process of global urbanisation has proceeded rapidly over the past six decades. In 1950, more than two-thirds (70 per cent) of people worldwide lived in rural settlements and less than one-third (30 per cent) in urban settlements. In 2014, 54 per cent of the world's population was urban. Global urbanisation is expected to continue, so that by 2050, the world will be one-third rural (34 per cent) and two-third urban (66 per cent), roughly the reverse of the global rural-urban population distribution of the mid-20th century.

1.2.2 By 2030, around 40 per cent of the world's population, that is, around three billion people, will require basic urban infrastructure, including housing and other services. The world's population is growing and moving into urban areas rapidly. This puts a double strain on existing housing resources. Some countries are unable to keep up with the demand, resulting in burgeoning areas of informal housing, overcrowding and slums. Housing is an important component of investment and, in many countries, the largest component of wealth. Housing booms and busts are often detrimental to the financial stability of an economy. Housing plays a key socio-economic role and represents the main wealth of the poor in most developing countries.

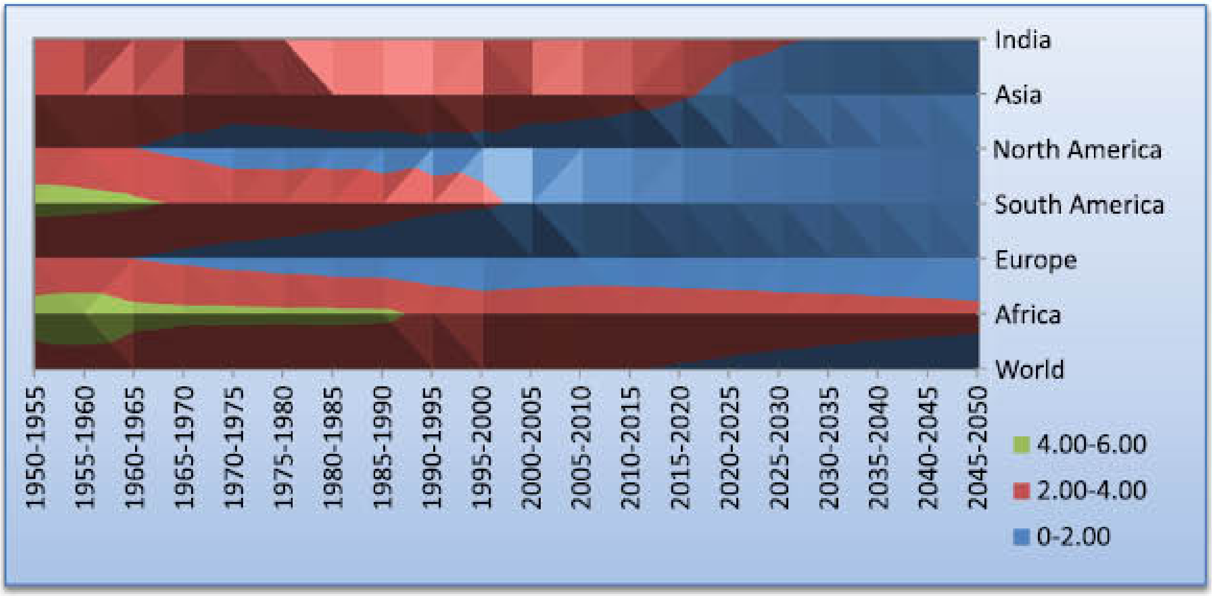
[3] *United Nations, Department of Economic and Social Affairs, Population Division (2014). World Urbanisation Prospects: The 2014 Revision*

Table 1.1: Average annual growth rate of urban population for World's major regions and India, 2000 - 2050[4] (%)

Period	World	Africa	Europe	South America	North America	Asia	India
2000-05	2.27	3.42	0.34	1.71	1.15	3.05	2.67
2005-10	2.20	3.55	0.46	1.43	1.15	2.79	2.47
2010-15	2.05	3.55	0.33	1.32	1.04	2.50	2.38
2015-20	1.84	3.42	0.29	1.16	1.00	2.10	2.28
2020-25	1.63	3.27	0.23	1.01	0.95	1.74	2.20
2025-30	1.44	3.12	0.19	0.86	0.88	1.44	2.08
2030-35	1.29	2.97	0.17	0.72	0.79	1.18	1.94
2035-40	1.16	2.83	0.14	0.59	0.71	0.97	1.76
2040-45	1.07	2.70	0.11	0.47	0.65	0.84	1.58
2045-50	1.00	2.56	0.07	0.36	0.62	0.72	1.41

1.2.3 Over the coming decades, the level of urbanisation is expected to increase in all regions, with Africa and Asia urbanising faster than the rest. In 2014, the proportion of urban population in Asia and Africa was increasing at rates of 1.5 per cent and 1.1 per cent per annum, respectively. Just a few countries are home to half of the world's urban population. In 2014, China had the largest urban population, with 758 million urban dwellers, accounting for 20 per cent of the global total. China was followed by India, with 410 million urban dwellers and the US, with 263 million urban dwellers. These three countries, together with Brazil, Indonesia, Japan and the Russian Federation, accounted for just over half of the global urban population. The addition of another 13 countries cumulatively accounted for 70 per cent of the global urban population in 2014.

Graph 1.3: Trend of Annual Growth Rate of Urban Population across the World's Regions and India, 1950–2050[5] (%)



1.2.4 Housing Loan Penetration is the percentage of adult population with an outstanding loan to purchase a home. In 2014, 26 per cent of adults in high-income economies reported having outstanding formal housing financing from a bank or another type of financial institution. In contrast, the share was less than 10 per

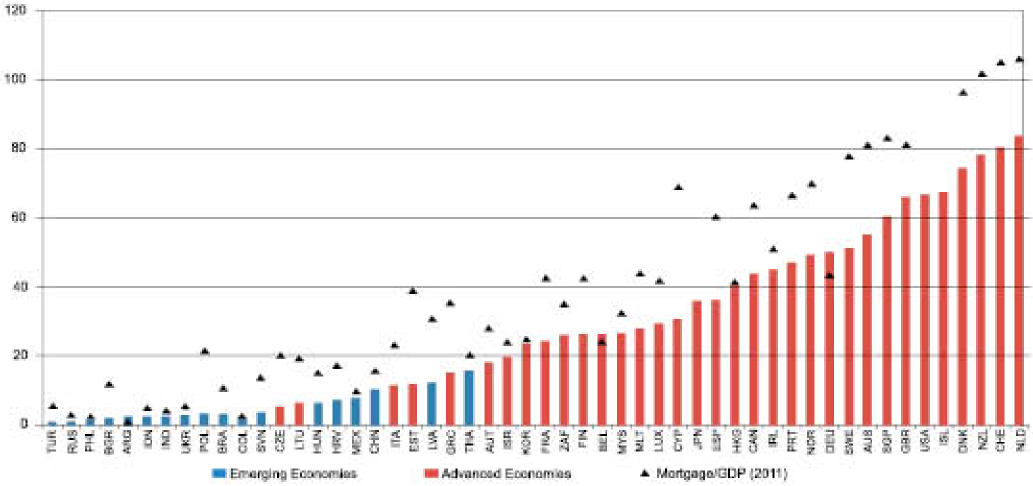
[4] United Nations, Department of Economic and Social Affairs, Population Division (2014). *World Urbanisation Prospects: The 2014 Revision*

[5] United Nations, Department of Economic and Social Affairs, Population Division (2014). *World Urbanisation Prospects: The 2014 Revision*

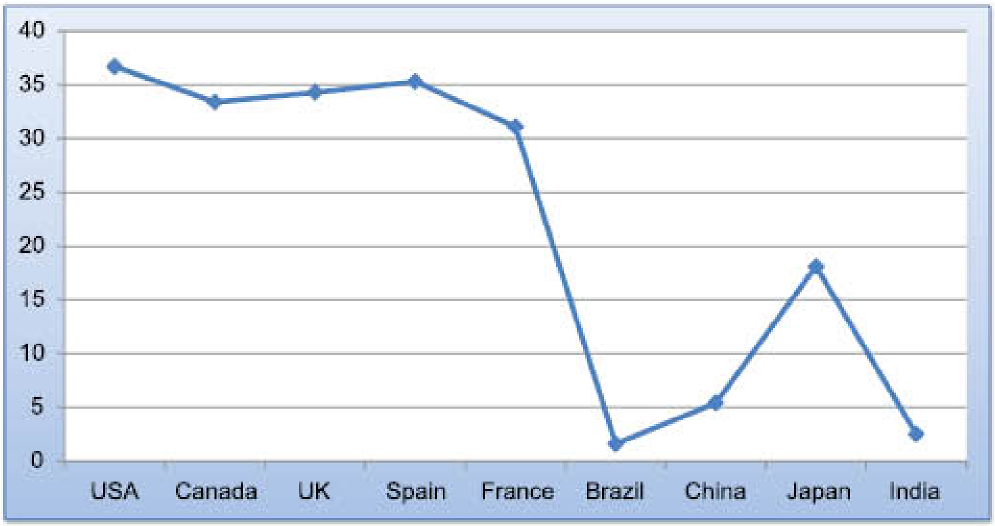
cent in all developing regions. Such differences may, in part, reflect differences in housing finance systems across economies. This includes differences in types of lenders, housing finance funding, and the degree of Government participation, all of which have been shown to affect the availability of loans to individuals. The world's housing markets continue to surge; the boom now includes Europe, North America and some parts of Asia.

1.2.5 An International Monetary Fund (IMF) Staff Discussion Note, June 2015, on Housing Finance and Real-estate Booms: A Cross-country Perspective stated that the size of mortgage markets, in terms of GDP, differs sharply across countries, ranging from below 1 per cent in Russia and Turkey to about 80 per cent in the Netherlands, New Zealand and Switzerland (based on 2001–05 averages). Also, while the crisis led to some degree of deleveraging, in most countries, mortgage-to-GDP ratios as of 2011 remained above their average for 2001–05.

Graph 1.4: The cross-section of outstanding mortgage debt/GDP, 2001-05 Average[6] (%)



Graph 1.5: Housing Loan (%) Compared to Total Loan Portfolio Across the World's Regions and India, 2015[7]



1.2.6 Housing plays a key role, since mortgage markets are important in the transmission of monetary policy. Adequate housing can also facilitate labour mobility within an economy and help economies adjust to adverse

[6] *IMF Staff Discussion Note, June 2015, on 'Housing Finance and Real-estate Booms: A Cross-country Perspective'*

[7] *Global Financial Inclusion (FINDEX) Database, 2014*

shocks. In short, a well-functioning housing sector is critical to the overall health of the economy and, as economies develop, we expect a corresponding deepening and growth of housing markets. The bursting of the real-estate bubble in the US reminded people of the collateral damage that can be triggered by housing collapses. Indeed, all through history, housing booms and busts have quite often been detrimental to both financial stability and the real economy. Many major episodes of banking distress have been associated with boom-bust cycles in property prices. IMF research shows that of the nearly 50 systemic banking crises in recent decades, more than two-thirds were preceded by boom-bust patterns in house prices. The cost of resolving housing crises can be very high—in the case of Ireland, for instance, Government bailouts of banks from the housing collapse ate up 40 per cent of the country's GDP. In contrast to housing cycles, boom-bust cycles in stock prices are much less likely to trigger systemic banking crises. Even when housing busts do not have a large financial stability impact, they can affect the real economy. Research shows that recessions in OECD countries are more likely, given a house price bust. Such recessions also tend to be much deeper and generate more unemployment than normal ones. In short, there is abundant evidence that housing cycles can be a threat to financial and macroeconomic stability. Hence it is crucial to keep an eye on current housing market developments to keep them from going through another boom-bust cycle. Theory asserts that house prices, rents and incomes should move in tandem over the long run. If house prices and rents get way out of line, people would switch between buying and renting, eventually bringing the two in alignment. Similarly, in the long run, the price of houses cannot stray too far from people's ability to afford them—that is, from their income. The ratios of house prices to rents and incomes can thus provide an initial check on whether house prices are out of line with economic fundamentals.

Chapter 2 : Indian Economy and Policy Environment

2.1 Indian Economic Outlook

2.1.1 The Indian economy has weathered many challenges successfully in recent times and is currently placed on a cyclical upturn, on the back of strong policies and a whiff of new optimism. Recent reforms and policies announced by the Government of India and the Reserve Bank of India (RBI) have shown positive signs in the revival of the economy. Growth is back, with its desirable concomitants of mild inflation and manageable current account balance with a stable rupee and rising foreign exchange reserves, signalling improvements in macroeconomic stability. The growth rate of the economy, measured by the growth in GDP at constant (2011-12) market prices, improved from 5.1 per cent in 2012-13 to 6.9 per cent in 2013-14 and is projected to clock 7.4 per cent in 2014-15, according to the Advance Estimates released by the Central Statistics Office. India is one of the very few countries for which the IMF and the World Bank have raised their growth assessment.

2.1.2 An innovative initiative, the Pradhan Mantri Jan Dhan Yojana combined the opening of bank accounts with facilities of credit and insurance to those who stood excluded from the ambit of financial services so far. The Direct Benefit Transfer, linked to Aadhaar, has progressed well with greater efficiency in the delivery of subsidies. The much-awaited Goods and Services Tax (GST) Constitutional Amendment Bill was introduced in Parliament and, in order to build trust between the Union and the States, the first tranche of Central Sales Tax (CST) compensation to be given during the current financial year has been announced.

2.1.3 There has been a durable decline in inflation, both wholesale and consumer prices, in recent months. The steep decline of international crude oil prices, combined with the tight monetary policy of the RBI and the Government's commitment towards fiscal prudence may have helped the decline in inflation. The current scenario of price stability and related expectations seems to have convinced the RBI, focused on a glide disinflationary path, on gradual monetary easing to support growth. The year also witnessed lower volatility in the foreign exchange market with the rupee remaining relatively stable during 2014-15, as compared to 2013-14. The rupee, which breached the level of ₹ 68 a dollar in August 2013, stabilised around an average of ₹ 60.97 per dollar in 2014 (January-December). The current account deficit remained at 1.9 per cent of GDP in the first half of 2014-15. The net capital inflows increased to US$36.0 billion in April-September 2014-15 from US$16.3 billion in the corresponding period of 2013-14.

Box 2.1: Economic Survey 2014 – 15 Highlights[8]

- *GDP growth expected to be seen at 8.1–8.5 per cent in 2015–16.*
- *Double-digit growth trajectory with 8–10 per cent GDP in the coming years.*
- *Inflation shows declining trend from 8.3 per cent in April 2014 to 5.0 per cent in December 2014.*
- *Wholesale Price Index (WPI) inflation expected to moderate by end 2015.*
- *Consumer Price Index (CPI) inflation showing signs of moderation.*
- *Lower inflation opens up space for more monetary easing.*
- *Current Account Deficit (CAD) to decline to about 1 per cent in 2015–16.*
- *Abolition of Wealth Tax.*
- *Additional 2 per cent surcharge for the super-rich with an income of over one crore rupees.*
- *Rate of corporate tax to be reduced to 25 per cent over the next four years.*
- *Implementation of Goods and Services Tax (GST) to boost growth of GDP and exports.*
- *In the short run, growth will receive a boost from the cumulative impact of reforms, lower oil prices, likely easing of monetary policy facilitated by lower inflation and improved inflationary expectations, and the forecast of a normal monsoon in 2015–16.*
- *India can balance the short-term imperative of boosting public investment to revitalise growth with the need to maintain fiscal discipline.*
- *The JAM Number Trinity (Jan Dhan Yojana, Aadhaar and Mobile Numbers) can enable the State to transfer financial resources to the poor in a progressive manner without leakages and with minimal distorting effects.*

2.1.4 Liquidity conditions have remained broadly balanced during 2014–15. Taking into account the high volatility in the call market during July–August 2014 and in order to ensure flexibility and transparency in liquidity management operations, the RBI revised its liquidity management framework that came into effect from September 5, 2014 onwards. The implementation of revised liquidity management framework helped in reducing volatility in the overnight interbank segment and anchoring the call rate near the policy repo rate better. The revised liquidity management framework helped the weighted average cut-off rates in the 14-day term repo auctions as well as in the overnight variable rate repo auctions to remain close to the repo rate. The volatility of the weighted average call rate declined. The RBI kept the policy rates unchanged during this financial year till January 2015. In view of the continuing easing of inflationary pressures, on January 15, 2015, the RBI reduced the policy repo rate under the liquidity adjustment facility from 8.0 per cent to 7.75 per cent. In the latest bi-monthly policy statement announced by RBI on February 3, 2015, the policy repo rate under the liquidity adjustment facility (LAF) has been kept unchanged at 7.75 per cent; the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL). However, the RBI reduced the statutory liquidity ratio (SLR) of scheduled commercial banks by 50 basis points from 22.0 per cent to 21.5 per cent of their NDTL with effect from the fortnight beginning February 7, 2015. It replaced the export credit refinance facility with the provision of system level liquidity with immediate effect as well.

2.2 Housing and Its Impact on the Indian Economy

2.2.1 *Roti, kapada aur makan* (food, clothing and housing) are the basic needs of mankind. A house is not just an asset but also a durable consumption good for households, providing shelter and other services. From the individual perspective, higher home ownership rates are directly linked to improved social benefits such as good health and education, and more wealth, which leads to higher levels of life satisfaction and social recognition. Deeper and more inclusive mortgage markets are correlated with higher home ownership and increased positive welfare effects. From an economic sense for individual and country, home ownership is also associated with improved household savings and long-term investment opportunities. Monthly housing loan repayments often involve long-term commitments from households, especially the younger ones, and

[8] *Government of India, Ministry of Finance*

leads to a higher level of savings, capital formation and employment opportunities. On the other hand, labour migration can also be contained, since the higher home ownership is associated with lesser labour mobility and reduced urban slum formation. Hence, policies and schemes that increase home ownership through tax incentives and/or subsidies should be carefully carved on country-specific requirements and its long-term socio-economic benefits.

2.2.2 Recognising the importance of housing in the country as a basic human need, it has been one of the incentives to promote housing on both, the demand and supply sides. Housing shortage would not be a major problem if there is no mismatch between the people for whom the houses are being built and those who need them. Indeed, if the newly-built houses were available to the houseless, squatters, slum dwellers and those living in extremely congested conditions, the shortage would be small. The rapid increase in the number of vacant houses, the fierce competition among the private builders and aggressive advertisements to woo the prospective buyers, clearly underline the mismatch. Addressing the problem of this mismatch between suppliers of housing and those needing them and bringing down the housing shortage, if not completely eliminating it, is a major challenge and requires determining the quantum of housing shortage. The paradox is that urban India has both a high housing shortage and a massive and rapidly-growing stock of vacant houses. The policies and programmes for dealing with housing shortage, therefore, cannot focus on promoting the construction of new units and facilitating the households already residing in decent units. It should be ensured that the design, costing and institutional arrangements for producing the dwelling units are such that the people in housing poverty get to access the existing and new housing stock.

2.2.3 The urbanisation trend will have a fundamental impact on the politics, economics and social situation of the country. In many cases, expansion in Indian cities happens through a process of peripheral expansion, with smaller municipalities and large villages surrounding the core city becoming part of the large metropolitan area. The number of metropolitan cities with a population of one million and above has increased from 35 in 2001 to 50 in 2011 and is expected to increase further to 87 by 2031. Critical issues in urbanisation include a lack of basic infrastructure such as roads, sanitation and drinking water systems, transport, affordable housing, slums and squatters, internal migration and inclusive cities. As per the House Listing and Housing Census 2011, the census houses increased from 25 crore to 33 crore. There is an increase of six crore census houses for residential and partly residential purposes. The data indicate that the housing gap has reduced. There is an improvement in the construction material used for the roof, wall and floor. Thus there is a substantial improvement in the quality of housing both in rural and urban areas.

2.2.4 The biggest problem that stares policy-makers and society in the face is how to bridge the shortage of housing units in the country that completely eliminates homelessness and the unconscionably inadequate habitats where several million Below Poverty Line (BPL)/Economically Weaker Section (EWS)/Lower Income Group (LIG) families still reside. While the principal barrier in achieving this objective is the absolute poverty of the homeless, there are other problems also that need to be overcome if one is to achieve universal housing within a reasonable time period. Some of the unfinished agenda in the Indian housing sector, which can help in solving the problem, include:

- Making available developed land at a reasonable cost for housing to become affordable. While more than 30 per cent of the country's population lives in urban areas, urban land constitutes only about 2.5 per cent of the total land mass; this puts considerable pressure on land and infrastructure on account of congestion.

- Developing transparent and efficient processes for statutory clearances and building permits, so that houses can be built faster and cheaper by reducing delays in clearances and approvals from multiple authorities.

- Ensuring Housing and Habitat, Industrial and other related Policies, Master Plans as well as Zonal Plans and Local Area Plans are in tandem with each other and updated regularly, within the overall focus and objective.

- Setting up a regulator for the real estate and housing sectors in India is necessary to improve transparency in the sector and to ensure that the construction agencies follow fair practices in their transactions with home buyers.

- Reducing the cost of housing finance, at least on loans meant for affordable and low-cost housing through providing access to long-term sources of funding at a reasonable cost.
- Making an environment for the development of the organised rental housing market from the present patchy and unorganised rental housing market, through suitable incentives and policy measures.
- Encouraging skill development programmes to meet the shortage of supervisory, as also other manpower needs of the construction industry, since it employs about 31 million people, second only to the agriculture sector.
- Developing cost-effective and environment-friendly alternative building materials and technology, which are energy-efficient, environment–friendly and scalable for mass scale production as per the local requirements.
- Propagating the necessity and use of faster, durable and safer new housing construction technologies, such as prefabrication technology or ready-made building components in place of traditional constructions. This would effectively meet the large housing demands.

2.2.5 Housing is not restricted to the construction of a roof on four walls but involves a space wherein a life with dignity and hope for the future can be pursued. When the focus moves from "access to shelter" to "access to habitat", implying access to civic infrastructure as well as livelihood and community infrastructure such as health centres, parks and so on, an opportunity is created for unleashing the human potential of poor families to pursue a life of quality and dignity. There have been efforts to include the provision of basic services such as sanitation and electricity in addition to assistance for housing. Nonetheless a holistic approach has largely been missing.

2.2.6 The Hon'ble President of India, in his address to the Joint Session of Parliament on June 9, 2014, had announced that, "By the time the Nation completes 75 years of its Independence, every family will have a pucca house with water connection, toilet facilities, 24x7 electricity supply and access." The Hon'ble Prime Minister of India has envisioned Housing for All by 2022 when the Nation completes 75 years of its Independence. In order to achieve this objective, the Central Government has launched a comprehensive Mission, "Housing for All by 2022", with the objective of holistic development. The Housing for All (Urban) Mission has been launched in compliance with this objective of the Government and with the approval of competent authority. The Mission seeks to address the housing requirement of the urban poor, including slum dwellers, through the following programme verticals:

- Slum rehabilitation of slum dwellers with the participation of private developers using land as a resource.
- Promotion of affordable housing for the weaker section through credit-linked subsidy.
- Affordable housing in partnership with the public and private sectors.
- Subsidy for beneficiary-led individual house construction.

Box 2.2: Announcements Made in the Union Budget 2015–16 on Housing[9]

- *Housing for All: Completion of two crore houses in urban areas and four crore houses in rural areas by 2022.*
- *Creation of the National Investment and Infrastructure Fund (NIIF).*
- *Rationalisation of capital gains applicable on sponsors exiting at the time of the listing of the units of the Real Estate Investment Trusts (REITs) and pass through the taxation structure for the rental income earned by the REITs from their own assets.*
- *Tax pass-through to both Category I and Category II Alternative Investment Funds (AIFs).*
- *Introduction of the Benami Transactions (Prohibition) Bill to curb domestic black money in real estate. Sections 269SS and 269T of the Income Tax Act to be suitably amended to prohibit the acceptance or repayment of advance in cash of ₹20,000 or more for any transaction related to immovable property.*
- *Rising of consolidated service tax from 12.36 per cent to 14 per cent.*
- *Comprehensive Bankruptcy Code to be introduced in fiscal 2015–16.*

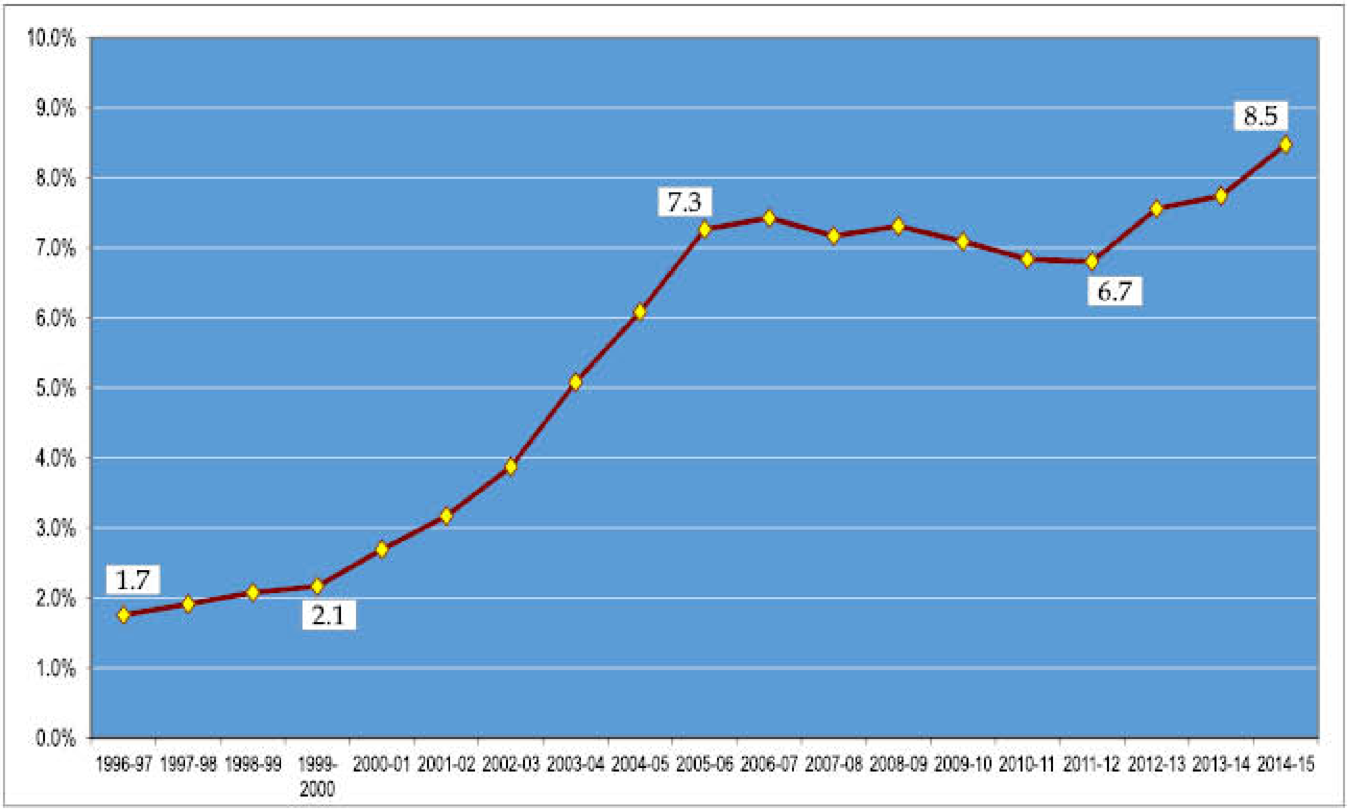
[9] *Key Features of Budget 2015–16 (www.indiabudget.nic.in)*

2.3 Housing Finance in India

2.3.1 The Indian housing finance industry has rapidly evolved over the past three decades, riding the roller-coaster of India's economic growth and social transformation, each being impacted by international and domestic developments. Housing finance has been in transition from a highly-regulated system to a more efficient market-oriented system. It is a low-risk and fast-growing business and has maintained a sustainable and healthy double-digit annual growth for over a decade. Traditionally, the Indian housing finance market has been largely catered to by banks and housing finance companies. Both players complement and grow each other because of their own inherent strengths and weaknesses. Together, they play a significant role in our housing finance system that promotes competition, market efficiency and consumer choice with improved terms and conditions in obtaining housing finance. This transition in the housing finance system has made it much easier for consumers to get access to housing loans from institutional mechanisms and to purchase homes; they have more choices as well. However, the twin problems of affordability and accessibility that impede the progress of housing in India need to be addressed on a sustainable basis. Providing affordable housing and housing finance solutions is a major policy concern.

2.3.2 Trend of outstanding housing loans of banks and Housing Finance Companies (HFCs) to GDP has shown a YoY growth rate of about 0.5 per cent for the last three years.

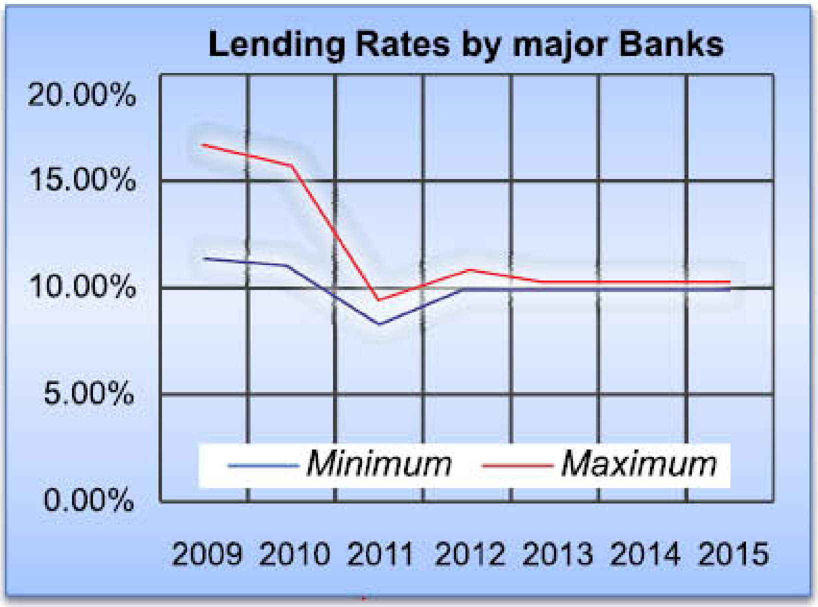
Graph 2.1: Trend of Outstanding Housing Loan of Banks and the Housing Finance Companies to GDP at Market Prices[10] (%)

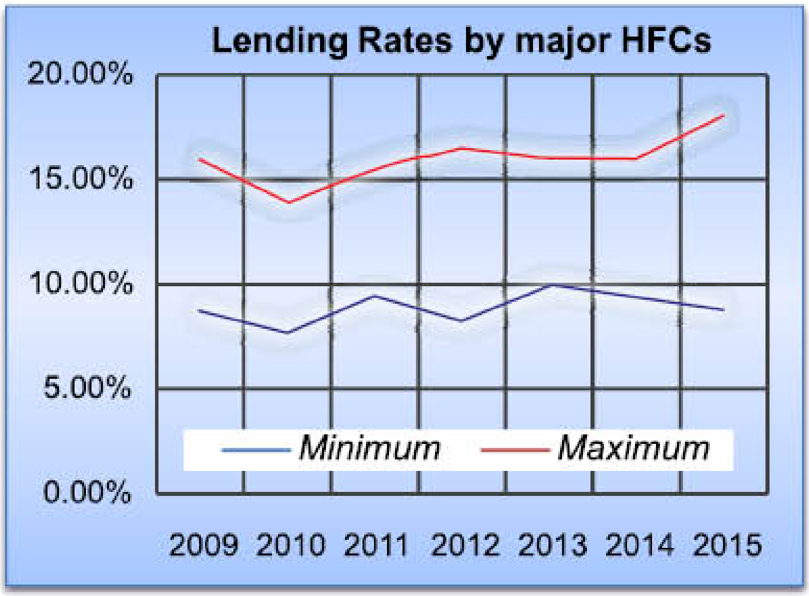


[10]*Compiled data from the Reserve Bank of India and the National Housing Bank*

2.3.3 The minimum and maximum lending rate of major banks has shown that they were converging in the recent years owing to the applicability of the base rate concept.

Graph 2.2: Structure of Lending Interest Rates of the Major Banks and the HFCs[11] (%)





[11] *Compiled data from the Reserve Bank of India and the National Housing Bank*

Chapter 3: Housing in India

3.1 Urban Housing Initiatives by the Central Government

3.1.1 Housing for All Mission by 2022[12]

The Pradhan Mantri Awas Yojana (PMAY)—Housing for All (Urban) Mission will be implemented during 2015-22. It will give Central assistance to implementing agencies through States and UTs for providing houses to all eligible families/beneficiaries falling under the EWS/LIG categories, who do not own a pucca house anywhere in India, by 2022. The Mission will be implemented through four verticals that give options to the beneficiaries, urban local bodies (ULBs) and State Governments as a Centrally Sponsored Scheme (CSS). This does not, however, include the credit-linked subsidy, which will be implemented as a Central Sector Scheme. The Guidelines for these were released by the Hon'ble Prime Minister on June 25, 2015. All statutory towns as per Census 2011 and towns notified subsequently would be eligible for coverage under the Mission. While the Centrally Sponsored Schemes cover the cities in a phased manner, the Central Sector Scheme covers the entire urban area, consisting of 4,041 statutory towns as per Census 2011.

3.1.2 Rajiv Awas Yojana (RAY)

RAY foresaw a "Slum Free India" with inclusive and equitable cities in which every citizen has access to basic civic infrastructure and social amenities and decent shelter. RAY was a Centrally Sponsored Scheme, which ran from 2013 to 2014. The Scheme aimed to make India slum-free by 2022 by providing people with shelter or housing. It began with a pilot project, before launching in Mission mode. The Government earmarked ₹322.30 billion (US$4.8 billion) for its implementation during India's 12th Five Year Plan. One million beneficiaries were proposed to be covered under this Scheme.

3.1.3 National Urban Livelihoods Mission (NULM)[13]

NULM will focus on organising the urban poor in their strong grassroots-level institutions, creating opportunities for skill development leading to market-based employment, and helping them to set up self-employment ventures by ensuring easy access to credit. The Mission is aimed at providing shelter equipped with essential services to the urban homeless in a phased manner under the Scheme of Shelter for Urban Homeless (SUH).

The objectives of the SUH component of the NULM scheme are to:

- Ensure availability and access of the urban homeless population to permanent shelters, including basic infrastructure facilities such as water supply, sanitation, safety and security.
- Cater to the needs of the especially vulnerable segments of the urban homeless such as dependent children, the aged, disabled, mentally ill and recovering gravely ill, by creating special sections within homeless shelters and provisioning special service linkages for them.
- Provide access to various entitlements—social security pensions, Public Distribution System (PDS), Integrated Child Development Services (ICDS), identity, financial inclusion, education, affordable housing and more—for the homeless.

[12] *Ministry of Housing and Urban Poverty Alleviation, PMAY – Guidelines*

[13] *Ministry of Housing and Urban Poverty Alleviation, DAY-NULM – Guidelines*

- Formulate structures and a framework of engagement for the development, management and monitoring of shelters, ensuring basic services to homeless persons, by State and civil society organisations, including homeless collectives.

3.1.4 Credit Risk Guarantee Fund Scheme for Low Income Housing (CRGFS)[14]

Under this scheme, the Credit Risk Guarantee Fund Trust (CRGFT) will provide credit risk guarantee to the lending institutions against their housing loans of up to ₹5 lakh. This will be granted to the borrowers in the EWS/LIG categories in urban areas without requiring any collateral security and/or third party guarantee. The extent of guarantee cover to be provided under the scheme is 90 per cent of the amount in default in respect of a loan amount up to ₹2 lakh and 85 per cent of the amount in default for a housing loan above ₹2 lakh and up to ₹5 lakh.

The Credit Risk Guarantee Fund is expected to catalyse a flow of credit of about ₹20,000 crore to the low income housing sector and generate an enabling environment for the creation of affordable housing stock. The availability of bank credit without the constraint of collaterals/third party guarantees would be a key enabler for the urban poor to realise their objective of upgrading/buying their own house.

3.1.5 Smart Cities Mission[15]

Nearly 31 per cent of India's current population lives in urban areas and contributes 63 per cent of India's GDP (Census 2011). With increasing urbanisation, urban areas are expected to house 40 per cent of India's population and contribute 75 per cent of India's GDP by 2030. The Smart Cities initiative will improve the quality of life and attract people and investments to the city. The core infrastructure elements in a Smart City would include:

- Adequate water supply
- Assured electricity supply
- Sanitation, including solid waste management
- Efficient urban mobility and public transport
- Affordable housing, especially for the poor
- Robust IT connectivity and digitalisation
- Good governance, especially e-Governance and citizen participation
- Sustainable environment
- Safety and security of citizens, particularly women, children and the elderly
- Health and education

The 100 potential Smart Cities were nominated by all the States and Union Territories based on Stage 1 criteria. Smart City plans were prepared, which were evaluated in Stage 2 of the competition for prioritising cities for financing. In the first round of this stage, 20 top scorers were chosen for financing during 2015–16. The remaining will be asked to make up the deficiencies identified by the Apex Committee in the Ministry of Urban Development for participation in the next two rounds of the competition. Forty cities each will be selected for financing during the next rounds of the competition.

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[14] *Ministry of Housing and Urban Poverty Alleviation, CRGFTLIH - Guidelines*
[15] *Ministry of Urban Development, Smart Cities Mission - Guidelines*

3.2 Rural Housing Initiatives by the Central Government

3.2.1 Indira Awaas Yojana (IAY)[16]

IAY is the biggest and most comprehensive rural housing programme ever taken up in the country. It is a flagship scheme of the Ministry of Rural Development to provide financial assistance to the BPL households in rural areas for the construction of a dwelling unit. The genesis of IAY can be traced to the programmes of rural employment that began in the early 1980s. The construction of houses was one of the major activities under the National Rural Employment Programme (NREP) in 1980 and Rural Landless Employment Guarantee Programme (RLEGP) in 1983. IAY was launched as a sub-scheme of RLEGP and thereafter it continued as a sub-scheme of JRY in 1989. On January 1, 1996, it became an independent scheme. The objective of the scheme is to primarily help the weaker sections in rural areas that belong to the BPL category by granting financial assistance for the construction of a pucca house. Under IAY, 8.29 lakh houses were constructed as on December 31, 2014.

IAY has the following components:

- Assistance for the construction of a new house
- Upgradation of kutcha or dilapidated houses
- Provision of house sites
- Special projects: The rehabilitation of BPL families affected by natural calamities/violence/law and order problems and so on.

As per the priority given by the Government of India for Housing for All by 2022, IAY is being revamped to implement it on a Mission mode. As part of the plan, it has been decided to make a toilet an integral part of the unit and also to enable the provision of basic facilities such as power and drinking water to all IAY beneficiaries.

3.3 Select State-level Initiatives in Housing

The State Governments take various initiatives towards providing housing to all through their mission, policies, schemes, programmes and so on. They are broadly in alignment with the Central Government policy and schemes, and also sometimes complement the existing ones. The State-level initiatives of select States are outlined here:

3.3.1 West Bengal[17]

The Department of Housing, Government of West Bengal, undertakes various activities mainly relating to the framing and implementation of various Social Housing Schemes through the Directorate of Housing and the West Bengal Housing Board. Schemes active in the State are:

3.3.1.1 **Gitanjali:** The objective of this scheme is to provide proper shelters to the economically weaker sections of society as well as to create additional employment opportunities for construction workers. The cost of such dwelling units for new construction on the beneficiary's land, in rural areas, varies across the span and terrain of the State owing to different soil and climatic conditions:

- ₹1.67 lakh for beneficiaries, in general, residing in the rural areas of plains.
- ₹1.23 lakh for fishermen residing in the non-coastal areas to be implemented by the Fisheries Department.
- ₹1.94 lakh for beneficiaries residing in the forest fringe areas of Sundarbans (to be implemented by the Forest Department), and, for beneficiaries residing in other non-forest coastal areas to be implemented by the Sundarban Affairs Department and Fisheries Department.

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[16] *Ministry of Rural Development, IAY – Guidelines*
[17] *Housing Department, Government of West Bengal, (http://www.wbhousing.gov.in/)*

- ₹2.51 lakh for beneficiaries residing within the forest fringe areas and forest villages in the hill areas of Darjeeling district to be implemented by the Forest Department.
- ₹3 lakh within the forest villages of Jalpaiguri district to be implemented by the Forest Department.

Since May 2011, 83,000 houses have been constructed under the Gitanjali scheme for EWS with a total cost of around ₹1,000 crore. The dwelling units will be given to people free of cost. The construction of 1,328 flats in the semi-urban areas has also started under this scheme. The State Government provided a plan outlay of ₹679 crore to the Housing Department in 2013–14.

3.3.1.2 **Amar Thikana:** The Panchayat and Rural Development Department is implementing the scheme Amar Thikana at a unit cost of ₹45,000 for the plain areas and ₹48,500 for hilly, difficult and coastal areas. Families with a monthly income of ₹6,000 or less will benefit under this scheme. During FY 2012–13, under the Gitanjali and Amar Thikana schemes, funds have been released for the construction of almost 34,000 houses in the rural areas.

3.3.1.3 **Nija Griha Nija Bhumi (NGNB):** A new State plan scheme, Nija Griha Nija Bhumi Prakalpa was introduced to provide housing to all landless and homeless families. The construction of housing complexes in a cluster approach is being explored for people belonging to the EWS category in suitable areas by the State. The total number of agricultural *pattas* (a legal document issued by the Government in the name of the owner of a particular plot of land) distributed under the NGNB scheme, up to March 2013, was 60,193 covering 2,421 acres of land. During 2011–12, agricultural *pattas* were distributed among 7,912 beneficiaries. The following year, the total number of agricultural *pattas* distributed was 35,461. By December 2012, the State was able to help 114,394 beneficiary families.

3.3.1.4 **Housing Schemes Under the Backward Region Grant Fund (BRGF):** Construction work of houses has been proposed under a special grant from BRGF for the construction of 34,758 dwelling units in 11 backward districts of the State. The proposal has been sanctioned by the Planning Commission of India. The Central Government has approved an amount of ₹117.06 crore from the Central Fund for this project. The total project cost is ₹160 crore, the rest comes from the State Government. The area of these dwelling houses will be 20 sq. m. (215 sq. ft.). The unit cost will be ₹48,500 for hilly, coastal and Jangalmahal areas. The unit cost for other areas will be ₹45,000. Families enlisted under the BPL category will be eligible for this Scheme.

3.3.1.5 **Lower Income Group (LIG) Housing Schemes:** The Housing Department decided to implement LIG Housing Schemes directly to solve the accommodation problem of the people belonging to this category, especially the minorities residing in urban areas. During 2012–13, a sum of ₹2.18 crore was proposed in the Budget for the construction of such housing schemes.

3.3.1.6 **Middle Income Group (MIG) Housing Schemes:** To mitigate the accommodation problem of the people of this group residing in urban areas, the Housing Department has taken up a programme for the construction of some MIG Housing Schemes on a rental basis. During 2012–13, a sum of ₹2 crore was proposed in the Budget for the construction of such housing schemes.

3.3.1.7 **Adhikar:** In 2012–13, the State Government piloted a special Scheme called Adhikar. It was targeted at those living in the 11 notified backward districts of the State. The rural poor, who have a plot of their own and are not included in the list of BPL, are the eligible beneficiaries of this Scheme as they will get ₹45,000 as a one-time aid for constructing a house and a toilet.

3.3.2 Odisha[18]

The Department of Housing & Urban Development is the nodal Department of the Government of Odisha for ensuring a proper and planned growth of cities and towns with adequate infrastructure, amenities and services provided to the citizens through the ULBs and parastatal agencies. The Department is responsible for the management and delivery of civic services such as the provision of affordable housing, safe drinking water, sanitation, including solid waste management, storm water drainage, sewerage, roads and public transport.

3.3.2.1 **Pathani Samanta Composite Housing Scheme:** This Scheme consists of EWS flats (ground plus three-storeyed structure with flats in a finished shape) along with LIG, MIG and High Income Group (HIG)

[18] *Odisha State Housing Board, Government of Odisha, (www.oshb.org)*

category of core houses under the self-financing provision at Muktapur, Nayagarh. The project provides for 126 EWS flats, 71 LIG, 83 MIG and 32 HIG core houses.

3.3.2.2 **Social Housing Scheme:** This consists of the LIG and MIG category of core houses under the self–financing scheme over the vacant land available inside the Social Housing Scheme at Badapatrapalli, Sundargarh. Phase I of the project is complete and has 154 houses.

3.3.2.3 **Baji Rout Social Housing Scheme:** The Scheme provides for 97 HIG, 50 MIG and 79 LIG simplex core houses. It has 84 finished EWS flats (ground plus three-storeyed structure, six blocks, with 14 flats in each block), out of which 136 units have been sold.

3.3.2.4 **EWS Housing Scheme:** The Odisha State Housing Board is taking up 320 flats in a finished shape in 23 blocks (ground plus three-storeyed structure) with 14 flats in each block at Bidyadharpur, Cuttack, in its ongoing EWS Housing Scheme. This is a self-financing scheme where allottees have to pay the entire cost before taking possession of the flat. The site is strategically located within the Cuttack City surrounded by residential colonies with easy access to a market, hospital, school and other amenities.

3.3.3 Maharashtra[19]

The State has taken special initiative to provide houses to citizens belonging to the poor and weaker sections of society. In order to overcome the housing problems in urban areas, the State has established the Maharashtra Housing and Area Development Authority (MHADA) and the City and Industrial Development Corporation (CIDCO) Limited. Besides this, the Slum Rehabilitation Authority (SRA) has been set up with an objective of constructing houses for slum dwellers in the urban areas of the State. Indira Awaas Yojana, Rajiv Gandhi Gramin Niwas Yojana and other projects are being implemented in the rural areas of the State to provide quality houses to people belonging to BPL families and to other weaker sections of society.

3.3.3.1 **Shabari Adivasi Gharkul Yojana:** The State launched the Shabari Adivasi Gharkul Yojana in March 2013. This Scheme was implemented in the rural as well as urban areas for people belonging to the Scheduled Tribe (ST) community, who are houseless or have a *kutcha* house. The total cost to construct their own houses in rural areas was fixed at ₹1 lakh. In the Municipal Council areas, it was fixed at ₹1.5 lakh and at ₹2 lakh for the areas covered under the Municipal Corporation and the Mumbai Metropolitan Regional Development Authority (MMRDA). Under this Scheme, for construction of houses in rural areas, 100 per cent grant was provided by the State while for the Municipal Council and the Municipal Corporation areas, the grant was 92.5 per cent and 90 per cent, respectively.

3.3.3.2 **Ramai Awas Yojana:** The State had launched the Ramai Awas Yojana in November 2008. This Scheme was implemented in rural as well as urban areas for people belonging to the Scheduled Caste (SC) and Neo Buddhist community, who are houseless or have a *kutcha* house. The total cost to construct their own houses in rural areas was fixed at ₹1 lakh. For Municipal Council areas it was fixed at ₹1.5 lakh and at ₹2 lakh for the areas covered under the Municipal Corporation. For construction of houses in rural areas, 100 per cent grant was provided by the State, while for the Municipal Council and the Municipal Corporation areas, the grant was 92.5 per cent and 90 per cent, respectively. During 2010–2014, a total of 194,497 houses were constructed and the construction of 57,244 houses is in progress, incurring a total expenditure of ₹1,580 crore.

3.3.4 Gujarat[20]

The Urban Development and Urban Housing Department makes policy decisions in matters related to urban development and housing. It also monitors their implementation, procures guidance and issues orders.

3.3.4.1 **Halapati Awas Yojana:** This Scheme was introduced to provide *pucca* houses to the homeless and people living in dilapidated State houses belonging to the BPL Halapati Community families. This Scheme is

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[19] *The Economic Survey of Maharashtra 2013–14 (www.mahades.maharashtra.gov.in)*

[20] *Development and Urban Housing Department, Government of Gujarat (www.udd.gujarat.gov.in)*

for the Halapati Community families of Bharuch, Navsari, Tapi, Surat, Vadodara and Valsad districts of Gujarat. It provides a subsidy of ₹70,000 to the beneficiaries. The houses are constructed by agencies and then handed over to the beneficiaries. For 2015-16, the State Government has provided ₹25.85 crore towards the construction of these houses.

3.3.4.2 **Sardar Patel Awas Yojana:** This Scheme aims to provide free plots of land for houses to landless BPL agricultural labourers and village artisans living in the rural areas of Gujarat. It was with this Scheme that the slogan "free plot, free house" came into existence. As per the Scheme, the financial aid fixed for a house in an ordinary area was ₹20,000 and in hilly and inaccessible areas it was ₹22,000. The beneficiaries could build their houses with this aid. But, since 2000, the Government has, instead, been constructing houses for the beneficiaries. The financial assistance for one unit of a house was enhanced to ₹45,000, which included Government aid of ₹36,000 and ₹7,000 labour contribution aid that was incurred by the beneficiary. The Scheme was amended and again implemented from 2013-14 by increasing the scope of the beneficiaries by including Above Poverty Line (APL) families with *kutcha* houses. Under this revised Scheme, the State Government provides ₹40,000 as financial aid against the cost of ₹100,000 per unit construction of a new house. Since the introduction of the Scheme, 804,465 houses have been constructed. The Government has provided ₹744 crore in 2014-15, having incurred an expense of ₹486 crore till the end of December 2014. It was proposed to provide ₹500 crore for this Scheme in the budget for 2015-16.

3.3.4.3 **Gujarat Slum Rehabilitation Policy—PPP—2013:** About seven lakh families reside in slums in the urban areas of Gujarat. Hence, this Policy has been framed by the State Government for in-situ rehabilitation of the slum dwellers on public land by providing houses of minimum 25 sq. m. carpet area with basic civic amenities, free of cost through public private partnership (PPP). The slum dwellers' families that are living in slums on or before December 1, 2010 are to be considered as the beneficiaries. The Policy defines the roles and responsibilities of the public institutions and private developers. It specifies the incentives provided to the private developers associated with the slum rehabilitation projects.

3.3.4.4 **Gujarat Affordable Housing Policy, 2014:** This Policy provides affordable housing on public and private land through PPP; incentives of higher floor space index (FSI) and rationalised planning norms; cross-subsidisation by allowing development for free sale for maximum two-fifth FSI and 10 per cent commercial development; stage-wise fixed payment by the beneficiary; and LIG/MIG type of housing with modern facilities at an affordable price (maximum price capped).

3.3.5 Madhya Pradesh[21]

The Department of Housing and Environment, Government of Madhya Pradesh, has two branches. It addresses the twin important issues of Human Habitation and Environment in the State through these two branches. The Housing branch deals with works related to construction, housing projects for Government employees, the National Housing Policy, M.P. Sthan Niyantran Adhiniyam and M.P. Prakosth. Statutory bodies and autonomous institutions under the Department strive to achieve their objectives of planned development, sustainable environment, the creation of urban infrastructure and housing stock.

3.3.5.1 **Mukhyamantri Awas Yojana:** This Yojana was started in Madhya Pradesh to provide dwellings to the maximum number of houseless families. Since 2007, financial assistance to 33,739 families has been made available for constructing their own houses under this Scheme. This has benefitted those houseless people who do not come under the ambit of the Indira Awaas Yojana.

3.3.5.2 **CM Infrastructure Development Programme (District Plan):** Dwelling houses are to be constructed for the urban poor residents of slums in the various towns of Madhya Pradesh, through PPP, so that every urban poor can get a suitable house with better amenities.

3.3.5.3 **Integrated Housing and Slum Development Project (IHSDP):** This Centrally Sponsored Scheme has been initiated by integrating the National Slum Development Programme and Valmiki Ambedkar Housing Scheme under the Sector Reforms Plan in December 2005. The major objective of this Scheme is to provide the urban poor with adequate housing and infrastructure facilities in the slum areas. It is being implemented

[21] *The Department of Housing and Environment, Government of Madhya Pradesh (www.mphed.nic.in)*

in cities and towns other than those that are included in the Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

3.3.6 Uttar Pradesh[22]

The Housing and Urban Planning Department in Uttar Pradesh is ensuring the planned development of urban areas by creating an enabling environment to provide affordable housing. The Department has reached out to citizens to make them aware of the laws, policies, programmes and procedural simplifications carried out by it. Awas Bandhu was created in 1997 as an apex institution under the Department to oversee the performance of the housing sector and coordinate the activities of the subordinate department/ agencies – the Town and Country Planning Department, development authorities and the UP Housing and Development Board.

3.3.6.1 **Samajwadi Awas Yojana (SAY):** This is an affordable housing scheme of the UP Government in which the State aims to develop about three lakh affordable houses by 2016 for the MIG category. The Government has tried to encourage developers to ensure the easy accumulation of land, rapid construction work and quick delivery of housing by reducing the land size. SAY has started with five back-to-back affordable housing schemes by different development authorities in the State. Under the Scheme, homes will be offered at a cost between ₹15 lakh and ₹30 lakh. However, homes in some areas may cost much less than ₹15 lakh. The Ramganga Nagar Housing Scheme by the Bareilly Development Authority; the Kanpur Development Authority's Shatabdi Nagar Scheme for the Sulabh Awas flats; the Samajwadi Lohia Para Township Project by the Lucknow Development Authority are some of the schemes that fall under SAY. To avail the benefits under SAY, citizens can apply online to www.awasbandhu.in.

3.3.6.2 **Vasundhara Enclave Housing Scheme by the Gorakhpur Development Authority (GDA):** The Vasundhara Enclave scheme by the GDA offers 240 flats to the MIG section of society – two BHK flats with an estimated area of 107.20 sq. m. at a projected cost of ₹26 lakh.

3.3.7 Karnataka[23]

The Department of Housing, Government of Karnataka, has been implementing its own housing programmes and Centrally Sponsored Schemes effectively. The housing needs of the LIG, MIG and HIG categories are also catered to by the Department apart from housing for slum dwellers as a part of its rehabilitation and improvement of slums programme.

3.3.7.1 **Rural Ashraya/Basava Vasathi Yojana:** This Scheme was introduced by the State Government in 1991-92 for providing houses to houseless people living in rural areas. The annual income of the beneficiary was limited to ₹11,800 although now it has been enhanced to ₹32,000. From 2013-14, the Government has fixed the unit cost of a house at ₹1.50 lakh, in which ₹1.20 lakh is a subsidy from the State Government and the remaining ₹30,000 is a beneficiary contribution or bank loan. Fifty per cent of the target is reserved for SCs/STs and the balance is for General Categories. Houses will be allotted to hut dwellers on a priority basis. Under this Scheme, 17.42 lakh houses have been constructed during the last 14 years, that is, from 2000-01 to 2013-14. During the last three years, 403,562 houses have been completed against the target of 435,000 houses. For 2014-15, the target was to complete 1.90 lakh houses including the backlog. So far (up to December 2014), almost 117,639 houses have been constructed.

3.3.7.2 **Ambedkar Housing Scheme:** This Scheme aims at providing houses for poor houseless SC/ST families living in rural areas, whose annual income is less than ₹32,000. The beneficiaries are selected by the Gram Panchayats.

3.3.7.3 **Grama Sabhas:** Unit assistance per house has been enhanced to ₹50,000 from 2010-11. Under this Scheme, 160,481 houses have been constructed during the last 14 years, that is, from 2000-01 to 2013-14. During the last three years, 14,761 houses have been completed against the target of 23,000 houses. For the year 2014-15, the target was to complete 16,436 houses, including the backlog. So far (up to December 2014), almost 2,326 houses have been constructed.

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[22] *Government of Uttar Pradesh, (www.upavp.com/various_schemes.htm)*

[23] *Economic Survey of Karnataka 2014-15, Government of Karnataka (www.housing.kar.nic.in)*

3.3.7.4 **Indira Awas Yojana:** This Centrally Sponsored Scheme was introduced during 1989–90 for rural houseless BPL families. Sixty per cent of the target is earmarked for SCs/STs, 15 per cent for minorities and the remaining 25 per cent for the general category. During 2013–14, the Centre enhanced the unit cost of the house to ₹70,000, of which ₹17,500 is required to be borne by the State. As per the enhanced unit cost of ₹1.50 lakh, the subsidy from the Centre works out to ₹52,500; ₹67,500 is to be borne by the State and the remaining ₹30,000 is the beneficiary contribution or the bank loan. From 2004–05 to 2013–14, 735,940 houses have been constructed under the Scheme. During the last three years, 234,077 houses have been constructed, against the target of 300,000. In the current fiscal year, 46,425 houses have been completed against the target of 100,000, till December 2014.

3.3.7.5 **Urban Ashraya/Vajpayee Urban Housing Scheme:** This State-sponsored Scheme was introduced during 1991–92 to cover the urban poor whose annual income is less than ₹32,000. The beneficiaries are selected by the Ashraya Committee, comprising both official and non-official members and is headed by the local MLA. During 2010–11 the Urban Ashraya Scheme was rechristened as the Vajpayee Urban Housing Scheme. From 2013–14, the State has fixed the unit cost of the house at ₹2 lakh, of which ₹1.20 lakh is subsidy from the State, ₹30,000 is compulsory beneficiary contribution and the balance ₹50,000 is either the bank loan or the contribution from the beneficiary. During the last 14 years, that is, 2000–01 to 2013–14, 155,936 houses have been constructed. In the last three years, 20,031 houses were constructed against the target of 62,000 houses. During 2014–15 (up to December 2014), 6,406 houses have been completed as against the target of 10,000.

Chapter 4: National Housing Bank

4.1 National Housing Bank's Functions, Vision and Mission

4.1.1 The National Housing Bank (NHB) is a statutory body with the Charter to promote housing finance institutions and to provide financial and other support to these institutions for the sound and stable development of the housing finance system in India. In its journey of 27 years, the NHB has brought considerable depth and maturity to the housing finance system in the country. As a conscious policy, the NHB has combined its functions—financing, regulation and promotion—to obtain an optimum impact on the expansion, with stability, of the housing finance market in India in close coordination with the Government of India and the Reserve Bank of India. While intervening, its consideration is on the Central Government's economic reforms and the RBI's monetary policies with a focus on inclusive growth through a market-based approach. In the backdrop of a huge housing shortage, especially among the EWS/LIG segments, the NHB has adopted a multi-pronged approach in tackling this problem. Some of the initiatives include engaging the existing institutions to do housing finance through skill development and capacity building; encouraging the development of specialised housing finance institutions; and evolving a conducive environment for the development of new institutions and products to provide market-based solutions. The NHB's inclination for the development and promotion of innovative solutions for EWS/LIG housing enabled it to act as a Central Nodal Agency for the implementation of the Government of India's Mission to provide Housing for All by 2022.

4.1.2 Functions

4.1.2.1 The promotion and development functions of the NHB are multi-dimensional. It has formulated schemes for the mobilisation of resources and the extension of credit for housing, depending on the requirement of the sector. It also enhances the flow of institutional credit for housing by developing risk mitigates that can be used by Primary Lending Institutions (PLIs), which include Scheduled Commercial Banks (SCBs), Housing Finance Companies (HFCs), Regional Rural Banks (RRBs), Co-operative Institutions, among others. In addition, the NHB conducts and publishes studies, surveys and the housing price index. It helps in disseminating information relevant to housing finance and other related activities. It also acts as an agent of the Central/State Governments.

4.1.2.2 The regulatory and supervisory functions of the NHB include the registration and surveillance of the HFCs; coordination with other regulators; and consumer interface and protection. It issues directions, guidelines, codes and so on to the HFCs and monitors through on-site and off-site supervision.

4.1.2.3 The NHB's financing functions include general refinance schemes that are applicable to PLIs, as well as special refinance schemes through funds established in the NHB such as the Rural Housing Fund, Urban Housing Fund, and others. Further, the NHB announces special refinance schemes as and when the situation arises to help the victims of natural disasters and calamities such as earthquakes, cyclones, tsunamis and so on. The NHB also provides project financing directly to public agencies such as Housing Boards, and Development Authorities or through the Public Private Partnership mode for land development and housing projects.

4.1.3 Vision

"Promoting Inclusive Expansion with Stability in the Housing Finance Market"

4.1.4 Mission

"To harness and promote the market potentials to serve the housing needs of all segments of the population with the focus on low and moderate income housing."

4.2 Performance of the National Housing Bank

Table 4.1: Financial Highlights for the Last Five Years (₹ in crore)

Year ended June 30	2011	2012	2013	2014	2015
Capital	450	450	450	450	450
Reserves	2,352	2,739	3,190	3,631	4,346
Disbursements	12,035	14,454	17,635	17,890	21,847
Loans and Advances	22,581	28,519	34,603	39,932	44,737
Total Assets	25,781	31,332	38,721	45,050	50,285
Gross NPAs	Nil	4	184	184	224
Net NPAs	Nil	3	156	111	144
Profit After Tax	279	387	450	487	747
CRAR (%)	21	20	17	15	16
No. of Employees	87	95	91	107	101
PAT per Employee	3.21	4.07	4.84	4.55	7.39

Table 4.2: Income, Expenditure and Profitability Trends in the Last Five Years (₹ in crore)

Year ended June 30	2011	2012	2013	2014	2015
1. Total Income	1,948	2,489	3,024	3,520	3,860
2. Operating Expenses	1,518	1,889	2,262	2,620	2,688
3. Operating Profit (1-2)	430	600	762	900	1,172
4. Provisions and Contingencies	31	56	98	115	10
5. Profit Before Tax (3-4)	399	544	664	785	1,162
6. Provision for Tax	120	157	214	298	415
7. Profit After Tax (5-6)	279	387	450	487	747

4.3 Operational Highlights

4.3.1 Total Assets

Outstanding crossed the ₹50,000 crore mark.

4.3.2 Refinance Disbursements

- Highest ever annual disbursement made by the NHB. Disbursements of ₹21,847 crore in 2014-15, clocking a growth of 22.4 per cent over ₹17,856 crore in 2013-14.
- Loans up to ₹10 lakh reached the figure of ₹9,710 crore, registering an annual growth of 57.3 per cent over the disbursements of ₹6,173 crore in 2013-14.
- 25.38 per cent of the refinance disbursements were made towards rural housing.

4.3.3 Regulation

- A Certificate of Registration (CoR) was granted to six Housing Finance Companies (HFCs) under Section 29A of the National Housing Bank Act, 1987. At the end of the year, 65 HFCs were registered with the NHB.

4.3.4 Consumer Protection

- Implemented the Grievance Registration & Information Database System (GRIDS), a 24x7 online database system, which facilitates the customer of the housing finance company/NHB to lodge a complaint and track its status.

4.3.5 Governance

- Appeared before five Parliamentary Committees.

- Implemented the Risk Based Internal Audit (RBIA) System.

4.3.6 Nodal Agency

- As a nodal agency, the NHB has forwarded two proposals from the HFCs for US$1,050 million to the RBI under the guidelines of External Commercial Borrowings (ECB) for low-cost affordable housing.

- The NHB has been designated as the Central Nodal Agency (CNA) for the implementation of the Credit-Linked Subsidy Scheme under the Pradhan Mantri Awas Yojana.

4.3.7 Capacity Building

- Organised 15 training programmes during 2014–15 for the officers of the HFCs, SCBs, RRBs and UCBs.

- Two seminars for Senior Citizens on Reverse Mortgage Loan were conducted at Vapi (Gujarat) and Bolpur (West Bengal).

4.3.8 Awards and Recognitions

- The NHB's in-house quarterly Hindi magazine Awas Bharti won the first prize for 2013–14 in the All India In-house Hindi Magazine Competition conducted by the RBI.

- Awas Bharti also won the first prize for 2013–14 in the Inter-bank In-house Hindi Magazine Competition conducted by the Delhi Bank Town Official Language Implementation Committee (TOLIC).

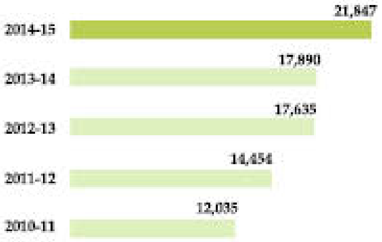
4.4 Key Metrics

Graph 4.1: Balance Sheet Matrices, Profit & Loss Matrices and Efficiency Matrices

Balance Sheet Metrics

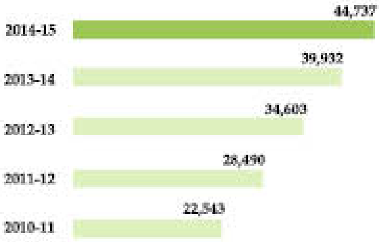
Disbursements (in ₹ Crore)

▲22% (year-on-year)



Loans & Advances (in ₹ Crore)

▲12% (year-on-year)



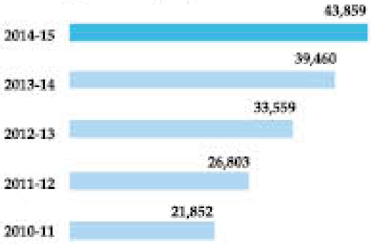
Investments (in ₹ Crore)

▲19% (year-on-year)

Balance Sheet Metrics

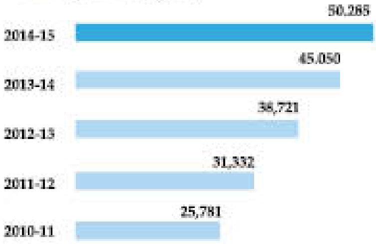
Total Borrowigns (in ₹ Crore)

▲11% (year-on-year)



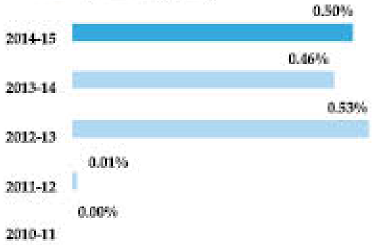
Total Assets (in ₹ Crore)

▲12% (year-on-year)



GNP As to Loans & Advances (in %)

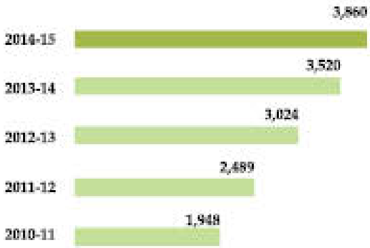
▲04% (year-on-year)



Profit & Loss Metrics

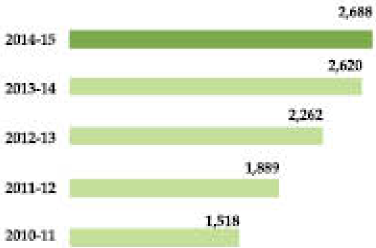
Total Income (in ₹ Crore)

▲10% (year-on-year)



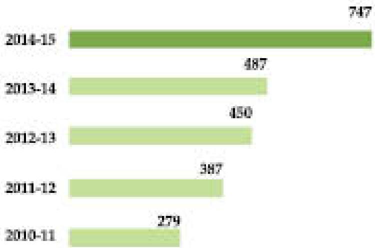
Operating Expenses (in ₹ Crore)

▲3% (year-on-year)



Profit After Tax (in ₹ Crore)

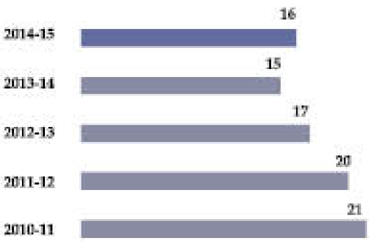
▲53% (year-on-year)



Efficiency Metrics

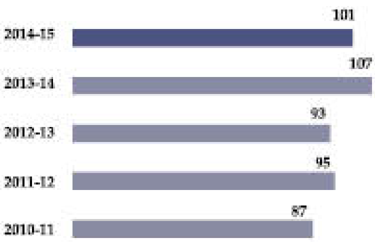
CRAR(in%)

▲1% (year-on-year)



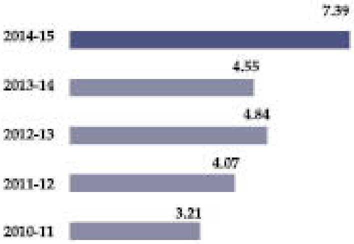
No. of Employees

▼6% (year-on-yar)



PAT per Employee (in ₹ Crore)

▲62% (year-on-yar)



4.5 Resource Mobilization

4.5.1 The NHB was incorporated with an initial capital of ₹100 crore. As on June 30, 2015, the issued, subscribed and paid-up capital was ₹450 crore. It is wholly subscribed by the RBI. The NHB raises both short-term and long-term resources. The short-term resources include the issuance of commercial papers (CPs), loan against deposits and short-term loans from banks. Long-term borrowings include deposits from banks under the Rural Housing Fund (RHF) and the Urban Housing Fund (UHF); deposits from the public under the Sunidhi and Suvriddhi term deposit schemes; corporate bonds and foreign borrowings. The net incremental borrowing made during the year was ₹14,538 crore and the total borrowing outstanding as of June 30, 2015, was ₹43,859 crore (Table 4.3).

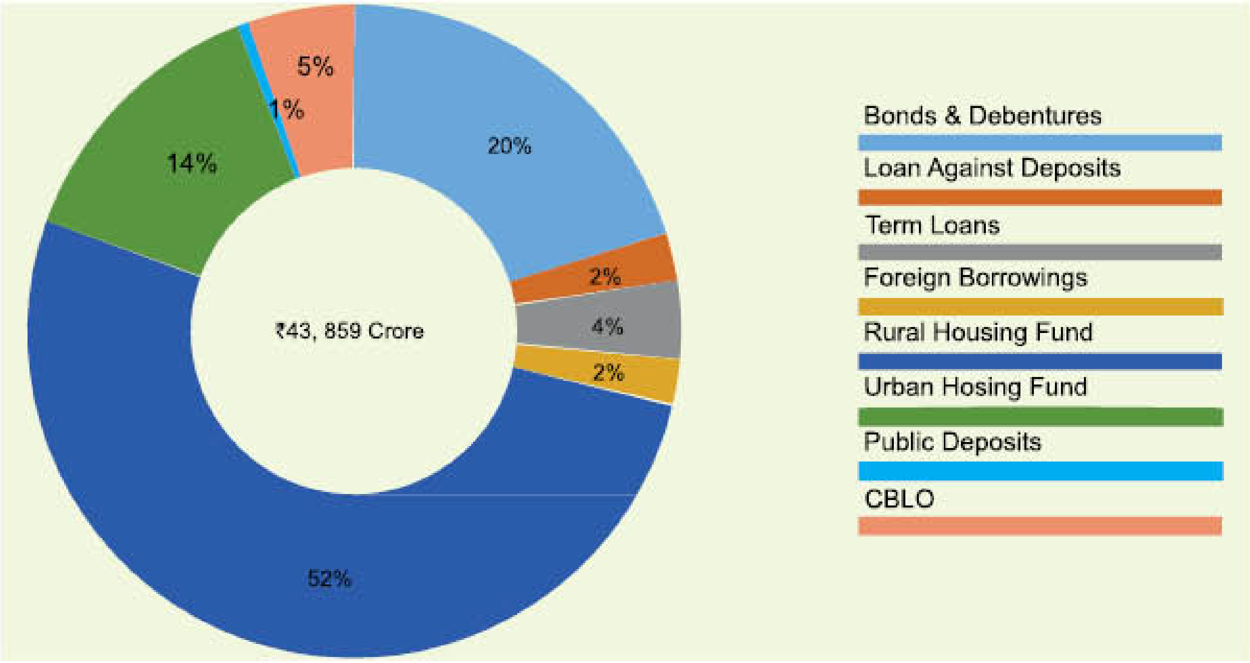
Table 4.3: Total Outstanding Borrowings as on June 30, 2015 (₹ in crore)

Instruments	Outstanding Borrowing		Change (%)
	2013-14	2014-15	2014-15vs. 2013-14
1	2	3	+4
Bonds and Debentures	11,176	8,830	-20.9
Loan Against Deposits	541	1,040	+92.2
Term Loans	5,943	1,685	-71.6
Borrowings from the RBI	13	11	-15.4
Foreign Borrowings	908	963*	+6.0
Rural Housing Fund	17,278	22,778	+31.8
Urban Housing Fund	1,000	6,000	+500.0
Deposit from the Public	268	244#	-8.9
Collateralised Borrowing and Lending Obligation	2,336	2,308	-1.2
Total	**39,463**	**43,859**	**+11.1**

Amount of ₹ 65 crore is yet to be received from the Government of India

#Excluding overdue amount of ₹ 4 crore under the Sunidhi Term Deposit Scheme

Graph 4.2: Share of Outstanding Borrowings as on June 30, 2015 (%)



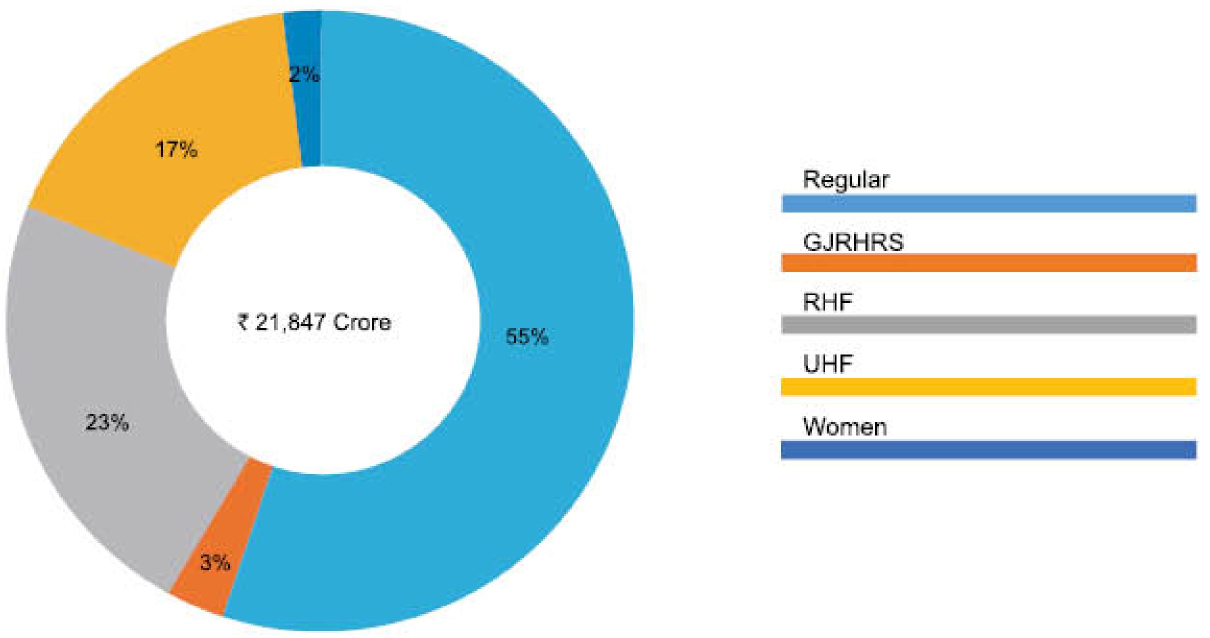
4.6 Refinance Operations

4.6.1 During 2014–15, the NHB's refinance disbursements reached a new height of ₹21,847 crore, registering an increase of 22.35 per cent over the disbursements of ₹17,856 crore made in 2013–14. An institution-wise breakup of the NHB's refinance disbursements made during the last three years is shown in Table 4.4.

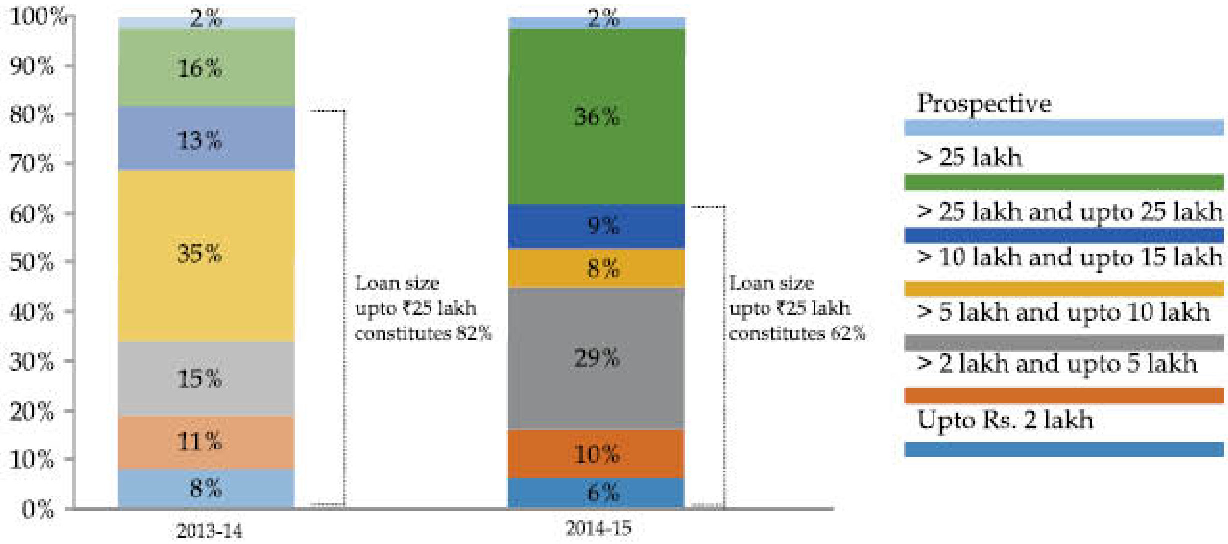
Table 4.4: Refinance Sanctions and Disbursements for 2013–14 and 2014–15 (₹ in crore)

Primary Lending Institutions	2012-13		2013-14		2014-15	
	Amount Disbursed	% to total	Amount Disbursed	% to total	Amount Disbursed	% to total
1	2	3	4	5	6	7
Housing Finance Companies	7,694	43.9	9,633	53.9	7,390	33.8
Scheduled Commercial Banks	9,459	53.9	7,943	44.5	14,114	64.6
Regional Rural Banks	389	2.2	280	1.6	253	1.2
Cooperative Sector	-	-	-	-	90	0.4
Total	17,542	100.0	17,856	100.0	21,847	100.0

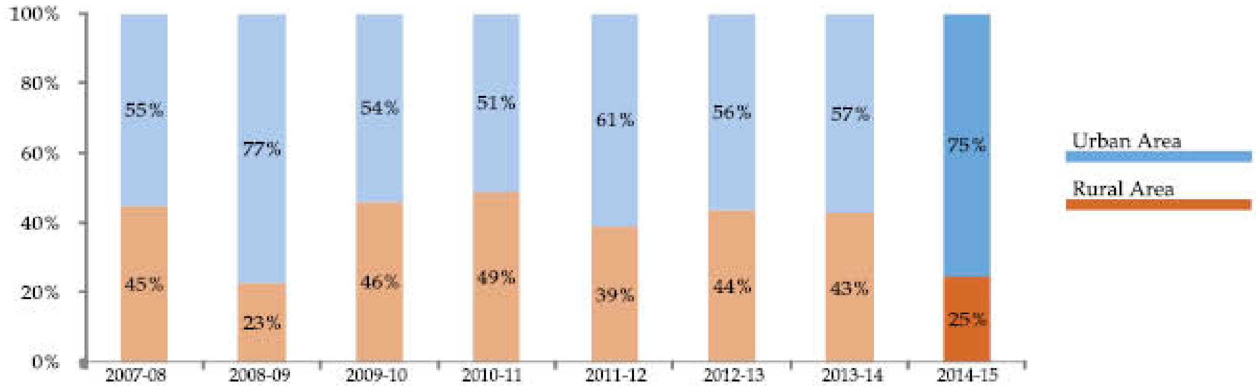
Graph 4.3: Refinance Disbursements – Scheme-wise (%)



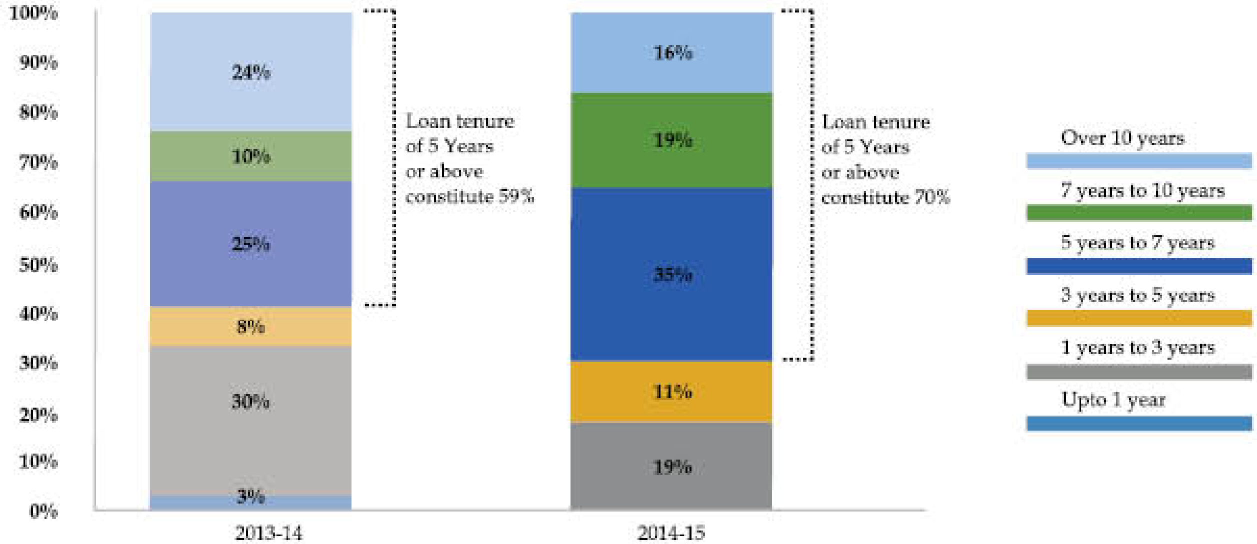
Graph 4.4: Refinance Disbursements – Loan Size-wise (%)



Graph 4.5: Area-wise Break-up of Refinance Disbursements from 2007–08 to 2014–15 (%)

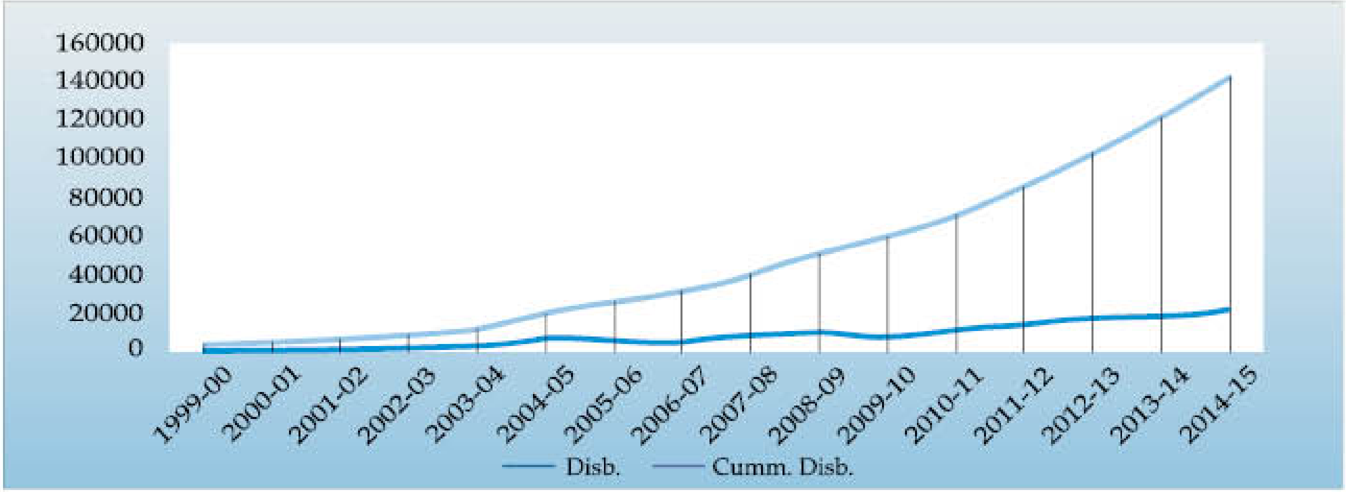


Graph 4.6: Tenure-wise Break-up of Refinance Disbursements (%)



4.6.2 Out of the total cumulative refinance disbursements of ₹142,332 crore, 56 per cent were made to SCBs and 41 per cent to the HFCs. The remaining was made to various RRBs and co-operative sector institutions. The trend of refinance from 1999–2000 to 2014–15 is shown in Graph 4.7.

Graph 4.7: Trend in the NHB's Refinance Disbursements Between 1999 and 2015 (₹ in crore)



4.7 Direct Finance

4.7.1 Direct finance assistance provided by the NHB is mainly to the EWS/LIG segments. Direct finance for low income housing for the poor has been provided to various agencies including Public Housi ng Agencies, Micro Finance Institutions (MFIs), Non-Government Organisations (NGOs) and Public Private Partnership projects. During the last five years, the NHB has facilitated EWS/LIG projects, generating about 63,000 houses through funding to public agencies.

4.7.2 Project Finance

During 2014–15, the NHB sanctioned project finance for a project amounting to ₹150 crore. However, there was no disbursement during the year.

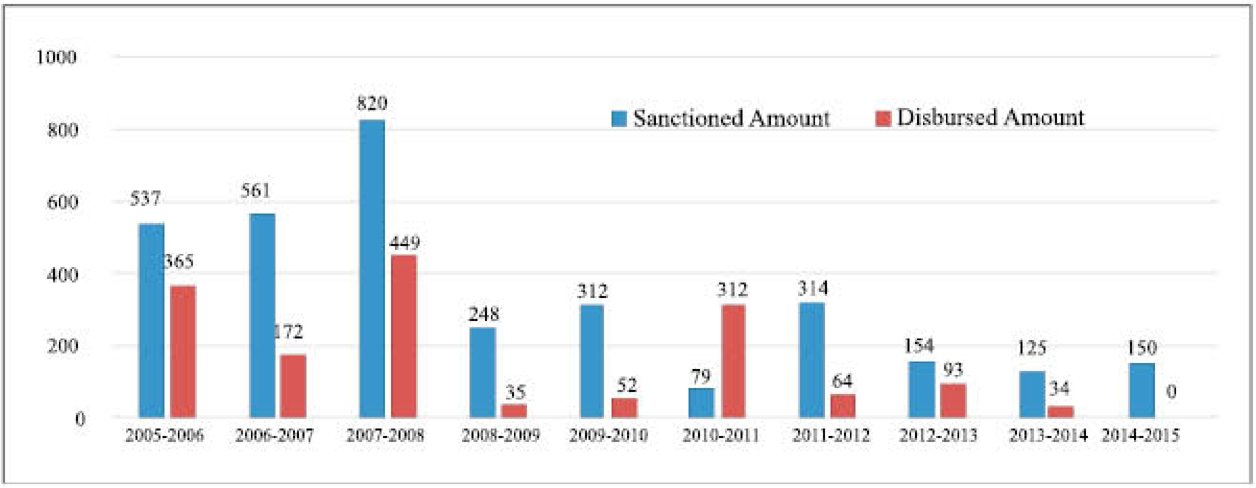
4.7.3 Housing Micro Finance Programme

Under the Housing Micro Finance (HMF) programme, the Bank's focus is to develop sustainable human habitats that are eco-friendly, cost-effective and productive. So far, the NHB has sanctioned ₹101.68 crore to 32 MFIs spread across 11 States for financing 40,210 urban and rural housing/sanitation units. The beneficiaries include farmers, petty traders, artisans, dairy workers and other LIG households. More than 90 per cent of the beneficiaries are women. Financial assistance given under the Slum Redevelopment programme in Dharavi, Mumbai, benefitted the slum dwellers.

4.7.4 Cumulative Performance (excluding project refinance)

Cumulatively, till June 30, 2015, 446 projects were sanctioned with a project cost of ₹8,477 crore and a loan component of ₹5,272 crore. The cumulative project finance disbursement till June 30, 2015, stood at ₹2,234 crore.

Graph 4.8: Trend in the NHB's Project Finance Disbursements for the Last 10 Years (₹ in crore)



4.7.5 UN-Habitat WATSAN Programme

The NHB has entered into an Agreement of Co-operation with UN-Habitat for collaborating on water supply and sanitation projects for low income households. According to the terms of the Agreement, UN-Habitat provided financial assistance to the tune of US$360,455 to the NHB for the water and sanitation component of housing micro finance projects as well as for standalone water and sanitation projects, and for capacity building and training efforts in this field. Under the Revolving Fund of UN-Habitat, the Bank has extended financial assistance of ₹2.10 crore to MFIs and dairy co-operatives for sanitation purpose.

4.7.6 External Commercial Borrowings (ECB) for Affordable Housing Projects

According to the terms of the RBI Circular AP (DIR Series) Circular No. 61 dated December 17, 2012, relating to the ECB policy, ECB can be availed of by developers/builders for low-cost affordable housing projects as a permissible end-use, under the approval route. As per the extant Circular, builders/ developers meeting the eligibility criteria need to apply to the NHB in the prescribed format. The NHB shall act as the nodal agency for deciding a project's eligibility as a low-cost affordable housing project and, on being satisfied, forward the application to the RBI for consideration under the approval route. In 2014–15, no proposal was found to be eligible under the ECB guidelines.

4.8 Regulation and Supervision

4.8.1 Regulation

4.8.1.1 The NHB regulates and supervises the Housing Finance Companies in the public interest, as per the provisions of The National Housing Bank Act, 1987. The Bank's regulation and supervision is aimed at preventing the affairs of any HFC being conducted in a manner detrimental to the interest of the depositors and prejudicial to the public interest. As a part of its regulations, the NHB has also issued the Directions, Guidelines for Asset Liability Management System in the HFCs, Know Your Customer (KYC) and Anti Money Laundering (AML), Fair Practice Code, among others, and Circulars to the HFCs and their auditors, from time to time. This is in addition to the provisions contained in the National Housing Bank Act, 1987. During the year, four amendments have been made in the Housing Finance Companies (NHB) Directions, 2010. Also, four amendments have been made in the Housing Finance Companies, Issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014. Ten circulars and four caution advices were also issued by the NHB.

4.8.1.2 During the year, the NHB has granted a Certificate of Registration to six HFCs —Aditya Birla Housing Finance Limited, Mentor India Limited, RAAS Housing Finance (India) Limited, Mamta Housing Finance Company Private Limited, Fasttrack Housing Finance Private Limited and SEWA Grih Rin Limited for the commencement of business as housing finance institutions. As of June 30, 2015, there were 65 HFCs registered with the NHB, of which 18 HFCs have been provided a CoR with permission to accept public deposits. Of these, six are required to obtain prior written permission from the NHB before accepting any public deposits. The remaining 47 HFCs have been granted a CoR without permission to accept public deposits. The NHB did not cancel the CoR of any HFC during the year.

4.8.2 Supervision

4.8.2.1 The NHB also undertakes on-site inspection and off-site surveillance of the HFCs through its supervisory mechanism to ensure the safety and soundness of the HFCs. The Bank supervises the functioning of the HFCs through on-site inspections, market intelligence and off-site surveillance mechanisms, through periodical returns/information and their verification.

4.8.2.2 During the year, the NHB inspected 57 companies, out of which seven were to assess the eligibility of companies, which had applied for a Certificate of Registration under Section 29A of the National Housing Bank Act, 1987. The balance 50 inspections were undertaken to ascertain the HFCs' compliance with various regulatory provisions of the National Housing Bank Act, 1987, and Directions, Guidelines, Circulars and so on, issued by the NHB, from time to time. Periodical returns submitted by the HFCs, including the quarterly, half-yearly and annual returns prescribed in the Directions, were monitored and scrutinised.

4.8.3 Grievance Registration & Information Database System (GRIDS)

4.8.3.1 In order to provide value to the stakeholders, a Complaint Redressal Cell has been set up to redress the grievances of the customers of the HFCs. Recently, the Bank has implemented GRIDS to enable the customers of the HFCs for online registration and the tracking of complaints.

4.8.4 Towards containing frauds in housing finance, the NHB regularly disseminates information on frauds relating to mortgages to the HFCs through Caution Advices. It also interacts with other regulators for market feedback.

4.9 Promotion and Development

4.9.1 Equity Participation

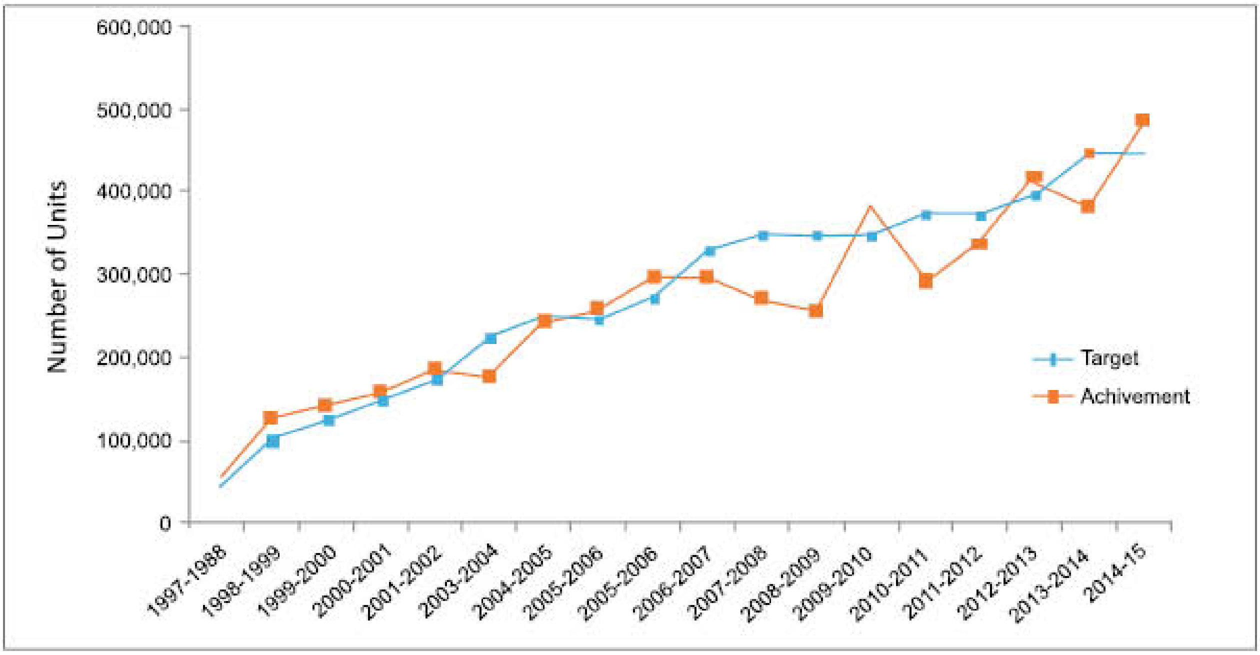
In terms of the mandate given to the NHB towards the promotion and development of the housing finance system in the country, the Bank has been participating in the equity share capital of start-up companies/new institutions. In this connection, the NHB has made investments by acquiring equity stake in the following entities:

- Cent Bank Home Finance Limited
- Mahindra Rural Housing Finance Limited
- Sewa Grih Rin Limited
- Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)
- India Mortgage Guarantee Corporation Private Limited (IMGC)

4.9.2 Participation in Various Government Programmes

4.9.2.1 **The Golden Jubilee Rural Housing Finance Scheme (GJRHFS)** formulated by the NHB was in operation since 1997 and yearly targets were allocated to the Banks and the HFCs. The objective of the Scheme was to address the problem of rural housing through improved access to housing credit, which would enable an individual to build a modest new house or improve or add to his old dwelling in rural areas. During 1997–2015, a total of 4,781,708 dwelling units were financed as against the target of 5,030,000 dwelling units, indicating an achievement of over 95 per cent. The progress under the Scheme over the years is shown in Graph 4.9.

Graph 4.9: Cumulative Performance of the GJRHFS



4.9.2.2 To improve the affordability of housing loans by EWS/LIG segments in urban areas, the Government of India, Ministry of Housing and Urban Poverty Alleviation, introduced the **Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) Scheme.** Till June 30, 2015, the NHB, as a nodal agency, has disbursed NPV of subsidy amounting to ₹11.90 crore, covering 12,032 beneficiaries under the Scheme. The status of subsidy disbursed by the Bank under the ISHUP Scheme during 2009–13 is given in Table 4.5.

Table 4.5: Progress Made Under the ISHUP Scheme (₹ in crore)

Details		Year (April–March)				Total
	2009–10	2010–11	2011–12	2012–13	2013–14*	
1	2	3	4	5	6	7
Amount of Subsidy Disbursed	0.37	3.41	2.89	1.18	4.05	11.90
Number of Beneficiaries	531	4,611	2,987	755	3,148	12,032

Includes amount disbursed after September 2013 to June 2015, pertaining to claims in the currency of the Scheme

4.9.2.3 The 1% **Interest Subvention Scheme** period was from October 1, 2009, to September 30, 2013. Under the Scheme, an interest subvention of 1 per cent was given on all individual housing loans of up to ₹10 lakh, provided the cost of the unit did not exceed ₹20 lakh. From the FY 2011–12, the Scheme was extended for housing loans up to ₹15 lakh, where the cost of the house did not exceed ₹25 lakh. Under the 1% Interest Subvention Scheme, the NHB has disbursed the subsidy for 15.3 lakh transactions since April 1, 2012, based on the claims submitted by 87 Primary Lending Institutions (36 Scheduled Commercial Banks, 21 Regional Rural Banks and 30 Housing Finance Companies).

4.9.2.4 The Government of India, Ministry of Housing and Urban Poverty Alleviation, revised the Interest Subsidy Scheme and renamed it the **Rajiv Rinn Yojana (RRY)**, as an additional instrument for addressing the housing needs of the EWS and LIG segments in urban areas with an increase in the limit of eligible housing loans from ₹1 lakh to ₹5 lakh. Under the RRY, 28 Memoranda of Understanding (MoUs) were signed by PLIs with the NHB. Although the RRY ceased to exist on April 16, 2015, no amount was disbursed but claims of ₹2.74 lakh received from one HFC, two banks and one RRB were pending for disbursements for want of certain clarifications.

4.9.2.5 In pursuance of the Budget announcements in FY 2010–11 and 2011–12, the Government of India, Ministry of Housing and Urban Poverty Alleviation, has set up and registered the **Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH)** on May 1, 2012. It has also been notified by the Ministry vide Gazette Notification dated July 7–13, 2012. The Trust has been set up with an objective to ensure better flow of institutional credit for housing in urban areas to cater to the needs of the targeted segments (EWS/ LIG borrowers). Till June 30, 2015, 57 institutions have signed MoUs with the Trust under the Scheme. During the period, the Trust issued guarantee cover in respect of 1,127 loan accounts of 11 Member Lending Institutions (MLIs), involving a total loan amount of ₹29.68 crore provided to EWS/LIG households. These MLIs include seven SCBs, three HFCs and one RRB.

4.9.2.6 With a view to promote the use of solar energy in the domestic context, the Ministry of New and Renewable Energy (MNRE), Government of India, has implemented a capital subsidy scheme under its Jawaharlal Nehru National Solar Mission (JNNSM). The **Capital Subsidy Scheme for Installation of Solar Water Heating and Solar Lighting Systems in Homes** aims at popularising the use of solar water heating and solar lighting systems in homes by offering suitable incentives in the form of capital subsidies for the purchase and installation of solar systems. Till now, MoUs have been signed with seven institutions, including one public sector bank, one private sector bank, three HFCs and two RRBs. During 2014–15, ₹5.74 crore was disbursed to one HFC and one RRB for 6,853 beneficiaries, under the Scheme.

4.9.3 NHB RESIDEX

4.9.3.1 The NHB RESIDEX tracks the movement in prices of residential properties on a quarterly basis. This is being done since 2007. The latest NHB RESIDEX for the quarter January–March, 2015, covers 26 cities. The NHB RESIDEX constructed for 26 cities has taken into account the price trends for residential properties in different locations and zones in each city. It is based on the transaction data received from the Central Registry of Securitisation Asset Reconstruction and the Security Interest of India (CERSAI). The movement in prices of residential properties for the quarter January–March, 2015, has shown a marginal increasing trend in 17 cities, ranging from 0.5 per cent in Delhi to 3.1 per cent in Guwahati, and a fall in seven cities, ranging from -0.5 per cent in Chennai to -2.3 per cent in Chandigarh in comparison to the previous quarter, October–December, 2014. The index for two cities, Ahmedabad and Kochi, has remained stagnant.

Rising Trend: The residential housing prices in 17 cities have shown an increase in prices in the quarter ended March 2015 (January–March, 2015) over the previous quarter ended December 2014 (October–December, 2014). The maximum increase was observed in Guwahati (3.1 per cent) followed by Bhopal (2.6 per cent), Surat (2.4 per cent), Hyderabad (2.1 per cent), Indore (2.1 per cent), Patna (1.9 per cent), Bengaluru (1.8 per cent), Coimbatore (1.7 per cent), Nagpur (1.6 per cent), Pune (1.6 per cent), Dehradun (1.6 per cent), Meerut (1.2 per cent), Raipur (1.2 per cent), Lucknow (1.0 per cent), Faridabad (0.9 per cent), Vijayawada (0.6 per cent) and Delhi (0.5 per cent).

Declining Trend: Seven cities have shown a decline in prices over the previous quarter with the maximum fall observed in Chandigarh (2.3 per cent), followed by Bhubaneswar (2.1 per cent), Kolkata (1.4 per cent), Jaipur (1.0 per cent), Mumbai (0.8 per cent) and Chennai (0.5 per cent). The index for two cities, Kochi and Ahmedabad, has remained stagnant.

4.9.4 Capacity Building

The NHB regularly undertakes various measures towards the training and capacity building of various stakeholders in the sector. This includes regular interaction with various PLIs in forums such as CEO meetings, Round Tables, and so on, apart from imparting and conducting various training programmes. The Bank conducted 15 training programmes for various institutions, namely, HFCs, banks, RRBs and UCBs during FY 2014–15. A total of 494 participants from various PLIs participated in these training programmes, which were held across the country – Chennai, Dharwad, Hyderabad, Pune, New Delhi, Thane, Lucknow, Rajkot and Hubballi.

Chapter 5: Housing Finance Business by the Primary Lending Institutions

5.1 Primary Lending Institutions in Housing Finance

5.1.1 Housing finance in India has evolved over time, taking into account both demand and supply factors. The housing finance industry comprises co-operative institutions, HFCs and banks. The National Housing Bank was set up at a time when housing finance was in its infancy, with few PLIs offering the product, and the economy itself was on the threshold of change. From its early years, amid rapidly changing market dynamics, attendant on liberalisation and deregulation, the NHB had to steer a nascent sector through the transition to a competitive, dynamic and market-oriented stable system. The overall policy and regulatory framework of the RBI and the NHB, with Central Government support, has consistently encouraged the industry to adopt market-based solutions with due regard to affordability and stability. This has resulted in the quality of the assets in the housing finance sector being among the best in the economy.

Box 5.1: Primary Lending Institutions in Housing Finance

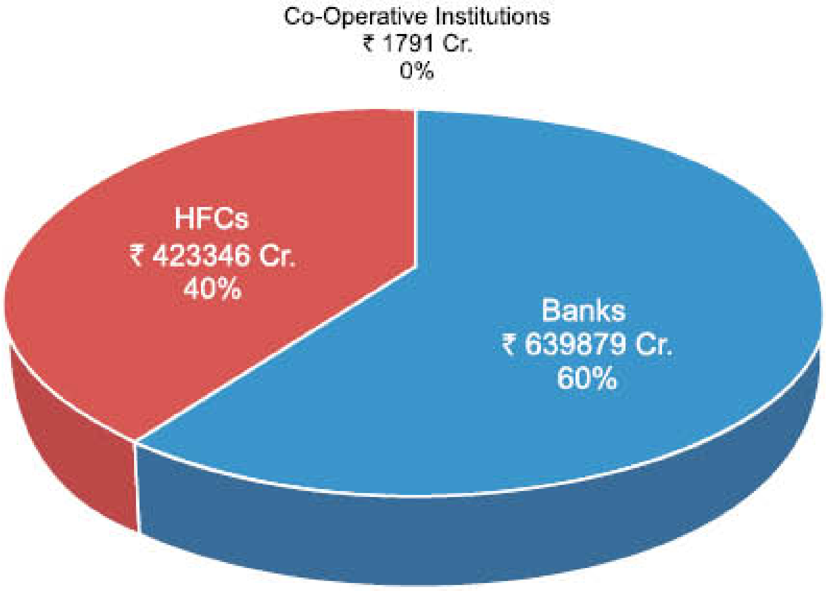
As of today, the need for long-term finance for housing in the country is catered to by the following types of institutions:

- *Financial Institutions*
- *Scheduled Commercial Banks (SCBs)*
- *Scheduled Co-operative Banks (Scheduled State Co-operative Banks, Scheduled District Co-operative Banks and Urban Co-operative Banks)*
- *Regional Rural Banks*
- *Agriculture and Rural Development Banks*
- *Housing Finance Companies*
- *State-level Apex Co-operative Housing Finance Societies*
- *NBFCs/MFIs/SHGs have also been lending for housing, though in a small way*

5.1.2 The Indian mortgage market is expected to grow at around 15 per cent in the next five years. Housing will continue to be the major driver for banks under the personal loan segment. The Scheduled Commercial Banks had the maximum share among institutional players, which is nearly 60 per cent of the total formal outstanding housing loans. The share of banks can be attributed to an extensive network and a broad customer base, access to stable low-cost funds and other regulatory mandates. However, the share of the HFCs is also growing and is indicative of the strength of their focused approach, targeting of special customer segments, relatively superior customer service, and significant growth plans. Comparing the portfolio of housing loans originated by banks and the HFCs, it emerges that the HFCs outperform banks in terms of gross NPAs.

5.1.3 Banks and the HFCs are the dominant market players engaged in providing housing finance to households. They cater to all segments of the population, apart from the Government's direct support to specified household segments. In addition, co-operative institutions, non-banking financial institutions, MFIs and others are also players providing housing finance to various households, although their contribution is not significant. As on March 31, 2015, the outstanding housing loans of banks and the HFCs stood at ₹1,063,225 crore as against ₹878,463 crore on March 31, 2014. There was an annual growth of 21 per cent in 2014–15 over 2013–14.

Graph 5.1: Outstanding Housing Loans of PLIs as on March 31, 2015



5.2 Banks and Housing Finance Business

5.2.1 The housing loans outstanding of the SCBs were at ₹639,879 crore as on March 2015, compared to ₹530,605 crore as on March 2014. Housing loans constituted 9.30 per cent of the total credit of the SCBs as on March 2015. Banks credit to Personal Housing Loans witnessed a higher growth, at 20.6 per cent in 2015 as against 14.2 per cent in 2014.

Table 5.1: Share of the SCBs' Housing Loans in Total Credit[24] (₹ in crore)

Particulars	March 2013	March 2014	March 2015
1. Outstanding Total Credit	5,525,317	6,282,082	6,878,472
2. Outstanding Housing Loans	464,711	530,605	639,879
3. Housing Loans to Total Credit	8.41%	8.45%	9.30%

5.2.2 An area-wise outstanding trend indicates a marginal growth in rural housing loans of the SCBs.

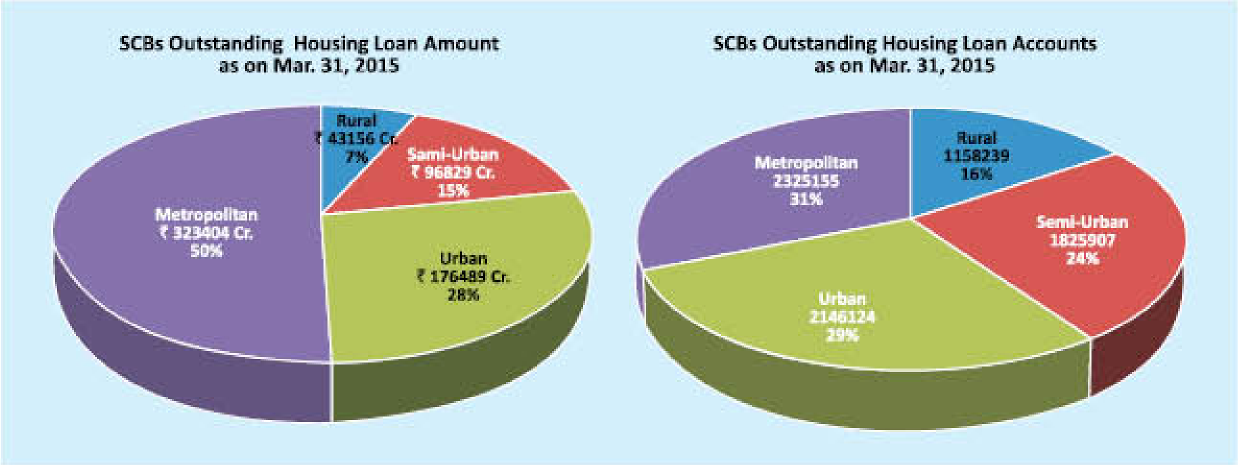
Table 5.2: Area-wise Share of SCBs' Housing Loans[25] (₹ in crore)

Particulars	2012-13	Change	2013-14	Change	2014-15	Change
Rural	29,090	6.3%	34,134	6.4%	43,156	6.7%
Urban	435,621	93.7%	496,471	93.6%	596,723	93.3%
Total	464,711	100.0%	530,605	100.0%	639,879	100.0%

[24] *Basic Statistical Returns of the Scheduled Commercial Banks in India, RBI*

[25] *Basic Statistical Returns of the Scheduled Commercial Banks in India, RBI*

Graph 5.2: Area-wise Outstanding SCBs' Housing Loans (amount and number of accounts)



5.2.3 Public Sector Banks (PSBs) on Individuals Housing Loans

The NHB collects the slab-wise individuals housing loan data from PSBs on a quarterly and yearly basis in five different slabs—up to ₹2 lakh; above ₹2 lakh and up to ₹5 lakh; above ₹5 lakh and up to ₹10 lakh; above ₹10 lakh and up to ₹25 lakh; and above ₹25 lakh. The data captured consist of attributes such as total housing loans disbursed during the quarter, housing loans outstanding as on the last day of the quarter and per cent of NPA in respect of the slab-wise loans. As per the data available from 26 PSBs, the total individual outstanding of housing loans stood at ₹440,960 crore as on March 2015. The individual housing loans disbursements during 2014-15 by these 26 PSBs were ₹112,364 crore.

Table 5.3: Status of PSBs' Individual Housing Loans* (₹ in crore)

Particulars	2012-13	2013-14	Change	2014-15	Change
Disbursements	71,857	98,787	37%	112,364	14%
Outstanding	311,982	375,090	20%	440,960	18%

* *Based on compilation of data submitted by 26 public sector banks*

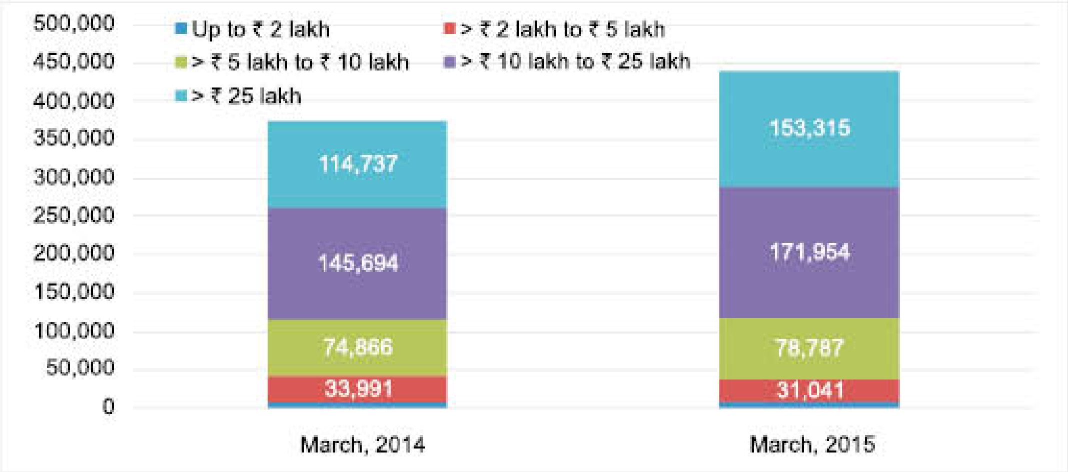
Table 5.4: Slab-wise PSBs' Individual Housing Loans* (₹ in crore)

Housing Loan Slabs (₹)	2013-14			2014-15		
	Disbursement	Outstandings	NPA (%)	Disbursement	Outstandings	NPA (%)
Up to ₹ 2 lakh	1,883	5,801	10.5	1,424	5,864	11.4
> ₹ 2 lakh to ₹ 5 lakh	3,768	33,991	3.3	3,807	31,041	2.8
> ₹ 5 lakh to ₹10 lakh	12,464	74,866	1.7	12,557	78,787	1.4
> ₹ 10 lakh to ₹ 25 lakh	37,680	145,694	0.9	40,939	171,954	0.9
> ₹ 25 lakh	42,993	114,737	0.6	53,636	153,315	0.6
Total	**98,787**	**375,090**	**1.3**	**112,364**	**440,960**	**1.2**

* *Based on compilation of data submitted by 26 public sector banks*

Table 5.4 reveals that the loan volumes of above ₹10 lakh to ₹25 lakh and above ₹25 lakh constitute the major portion of the total housing loan disbursed. Also, the total outstanding loans constituted the maximum in the slab of above ₹10 lakh to ₹25 lakh. This can be attributed to the low NPA level in the slab of above ₹10 lakh to ₹25 lakh.

Graph 5.3: Slab-wise Housing Loan Data of PSBs

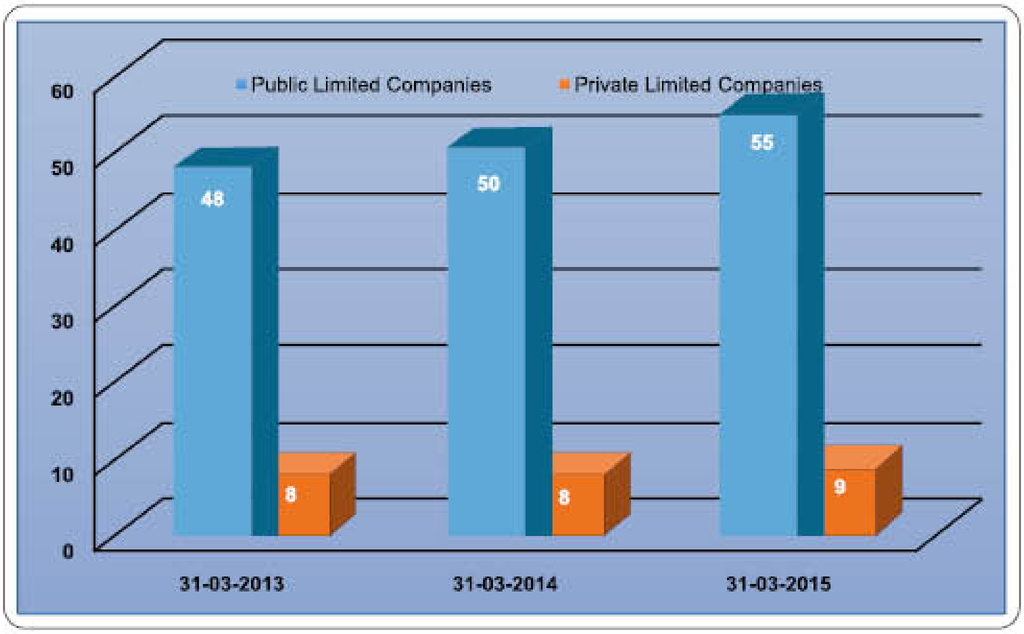


5.3 Housing Finance Companies and Their Business

5.3.1 Housing Finance Companies in India

As on March 31, 2015, 64 HFCs were granted the Certificate of Registration (CoR) under Section 29A of The National Housing Bank Act, 1987. Of these, 46 HFCs were given the CoR without permission to accept public deposits. Out of 64 HFCs, 55 were public limited companies and 9 were private limited companies. In 2014-15, Certificates of Registration were granted to 7 companies—Aspire Home Finance Corporation Limited, Muthoot Homefin (India) Limited, Aditya Birla Housing Finance Limited, RAAS Housing Finance (India) Limited, Mamta Housing Finance Company Private Limited, Mentor India Limited and SEWA Grih Rin Limited.

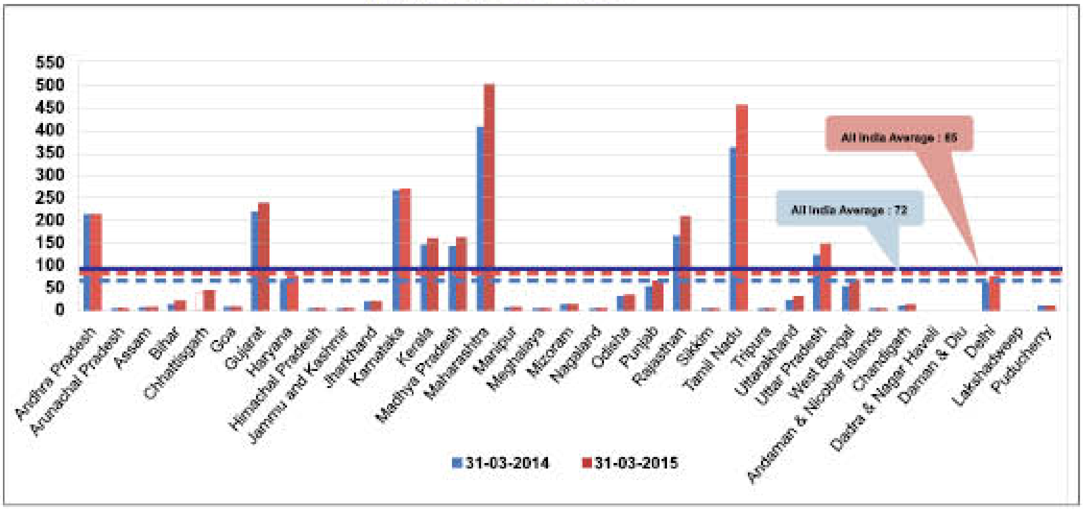
Graph 5.4: Classification of Registered Housing Finance Companies



5.3.2 Branches/Offices Network of the HFC

HFCs branches/offices were increased from 2,510 as on March 31, 2014, to 2,958 as on March 31, 2015, with an annual growth of about 18 per cent. Graph 5.5 provides the State/Union Territory-wise branches/offices details of HFCs.

Graph: 5.5: State/Union Territory-wise Distribution of Branches/Offices of Registered HFCs in the Last Two Years*



Andhra Pradesh for the year '2014–15' includes 98 branches in Telangana

Box 5.2: Operational and Performance of the Housing Finance Companies

Housing Finance Companies (HFCs), specialised lending institutions for housing, registered with the National Housing Bank, were a major component of the mortgage market in India. As on March 31, 2015, there were 64 HFCs registered under Section 29A of the National Housing Bank Act, 1987. They had a network of 2,958 branches and other offices spread across the country. In addition, few HFCs had their representative offices for liaison work.

The growth in the HFCs' outstanding housing loan portfolio was encouraging, with an annual increase of 22 per cent during 2014–15. The Directions/Policy Circulars/Guidelines issued by the NHB for the HFCs on issues pertaining to the requirements of Net Owned Fund, Capital Adequacy Ratio, Loan to Value Ratio, Assignment of Risk Weights and Provisioning, Know Your Customer and Anti Money Laundering, and others, were intended to ensure the sound growth of the HFCs and the development of the housing finance sector on sustainable lines. Some highlights of the HFCs:

- *The number of registered HFCs was increased from 58 as on March 31, 2014, to 64 as on March 31, 2015.*
- *The number of branches/offices of registered HFCs was increased from 2,510 as on March 31, 2014 to 2,958 as on March 31, 2015.*
- *The total outstanding loan portfolio as on March 31, 2015, was ₹562,315 crore, with an annual growth of 21.20 per cent.*
- *The total outstanding housing loan portfolio as March 31, 2015, was ₹423,346 crore, with an annual growth of 21.70 per cent.*
- *The total outstanding non-housing loan portfolio as on March 31, 2015, was ₹138,970 crore, with an annual growth of 19.71 per cent.*
- *The share of outstanding housing loans to outstanding total loans was increased to 75.29 per cent as on March 31, 2015, from 74.98 per cent as on March 31, 2014.*
- *The share of outstanding non-housing loans to outstanding total loans was marginally decreased to 24.71 per cent as on March 31, 2015, from 25.02 per cent as on March 31, 2014.*
- *The total NNPAs as on March 31, 2015, were ₹2,638 crore, with an increase of 0.65 per cent over the previous year (₹2,621 crore as on March 31, 2014).*
- *The total Net Owned Funds (NOFs) as on March 31, 2015, were increased by 19.32 per cent, that is, from ₹51,785 crore as on March 31, 2014, to ₹61,790 crore as on March 31, 2015.*
- *The outstanding borrowings of the HFCs as on March 31, 2015, were ₹509,016 crore, with an annual growth of 20.75 per cent.*
- *The outstanding public deposits as on March 31, 2015, were ₹63,681 crore, with an annual growth of 22.51 per cent.*

5.3.3 Financial Profiles of the HFCs

The financial year for the HFCs registered with the NHB is from April 1 to March 31; the data provided in this chapter are as on March 31, 2015. A summary of the key financial indicators of 64 HFCs are given in Table 5.5.

Table 5.5: HFCs – Key Financial Indicators (₹ in crore)

Particulars	31-03-2013	31-03-2014	Growth	31-03-2015	Growth
Paid-up Capital	5,541	6,014	8.54%	6,629	10.23%
Free Reserves	48,019	55,179	14.91%	62,994	14.16%
Net Owned Fund (NOF)	51,027	51,785	1.49%	61,790	19.32%
Public Deposits	44,179	51,981	17.66%	63,681	22.51%
Outstanding Housing Loans	290,427	347,858	19.77%	423,346	21.70%
Outstanding Total Loans	390,217	463,942	18.89%	562,315	21.20%
GNPA as Percentage of O/s Total Loans	1.11	1.18		1.08	
NNPA as Percentage of O/s Total Loans	0.45	0.56		0.47	

Table 5.6: Performance of Commercial Banks and Multi-State Co-operative Bank-sponsored HFCs and Other HFCs

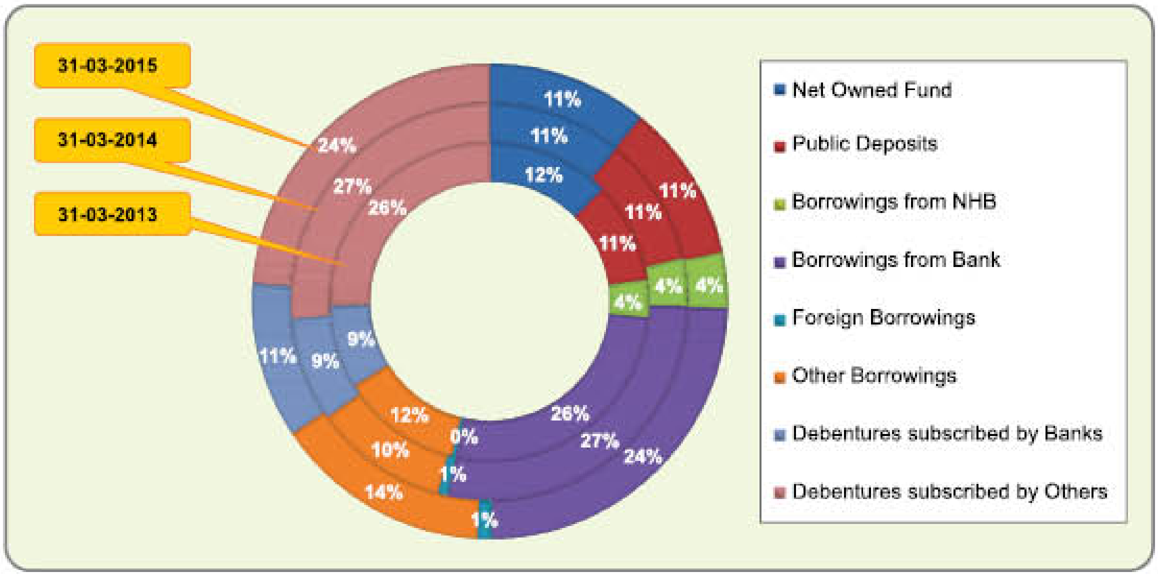
Particulars	31-03-2013			31-03-2014			31-03-2015		
	Sponsored HFCs	Other HFCs	Total	Sponsored HFCs	Other HFCs	Total	Sponsored HFCs	Other HFCs	Total
Paid-up Capital	1,262	4,279	5,541	1,282	4,732	6,014	1,327	5,302	6,629
Free Reserves	1,931	46,088	48,019	2,465	52,714	55,179	3,429	59,565	62,994
Net Owned Fund	3,005	48,022	51,027	3,536	48,249	51,785	4,525	57,265	61,790
Public Deposits	1,718	42,461	44,179	2,296	49,685	51,981	5,554	58,127	63,681
O/s Housing Loans	15,860	274,567	290,427	20,854	327,004	347,858	29,448	393,898	423,346

Table 5.7: Composition of Borrowings by the HFCs (₹ in crore)

Particulars	31-03-2013	31-03-2014	Growth	31-03-2015	Growth
National Housing Bank	15,863	19,376	22%	23,027	19%
Foreign Government, Foreign Authority and Foreign Citizen or Person	1,059	3,314	213%	5,261	59%
Banks	104,236	128,407	23%	136,746	6%
Debentures secured by mortgage of immovable properties or convertible debentures	141,257	169,015	20%	200,804	19%
Of the above, *Debentures subscribed by banks*	35,526	40,795	15%	62,941	54%
Debentures subscribed by others	105,731	128,220	21%	137,863	8%
Others	47,553	49,466	4%	79,497	61%
Public Deposits	44,179	51,981	18%	63,681	23%

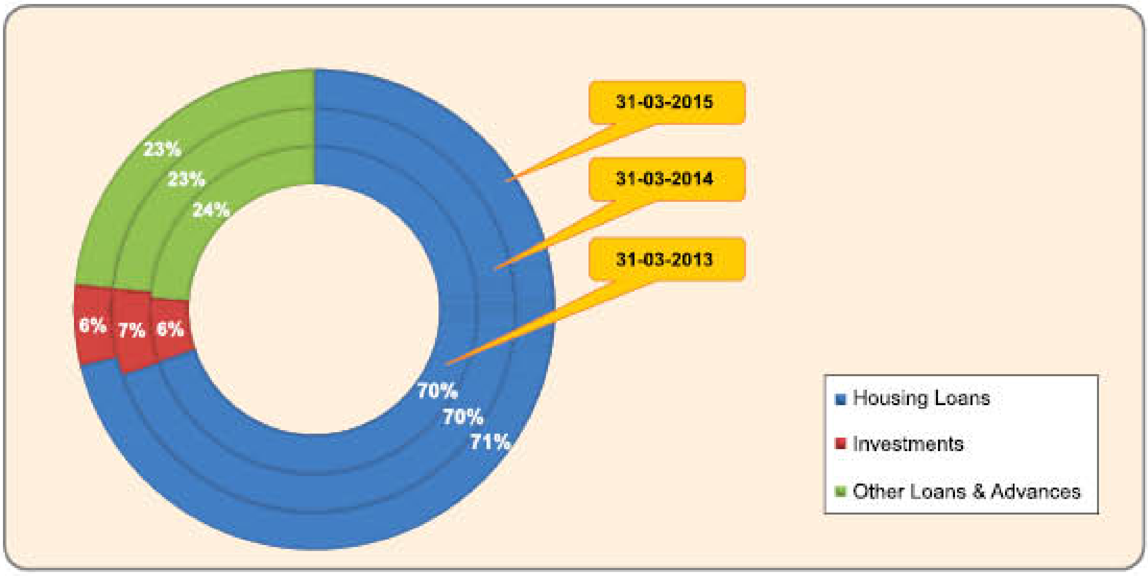
The total NOF of the HFCs at the end of March 2014 was ₹51,785 crore, which increased to ₹61,790 crore at the end of March 2015, thereby registering a growth of 19.32 per cent from the preceding year. Public deposits of the HFCs grew by 22.51 per cent, that is, from ₹51,981 crore at the end of March 2014 to ₹63,681 crore at the end of March 2015. Trend analysis on outstanding resources data of the HFCs revealed that the HFCs raised about one-third of resources from banks through borrowings and subscription to debentures; and the debentures subscribed by others constituted around one-fourth. Although the NHB's refinance support constituted around 4 per cent of the HFCs' outstanding resources, it played a crucial role in containing the cost of borrowings. Graph 5.6 depicts the trend in the HFCs' outstanding resources in the last three years.

Graph 5.6: Trend in Outstanding Resources of the HFCs in the Last Three Years



Housing loans outstanding as at the end of March 2014 were ₹347,858 crore; these increased to ₹423,346 crore by the end of March 2015, thus registering a growth of about 22 per cent in 2014–15. The housing loan portfolio of the HFCs has the highest share among the entire loan portfolio of the HFCs in 2013, 2014 and 2015 (70, 70 and 71 per cent, respectively). The investment percentage to total assets was the least in the HFCs' asset composition. The aggregate investments of the HFCs stood at ₹33,817 crore as on March 31, 2015, as against ₹34,228 crore as on March 31, 2014, this registering a decrease of 1.20 per cent. Graph 5.7 provides the trend in the HFCs' assets in the last three years.

Graph 5.7: Trend in Outstanding Assets of the HFCs in the Last Three Years



5.3.4 Key Performance Indicators of the HFCs on the basis of Public and Private Limited HFCs

The key financial parameters of Public and Private Limited HFCs have been provided in Table 5.8.

Table 5.8: Performance Public and Private Limited HFCs (₹ in crore)

Particulars	31-03-2013			31-03-2014			31-03-2015		
	Public Ltd.	Pvt. Ltd.	Total	Public Ltd.	Pvt. Ltd.	Total	Public Ltd.	Pvt. Ltd.	Total
Paid-up Capital	5,367	174	5,541	5,879	135	6,014	6,447	182	6,629
Free Reserves	47,911	108	48,019	55,021	158	55,179	62,710	284	62,994
Net Owned Fund (NOF)	50,760	267	51,027	51,502	283	51,785	61,336	454	61,790
Public Deposits	44,179	–	44,179	51,981	–	51,981	63,681	–	63,681
O/s Housing Loans	290,001	426	290,427	347,376	482	347,858	422,324	1,022	423,346

- **On the Basis of Public Deposit Accepting and Non-accepting:**

As on March 31, 2014 and March 31, 2015, there were 18 HFCs that had been provided the CoR with permission to accept public deposits. Of these 18 HFCs, 6 are required to obtain prior written permission from the NHB before accepting any public deposits. The key financial parameters of the HFCs for the past three years provided in Table 5.8 were further segregated on the basis of classification into public deposit accepting and non-public deposit accepting HFCs. These are given in Table 5.9.

Table 5.9: Performance Public Deposit Accepting and Non-accepting HFCs (₹ in crore)

Particulars	31-03-2013			31-03-2014			31-03-2015		
	Deposit Accepting HFCs	Non-deposit Accepting HFCs	Total	Deposit Accepting HFCs	Non-deposit Accepting HFCs	Total	Deposit Accepting HFCs	Non-deposit Accepting HFCs	Total
Paid-up Capital	4,072	1,469	5,541	4,138	1,876	6,014	4,240	2,389	6,629
Free Reserves	42,192	5,827	48,019	48,239	6,940	55,179	54,358	8,636	62,994
Net Owned Fund (NOF)	44,056	6,971	51,027	43,772	8,013	51,785	51,091	10,699	61,790
Public Deposits	44,179	–	44,179	51,981	–	51,981	63,681	–	63,681
O/s Housing Loans	262,821	27,606	290,427	311,111	36,747	347,858	370,191	53,155	423,346

- **Commercial Banks and Multi-State Co-operative Bank-sponsored HFCs**

As on March 31, 2013, March 31, 2014 and March 31, 2015, there were 5 HFCs sponsored by commercial banks and 1 HFC sponsored by a multi-State co-operative bank:

- Canfin Homes Ltd., sponsored by Canara Bank

- Cent Bank Home Finance Ltd., sponsored by the Central Bank of India
- ICICI Home Finance Ltd., sponsored by ICICI Bank Ltd.
- Ind Bank Housing Ltd., sponsored by Indian Bank
- PNB Home Finance Ltd., sponsored by Punjab National Bank
- REPCO Home Finance Ltd., sponsored by REPCO Bank, which is a multi-State co-operative bank

5.3.5 Borrowings Profiles of the HFCs

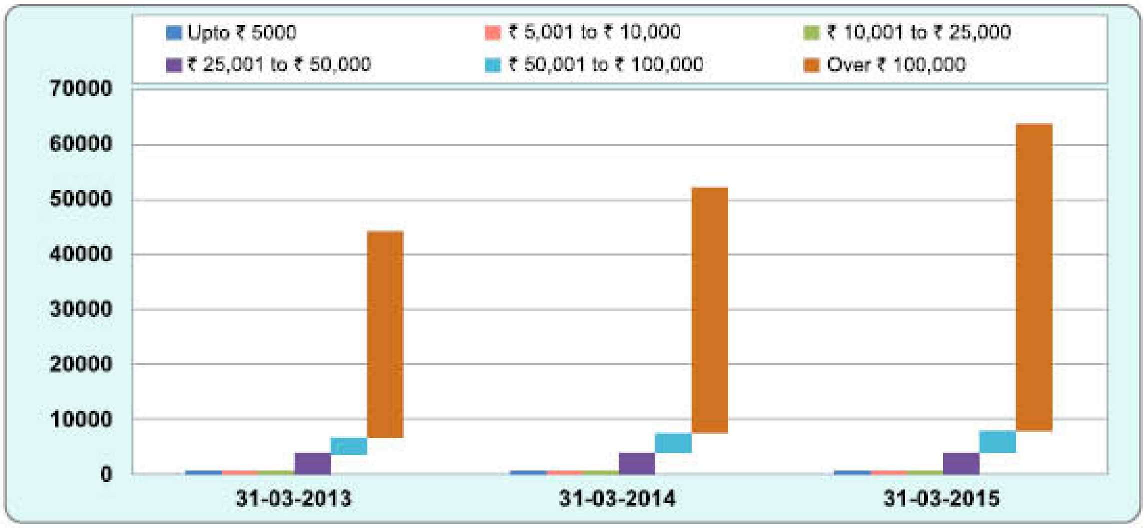
The paid-up capital of the HFCs (including the preference share capital, which is compulsorily convertible into equity) were increased from ₹6,014 crore as on March 31, 2014, to ₹6,629 crore as on March 31, 2015, that is, a growth of 10.23 per cent per annum. However, there was an increase of 19.32 per cent per annum in the NOFs of the HFCs, that is, from ₹51,785 crore as on March 31, 2014, to ₹61,790 crore as on March 31, 2015.

The HFCs primarily depended on loans and debentures from banks and financial institutions, besides their own funds. Borrowings through bonds and debentures, inter-corporate deposits (ICDs), commercial papers, subordinate debts and public deposits are other sources of funds for the HFCs. The HFCs' resources details for the last three years have been shown in Table 5.7. The outstanding borrowings of the HFCs, excluding public deposits, were increased by 20.50 per cent, that is, from ₹369,578 crore as on March 31, 2014, to ₹445,335 crore as on March 31, 2015. Borrowings from the banking system stood at ₹136,746 crore as on March 31, 2015, as against ₹128,407 crore as on March 31, 2014. Other borrowings were increased from ₹241,171 crore as on March 31, 2014, to ₹308,589 crore as on March 31, 2015, thus registering a growth of 27.95 per cent. The total outstanding public deposits with the HFCs registered an increase of 22.51 per cent, that is, from ₹51,981 crore as on March 31, 2014, to ₹63,681 crore as on March 31, 2015.

5.3.6 Public Deposits with the HFCs

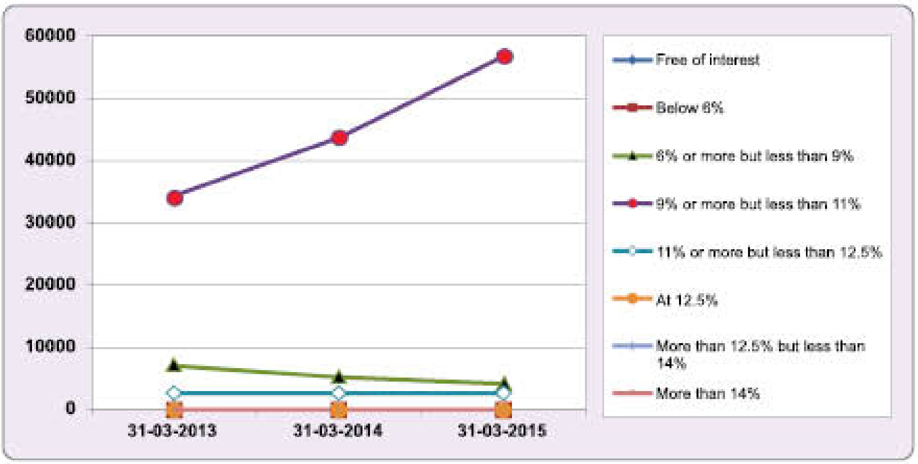
The outstanding public deposits with the HFCs showed an increasing trend during the year 2014–15. As on March 31, 2015, public deposits over ₹100,000 accounted for a maximum number of deposits with a share of 87.30 per cent of the total public deposits as on March 31, 2015. The trend in size-wise outstanding public deposits at the end of the last three years has been shown in the graph below. It was observed that the major HFCs—Housing Development Finance Corporation Ltd., Housing & Urban Development Corporation Ltd., Dewan Housing Finance Corporation Ltd., PNB Housing Finance Ltd., Gruh Finance Ltd, Sundaram BNP Paribas Home Finance Ltd., LIC Housing Finance Ltd., and others—mobilised a significant amount of public deposits during the year 2014–15

Graph 5.8: Size-wise Trend in Public Deposits of the HFCs in the Last Three Years (₹ in crore)



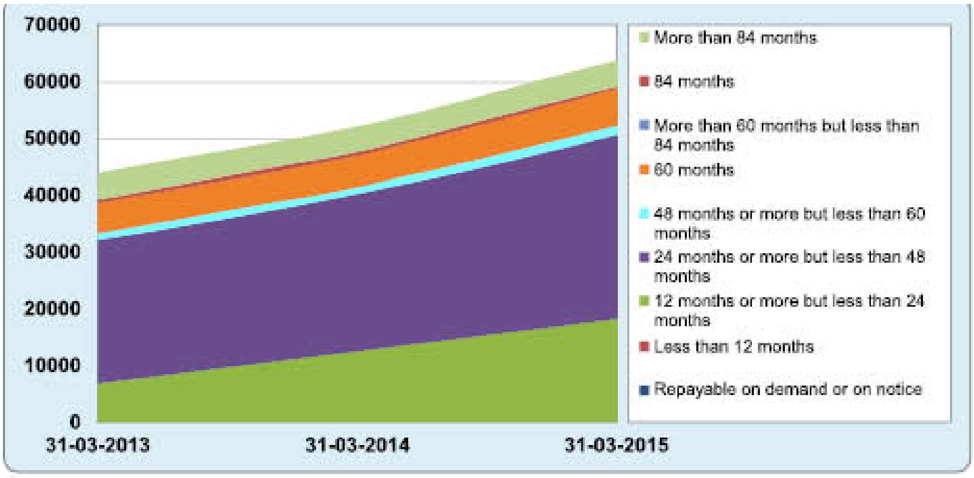
5.3.6.1 **Interest rate-wise Public Deposits of the HFCs:** As on March 31, 2015, 89.26 per cent of the total public deposits held by the HFCs fall in the rate category of 9 to 11 per cent per annum. The HFCs had 6.59 per cent of public deposits in the interest rate slab of 6 to 9 per cent per annum, which showed a decline over the previous year. The trend in interest rate-wise classification of outstanding public deposits at the end of the last three years is shown in Graph 5.9.

Graph 5.9: Interest Rate Trend in Public Deposits of the HFCs in the Last Three Years (₹ in crore)



5.3.6.2 **Maturity-wise Public Deposits of the HFCs:** An analysis of maturity-wise classification of public deposits in the last three years indicates that the majority of the public depositors' preference was for a maturity period of 24 months or more but less than 48 months. The share of the public deposits in this category has shown a decreasing trend during the year 2014-15 over 2013-14. The trend in maturity-wise classification of outstanding public deposits at the end of the last three years is shown in Graph 5.10.

Graph 5.10: Maturity Trend in Public Deposits of the HFCs in the Last Three Years (₹ in crore)



5.3.7 Assets Profile of the HFCs

The assets profile of the HFCs mainly comprises housing loans, other loans and investments, and the outstanding amount at the end of March 31, 2015 was at ₹596,132 crore. In 2014-15, housing loans contributed around 71 per cent of the total assets portfolio of the HFCs, with an annual growth of about 22 per cent in 2014-15 over 20 per cent in 2013-14. Other loans and advances come next to housing loans in the HFCs' assets profile with a share of about 23 per cent. The investments' share was on a decreasing trend and had only about 6 per cent of the total assets of the HFCs in 2014-15. The outstanding position of major assets derived from the compilation of data submitted by the HFCs from their annual returns, along with their annual growth, is shown in Table 5.11.

5.3.7.1 Outstanding Loans and Advances/ Investments of the HFCs

Table 5.10: Outstanding Loans & Advances & Investments of the HFCs (₹ in crore)

Particulars	31-03-2013	31-03-2014	Growth	31-03-2015	Growth
Housing Loans	290,427	347,858	19.8%	423,346	21.7%
Other Loans and Advances	99,790	116,084	16.3%	138,970	19.7%
Investments	27,176	34,228	26.0%	33,817	(1.2%)
Total	**417,393**	**498,170**	**19.4%**	**596,132**	**19.7%**

Other loans and advances outstanding of the HFCs stood at ₹138,970 crore as on March 31, 2015, as compared to ₹116,084 crore as on March 31, 2014, with a growth rate of 19.7 per cent per annum. The outstanding ratio between housing loans and other loans and advances was 3:1.

The aggregate investments of the HFCs stood at ₹33,817 crore as on March 31, 2015, compared to ₹34,228 crore as on March 31, 2014, with a decrease of 1.2 per cent per annum.

5.3.7.2 Housing Loans of the HFCs

The outstanding housing loans of all registered HFCs were ₹423,346 crore as on March 31, 2015, and saw a growth of 21.7 per cent per annum, compared to ₹347,858 crore as on March 31, 2014. The percentage of outstanding housing loans to total loans was at 74.4 per cent and 74.9 per cent as on March 31, 2013 and March 31, 2014, respectively, which marginally increased and was maintained at 75.2 per cent as on March 31, 2015.

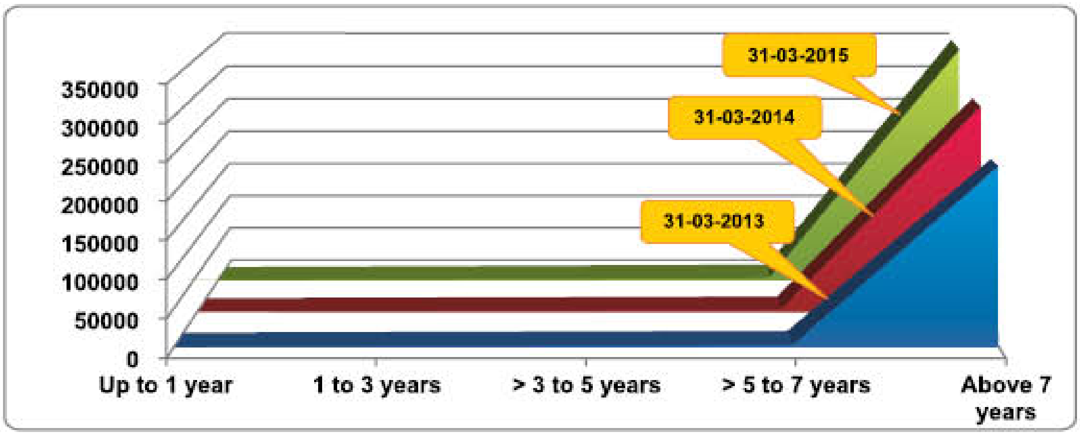
Table 5.11: Comparison of Housing Loans with Total Loans of the HFCs (₹ in crore)

Particulars	31-03-2013	31-03-2014	Growth	31-03-2015	Growth
Outstanding Housing Loans	290,427	347,858	19.8%	423,346	21.7%
Outstanding Total Loans	390,218	463,942	18.9%	562,315	21.2%
Housing Loans to Total Loans	74.4%	75.0%		75.3%	

5.3.7.3 Maturity Pattern of Housing Loans of the HFCs

Analysing the trend of the maturity pattern of housing loans outstanding to individuals with the HFCs, it was observed that around 97 per cent of these housing loans had the maturity of above 7 years. This indicates that the preference of the majority of the HFCs' individual housing loan customers was for housing loans on a long tenure rather than a short or medium one. The maturity pattern of outstanding housing loans to individuals at the end of the last three years is shown in Graph 5.11.

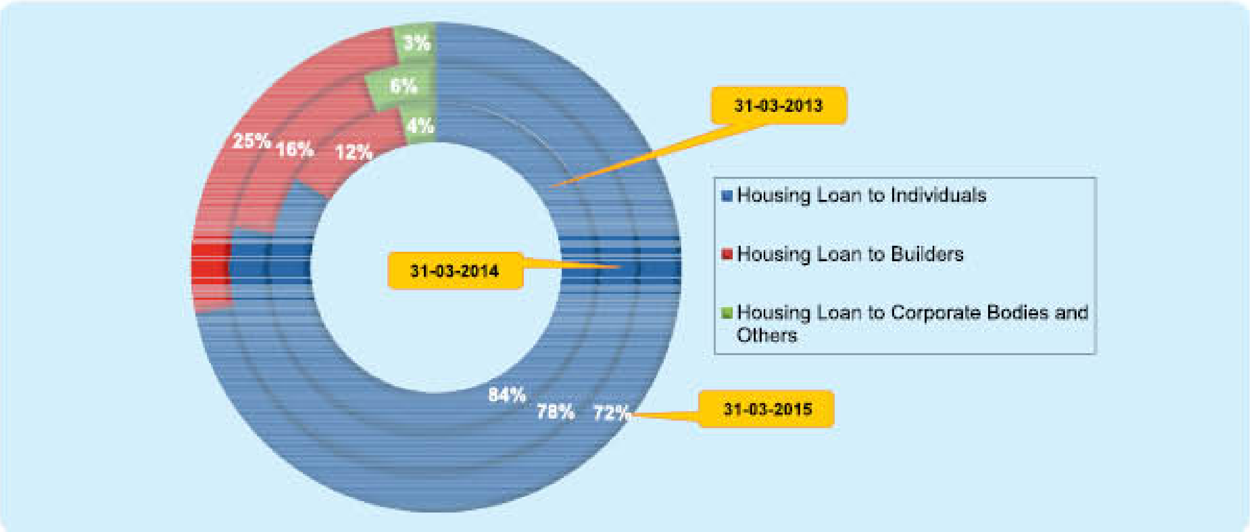
Graph 5.11: Maturity-pattern Trend in Housing Loans to Individuals by the HFCs (₹ in crore)



5.3.8 Borrowers' Type Disbursements of Housing Loans

The disbursements on housing loans by HFCs had a growth rate of about 27 per cent in 2014-15 over 2013-14. Borrowers' type-wise dissection of disbursement of housing loans in 2014-15, further revealed that around 72 per cent of their housing loans were to individuals, 25 per cent to builders and 3 per cent to corporate bodies and others. This indicates that HFCs main service concentration of housing loan was on individuals. The disbursement in the last three years was shown in the graph 5.12

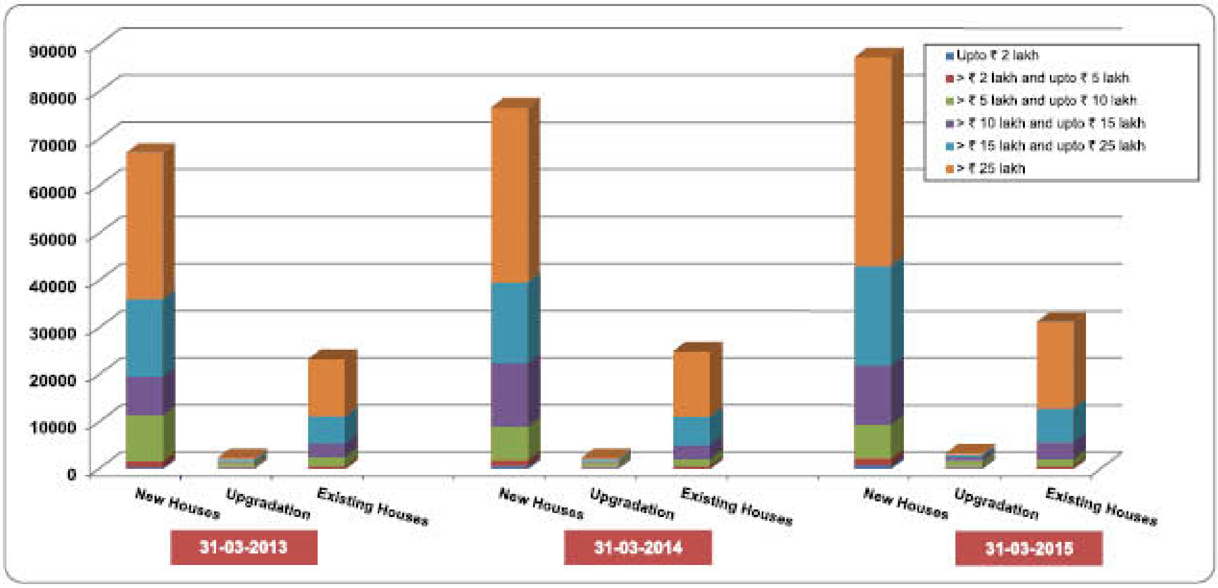
Graph 5.12: Borrowers' Type-wise Disbursement Trend in Housing Loans by the HFCs



5.3.8.1 Purpose-wise Disbursements of Housing Loans to Individuals

An analysis of purpose-wise HFCs' disbursements on housing loans given to individuals revealed that about 72 per cent of the loans disbursed were for the acquisition/construction of new houses; 3 per cent for upgradation, including major repairs; and the balance 25 per cent for old/existing houses (resale). This showed that new assets creation was the main activity from the housing loans disbursed by the HFCs. The trend in the disbursement during the last three years is shown in Graph 5.13.

Graph 5.13: Purpose-wise Disbursement Trend in Housing Loans to Individuals by the HFCs (₹ in crore)



In 2014–15, the HFCs disbursed ₹121,665 crore for 1,155,479 loan accounts for the acquisition/construction of new houses, upgradation (including major repairs), and purchase of old/existing houses (resale). The segregated and consolidated details are shown in Tables 5.12 to 5.15.

Table 5.12: Comparison of the Disbursement of Housing Loans by the HFCs to Individuals, for the Acquisition/Construction of New Houses (₹ in crore)

Housing Loan Slabs	2012-13	2013-14	Growth(%)	2014-15	Growth(%)
Up to ₹2 lakh	369	566	53.40	826	45.90
₹2 lakh to ₹5 lakh	1,267	1,385	9.30	1,386	0.10
₹5 lakh to ₹10 lakh	9,800	7,199	-26.50	7,088	-1.50
₹10 lakh to ₹15 lakh	8,196	13,240	61.50	12,502	-5.60
₹15 lakh to ₹25 lakh	16,148	17,031	5.50	21,144	24.20
Above ₹25 lakh	31,291	37,281	19.10	44,384	19.10
Total (1)	**67,072**	**76,702**	**14.40**	**87,330**	**13.90**

Table 5.13: Comparison of the Disbursement of Housing Loans by the HFCs to Individuals, for Upgradation (including major repairs) (₹ in crore)

Housing Loan Slabs	2012-13	2013-14	Growth(%)	2014-15	Growth(%)
Up to ₹2 lakh	114	57	-50.00	49	-14.04
₹2 lakh to ₹5 lakh	449	490	9.13	559	14.08
₹5 lakh to ₹10 lakh	872	919	5.39	1,176	27.97
₹10 lakh to ₹15 lakh	366	467	27.60	653	39.83
₹15 lakh to ₹25 lakh	248	317	27.82	501	58.04
Above ₹25 lakh	136	152	11.76	279	83.55
Total (2)	**2,185**	**2,402**	**9.93**	**3,216**	**33.89**

Table 5.14: Comparison of the Disbursement of Housing Loans by the HFCs to Individuals, for the Acquisition of Old/Existing Houses (resale) (₹ in crore)

Housing Loan Slabs	2012-13	2013-14	Growth(%)	2014-15	Growth(%)
Up to ₹2 lakh	21	28	33.30	25	-10.70
₹2 lakh to ₹5 lakh	311	291	-6.40	301	3.40
₹5 lakh to ₹10 lakh	1,976	1,720	-13.00	1,722	0.10
₹10 lakh to ₹15 lakh	3,097	2,919	-5.80	3,367	15.40
₹15 lakh to ₹25 lakh	5,641	5,948	5.40	7,237	21.70
Above ₹25 lakh	12,285	14,048	14.40	18,466	31.50
Total (3)	**23,331**	**24,954**	**7.00**	**31,118**	**24.70**

Table 5.15: Comparison of the Total Disbursement of Housing Loans by the HFCs to Individuals (₹ in crore)

Housing Loan Slabs	2012-13	2013-14	Growth(%)	2014-15	Growth(%)
Up to ₹2 lakh	505	651	28.80	900	38.30
₹2 lakh to ₹5 lakh	2,027	2,166	6.90	2,246	3.70
₹5 lakh to ₹10 lakh	12,649	9,838	-22.20	9,986	1.50
₹10 lakh to ₹15 lakh	11,659	16,625	42.60	16,522	-0.60
₹15 lakh to ₹25 lakh	22,037	23,295	5.70	28,882	24.00
Above ₹25 lakh	43,712	51,481	17.80	63,129	22.60
Total (4) = (1) + (2) + (3)	**92,589**	**104,057**	**12.40**	**121,665**	**16.90**

Out of a total housing loan disbursement of ₹121,665 crore to individuals in 2014–15, ₹3,146 crore was disbursed towards housing loans up to ₹5 lakh, which contributed to 2.6 per cent of the total loan portfolio.

From the compilation of the submitted information, it was observed that out of ₹3,146 crore disbursed in the category of housing loan up to ₹5 lakh, ₹34 crore, ₹251 crore and ₹2,861 crore were disbursed to the category of borrowers with a monthly income up to ₹5,000, ₹5,001 to ₹10,000, and more than ₹10,000, respectively. These details are shown in Table 5.16.

Table 5.16: Comparison of the Disbursement of Housing Loans by the HFCs to Individuals, During 2014–15, as Per Income Category (₹ in crore)

Housing Loan Slabs	Income up to ₹5,000 p.m.		Income ₹5,001 to ₹10,000 p.m.		Income above ₹10,000 p.m.		Total	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Up to ₹3 lakh	1,437	12	26,615	224	80,363	1,141	108,415	1,377
Above ₹3 lakh to ₹5 lakh	568	22	825	27	49,817	1,720	51,210	1,769
Total	**2,005**	**34**	**27,440**	**251**	**130,180**	**2,861**	**159,625**	**3,146**

The State/UT-wise data on housing loans to individuals and builders, on disbursement and outstanding, and also housing loan disbursement in rural and urban areas, from 2014–15, are shown in Table 5.17.

Table 5.17: HFCs' Housing Loans Disbursements Trend in Different States/ UTs (category-wise) (₹ in crore)

Particulars	2013–14			2014–15			Growth in Total
State/UT	Urban	Rural	Total	Urban	Rural	Total	
Andhra Pradesh	7,501.92	1,024.56	8,526.48	3,816.83	762.95	10,287.95	20.7%
Telangana				5,034.56	673.61		
Andaman and Nicobar Islands	–	–	–	–	–	–	–
Arunachal Pradesh	5.39	0.78	6.17	–	–	–	-100.0%
Assam	326.36	2.04	328.40	347.19	5.38	352.57	7.4%
Bihar	207.56	4.76	212.32	306.23	28.69	334.92	57.7%
Chandigarh	339.61	2.76	342.37	435.12	22.97	458.09	33.8%
Chhattisgarh	643.54	55.63	699.17	847.39	78.94	926.33	32.5%
Dadra & Nagar Haveli	43.78	0.40	44.18	39.04	0.43	39.47	-10.7%
Daman and Diu	19.90	0.47	20.37	15.86	0.30	16.16	-20.7%
Delhi	3,359.38	191.68	3,551.06	4,738.11	130.63	4,868.74	37.1%
Goa	116.23	46.75	162.98	131.80	57.00	188.80	15.8%
Gujarat	4,370.79	1,131.87	5,502.66	5,394.15	1,814.15	7,208.30	31.0%
Haryana	4,651.51	347.26	4,998.77	5,002.50	316.30	5,318.80	6.4%
Himachal Pradesh	33.76	2.58	36.34	35.86	12.12	47.98	32.0%
Jammu and Kashmir	22.85	–	22.85	30.95	0.05	31.00	35.7%
Jharkhand	351.11	20.29	371.4	442.49	51.48	493.97	33.0%
Karnataka	7,453.74	3,964.62	11,418.36	8,491.66	4,556.05	13,047.71	14.2%
Kerala	2,045.87	894.13	2,940	2,106.58	1,243.37	3,349.95	13.9%
Lakshadweep	–	–	–	–	–	–	–
Madhya Pradesh	2,651.72	342.39	2,994.11	3,519.61	564.89	4,084.50	36.4%
Maharashtra	24,671.79	4,634.21	29,306	28,577.81	5,159.16	33,736.97	15.1%

Manipur	33.03	3.59	36.62	12.18	0.57	12.75	-65.2%
Meghalaya	–	–	–	–	–	–	–
Mizoram	6.73	16.82	23.55	8.37	1.02	9.39	-60.1%
Nagaland	0.82	–	0.82	1.08	0.09	1.17	42.7%
Odisha	557.18	29.30	586.48	593.68	47.64	641.32	9.350%
Puducherry	156.61	20.01	176.62	203.61	21.44	225.05	27.4%
Punjab	1,501.37	159	1,660.37	1,488.88	419.09	1,907.97	14.9%
Rajasthan	3,016.81	470.41	3,487.22	3,951.76	620	4,571.76	31.1%
Sikkim	62.48	0.10	62.58	99.64	0.01	99.65	59.2%
Tamil Nadu	11,694.07	2,099.65	13,793.72	12,411.73	2,453.81	14,865.54	7.8%
Tripura	–	–	–	0.62	–	0.62	100.0%
Uttar Pradesh	9,185.95	474.92	9,660.87	9,803.22	591.35	10,394.57	7.6%
Uttarakhand	779.36	97.92	877.28	998.19	172.43	1,170.62	33.4%
West Bengal	2,146.47	60.02	2,206.49	2,819.37	152.94	2,972.31	34.7%
Total	**87,957.69**	**16,098.92**	**104,056.61**	**101,706.1**	**19,958.86**	**121,664.9**	**16.9%**

5.4 The National Co-operative Housing Federation of India

The National Co-operative Housing Federation of India (NCHF) is the nationwide organisation of the Indian Co-operative Housing Movement. The basic thrust of its formation was to have an organisation at the national level to assume the responsibility of promoting, developing and coordinating the activities of housing co-operatives in the country. The co-operative housing structure consists of primary housing co-operatives at the grassroots level and Apex Co-operative Housing Federations (ACHFs). During 2014–15, these Federations have so far disbursed ₹12,390 crore to primary housing co- operatives for the construction of dwelling units for their members. Their outstanding loan portfolio was at ₹1,791 crore.

Table 5.18: Trend in Borrowings, Sanctions and the Disbursements of ACHFs (cumulative) for the Last Three Years (₹ in crore)

Type	2012–13	2013–14	2014–15
Amount Borrowed	10,689	10,755	10,888
Loan Sanctioned	12,430	12,574	12,851
Loan Disbursed	11,971	12,128	12,390

Table 5.19: Trend in Housing Loan Disbursed and Units Constructed by ACHFs (State-wise) for the Last Three Years (₹ in crore)

State	2012–13		2013–14		2014–15	
	Units Constructed/ Financed	Amount	Units Constructed/ Financed	Amount	Units Constructed/ Financed	Amount
Andhra Pradesh	447	65.1	NA	NA	2,404	32.3
Assam	–	–	815	NA	–	–
Bihar	–	–	–	–	–	–
Chandigarh	–	–	NA	NA	NA	NA
Delhi	350	104.1	NA	67.3	239	52.4
Goa	38	4.8	26	2.6	28	2.2
Gujarat	–	–	–	–	–	–
Haryana	NA	4.4	840	1.9	NA	6.3

Himachal Pradesh	NA	1.4	NA	1.2	NA	1.1
Jammu & Kashmir	NA	32.1	NA	NA	NA	NA
Karnataka	291	9.6	139	15.0	NA	NA
Kerala	7,261	129.0	18,940	66.6	1,977	84.6
Madhya Pradesh	–	–	NA	NA	–	–
Maharashtra	–	–	–	–	–	–
Manipur	–	–	NA	NA	NA	NA
Meghalaya	–	–	NA	NA	NA	NA
Odisha	–	–	–	–	–	–
Puducherry	11	3.2	43	3.3	40	1.5
Punjab	834	45.7	NA	NA	1,267	55.0
Rajasthan	–	–	4	0.1	16	1.5
Tamil Nadu	–	–	NA	NA	539	24.2
Uttar Pradesh	–	–	–	–	–	–
West Bengal	–	–	–	–	NA	NA
Total	9,262	399.5	20,807	157.4	6,510	261.1

5.5 Micro Finance Institutions and Their Performance in Housing Finance

5.5.1 Other than Scheduled Commercial Banks, Housing Finance Companies, Micro Finance Institutions or Non-Governmental Organisations, who are present locally and have a bottom participative approach, are making various efforts to cater to the housing finance needs of the low-income segments of society. The MFIs work on the model of SHGs linked with banks. The National Housing Bank has recognised the penetration of Housing MFIs as delivery mechanisms for channelising housing finance to the unserved sections of society and has, accordingly, developed a suitable Housing Micro Finance Programme to cater to the needs of this section. In its endeavour to provide housing to the unserved segments of society, the NHB had pioneered a Housing Micro Finance (HMF) programme in 2004. Cumulatively, till June 30, 2014, the Bank has sanctioned loans of ₹101.68 crore to 32 MFIs for financing 40,210 urban and rural housing/ sanitation units.

5.5.2 The HMF programme of the NHB is spread across 11 States, which include Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra, Odisha, Gujarat, Kerala, Assam, Uttar Pradesh, West Bengal and Madhya Pradesh. The beneficiaries include farmers, housemaids, petty traders, artisans, dairy workers and other low-income segments. More than 90 per cent of the beneficiaries are women. The approximate income levels of the beneficiaries range between ₹5,000 and ₹7,000 per month. The NHB has also opened a specialised window for the water and sanitation programmes being taken up by MFIs for their members of Self Help Groups (SHGs). These programmes form an integral part of the HMF programme of the Bank.

Figure 5.1: State-wise Distribution of the Disbursement of Housing Loans to Individuals During FY 2014–15

Trend: Uttar Pradesh, Uttarakhand and Tripura have improved their positions over the previous year; Uttar Pradesh has moved from the yellow to the blue category, while Uttarakhand and Tripura have moved from the green to the yellow and the white to the green categories, respectively. Arunachal Pradesh has moved down from the green to the white category.

Figure 5.2: State-wise Distribution of Outstanding Housing Loans to Individuals

Trend: Kerala, Madhya Pradesh, Rajasthan, Tamil Nadu and Tripura have improved their positions over the previous year; Kerala, Madhya Pradesh and Rajasthan have moved from the yellow to the blue category, while Tamil Nadu moved from the blue to the maroon category. Tripura has moved upwards from the white to the green category, while the Andaman and Nicobar Islands have moved down from the green to the white category.

Figure 5.3: State-wise Distribution of the Disbursement of Housing Loans to Builders During FY 2014-15

Trend: Gujarat and Rajasthan have improved their positions over the previous year and have moved from the green to the yellow category. Puducherry has moved down from the green to the white category.

Figure 5.4: State-wise Distribution of Outstanding Housing Loans to Builders

Trend: Gujarat and Tripura have improved their positions over the previous year; Gujarat has moved from the green to the yellow category, while Tripura moved from the white to the green category.

Figure 5.5: State-wise Distribution of the Disbursement of Housing Loans for the Acquisition/Construction of New Houses to Individuals During FY 2014-15

Trend: Karnataka has improved its position over the previous year and has moved from the yellow to the blue category. Arunachal Pradesh moved down from the green to the white category.

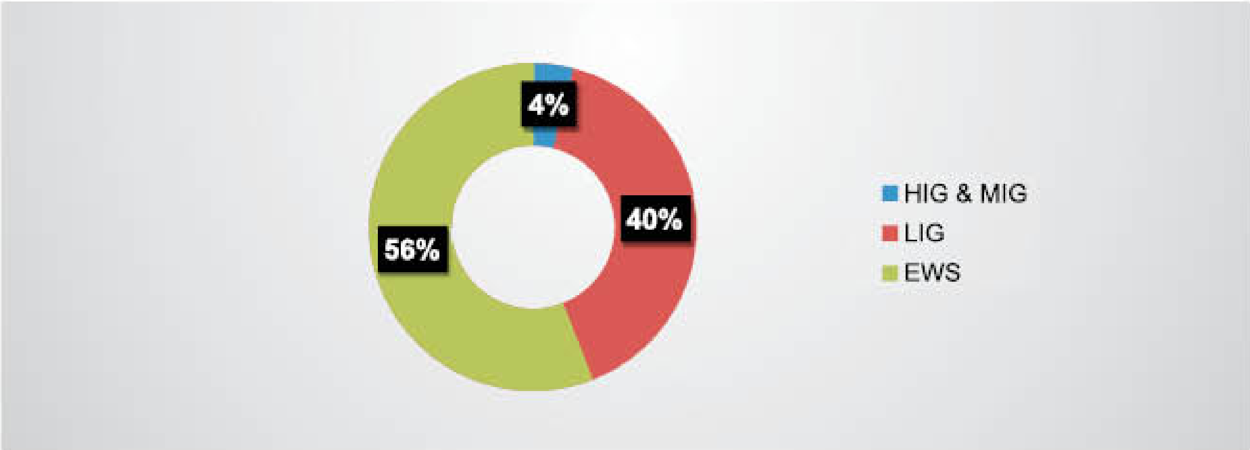
Chapter 6: Housing for All

6.1 Introduction: Urbanization and Housing Shortage

6.1.1 According to *World Population Prospects: The 2015 Revision*, the world population reached 7.3 billion as of mid-2015. The population of India is expected to surpass that of China in the next seven years. Although the population of China is approximately 1.38 billion, compared with 1.31 billion in India, by 2022, both the countries are expected to have approximately 1.4 billion people. India's population is projected to continue growing over the decades to 1.5 billion by 2030 and 1.7 billion by 2050. Nine countries, including India, are expected to account for more than half of the world's projected population increase over the period 2015-50.

6.1.2 As per *United Nations World Population Prospects, 2015*, Latin America, the Caribbean region and Asia were home to 1.7 billion children and 1.1 billion young persons in 2015. Providing these generations with health care, housing, education and employment opportunities, including in the poorest countries and groups, is a pivotal focus of the Millennium Development Goals (MDGs). As per the 2011 Census of India, we had a population of 1,210 million, out of which, 377 million (31.2 per cent) lived in urban areas. During 2001-11, the urban population of India grew at a CAGR of 2.8 per cent, resulting in an increase in the level of urbanisation from 27.8 to 31.2 per cent. This growing concentration of people in urban areas has led to problems of land shortage, housing shortfall and congested transit. It has also severely stressed the existing basic amenities such as water, power and open spaces of the towns and cities.

Graph 6.1: Urban Housing Shortage in 2012[26]



6.1.3 Urbanisation, coupled with a lack of affordable housing, has resulted in people increasingly living in slums and squatter settlements, which has deteriorated the housing conditions of the economically weaker sections of society. This is primarily owing to the sharp increase in the prices of land and real estate in urban areas that have forced the poor and those belonging to the EWS category to occupy marginal lands characterised by poor housing conditions, including congestion and obsolescence.

Considering these factors, there currently exists a wide gap between the demand and supply of housing (both in terms of quality and quantity) in urban India.

[26] *Report of the technical urban group (TG-12) on urban housing shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012*

Table 6.1: Level of Urbanisation[27]

States/UTs	% of Urban Population		AAGR (%)
	2001	2011	2001-11
India	27.82	31.16	2.76
Andhra Pradesh	27.30	33.49	3.09
Arunachal Pradesh	20.75	22.67	3.19
Assam	12.90	14.08	2.44
Andaman and Nicobar Islands	32.63	35.67	1.54
Bihar	10.46	11.30	3.01
Chandigarh	89.77	97.25	2.38
Chhattisgarh	20.09	23.24	3.49
Dadra and Nagar Haveli	22.89	46.62	11.53
Daman and Diu	36.25	75.16	11.58
Delhi	93.18	97.50	2.36
Goa	49.76	62.17	3.01
Gujarat	37.36	42.58	3.06
Haryana	28.92	34.79	3.66
Himachal Pradesh	9.80	10.04	1.45
Jammu & Kashmir	24.81	27.21	3.05
Jharkhand	22.24	24.05	2.80
Karnataka	33.49	38.57	2.72
Kerala	25.96	47.72	6.56
Lakshadweep	44.46	78.08	6.24
Madhya Pradesh	26.46	27.63	2.28
Maharashtra	42.43	45.23	2.12
Manipur	26.58	30.21	3.56
Meghalaya	19.58	20.08	2.70
Mizoram	49.63	51.51	2.42
Nagaland	17.23	28.97	5.15
Odisha	14.99	16.68	2.37
Puducherry	66.57	68.31	2.71
Punjab	33.92	37.49	2.29
Rajasthan	23.39	24.89	2.57
Sikkim	11.07	24.97	9.30
Tamil Nadu	44.04	48.45	2.40
Tripura	17.06	26.18	5.66
Uttar Pradesh	20.78	22.28	2.53
Uttarakhand	25.67	30.55	3.50
West Bengal	22.97	31.89	2.62

[27] *Census of India 2001, 2011*

6.2 Challenges associated with Urbanization[28]

6.2.1 Urbanisation in India today is "distributed" in shape, which means there are a number of large and small cities such as metropolitan, urban, semi-urban and rural centres spread across the country. This distributed model of urbanisation is beneficial to India as it suits its federal structure and helps to ensure that migration flows are not unbalanced towards any particular State or region. The mid-term appraisal of the Eleventh Five-Year Plan projected the urban share of GDP at 62–63 per cent in 2009–10. As the urban population along with income rises, demand for key sectors such as transportation, water, sanitation, hospitals and affordable housing will increase by five to seven times across small and large cities. And, if India continues on its current path, urban infrastructure will fall woefully short of what is required to sustain prosperous cities. India needs to work on several areas to manage its urbanisation. Inclusive cities, urban governance, financing, planning and affordable housing are perhaps the most important.

6.2.1.1 **Inclusive Cities:** Regulations intended to manage densities and discourage migration both limit the supply of land and require many households to consume more land than they would choose. This drives urban sprawl and pushes up the price of land and the cost of service delivery for all. Informality continues to be the path to affordable housing in the EWS segment for the bulk of the population in India's cities. But informality implies a lack of documentation and, therefore, vulnerability. These barriers to healthy urbanisation come not only at a high human cost, but take a toll on productivity. This leads to discouraging the household investments in education, health and housing improvements needed, to make improvements in the society and to contribute more to the national economy.

6.2.1.2 **Governance:** Meaningful reforms have to happen that enable true devolution of power and responsibilities from the States to the local and metropolitan bodies as per the 74th Constitutional Amendment. This is because, by 2030, India's largest cities will be bigger than many countries today. India's urban governance of cities requires an overhaul and it needs to clearly define the relative roles of its metropolitan and municipal structures for its 20 largest metropolitan areas.

6.2.1.3 **Financing:** There are several sources of funding that Indian cities could tap into, to a far greater extent than today. However, Government and internal funding alone will not be enough, even in large cities; it requires private investment on a large scale. Although one can use Central schemes such as PMAY and JNNURM but, eventually, India needs to move towards a systematic long-term finance model together with private investment.

6.2.1.4 **Planning:** India needs to make urban planning a Central function and invest in skilled people. This can be done through a "cascaded" planning structure in which large cities have 40- and 20-year plans at the metropolitan level that are binding on the municipal development plans. The key to planning in any city is the optimal allocation of space, especially land use and Floor Area Ratio (FAR) planning. Both should focus on linking public transportation with special emphasis on affordable houses, especially in the EWS and LIG segments.

6.2.1.5 **Affordable housing:** 96 per cent of the urban housing shortage today is for people who belong to the EWS/LIG category with limited sources of formal documented income. India can meet this challenge through a set of policies and incentives that will bridge the gap between price and affordability. This will enable a sustainable and economically viable affordable housing model for the real estate players such as the Government housing agencies and private developers as well as the finance sector players such as banks and the HFCs.

6.3 Housing for All by 2022 Mission

6.3.1 The launch of the Pradhan Mantri Awas Yojana—Housing for All (Urban) by 2022 Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart Cities to address the housing shortage and housing finance problems across India is the first step toward urban reforms. Going forward, the Central Government has to play a catalytic role along with the State/UT Governments to get an early start on urban

[28] *Approach Paper to the 12th Plan, Planning Commission of India*

transformation and affordable housing, which will give them competitive advantage, attract investment and create jobs, thus getting them ahead of the curve globally.

6.3.2 Housing for All (Urban) by 2022 Mission[29]

Box 6.1: Housing for All (Urban) by 2022 Mission

The Hon'ble President of India, in his address to the Joint Session of Parliament on June 9, 2014, had announced that "By the time the nation completes 75 years of its Independence, every family will have a pucca house with water connection, toilet facilities, 24x7 electricity supply and access."

Pradhan Mantri Awas Yojana – Housing for All (Urban) Scheme Guidelines 2015 was released on June 25, 2015, by the Hon'ble Prime Minister of India.

The Housing for All Mission was launched in compliance with this objective of the Government and with the approval of the competent authority.

The Mission seeks to address the housing requirements of the urban poor, including slum dwellers, through the following programme verticals:

- *Slum rehabilitation of slum dwellers with the participation of private developers using land as a resource*
- *Promotion of affordable housing for the weaker section through credit-linked subsidy*
- *Affordable housing in partnership with the public and private sectors*
- *Subsidy for beneficiary-led individual house construction*

6.3.2.1 This Mission has been implemented under four verticals from 2015–22 for beneficiaries who do not own a *pucca* house anywhere in the country as a Centrally-sponsored Scheme for three of the verticals except the credit-linked subsidy vertical, which will be implemented as a Central Sector Scheme. Availability of urban land is the biggest constraint in providing housing to all, including the weaker sections. Therefore, to ease administrative and regulatory bottlenecks, a set of mandatory conditions such as ensuring a single-window, time-bound clearance for layout approval and building permissions at the ULB level, providing additional FAR/FSI/TDR and relaxed density norms for slum redevelopment and low-cost housing and others has been included in the Mission. This will facilitate the growth of the housing sector, including affordable housing. Houses constructed under the Mission would be allotted in the name of the female head of the household or in the joint name of the male head of the household and his wife. The Centrally-sponsored verticals of the Scheme will cover the entire urban area, consisting of 4,041 statutory towns with an initial focus on 500 Class I cities.

The credit-linked subsidy component of the Scheme would be implemented across the country in all statutory towns from the very start.

6.3.2.2 Slum redevelopment and affordable housing projects in partnership should have basic civic infrastructure such as water, sanitation, sewerage, road, electricity and so on. The ULB should ensure that individual houses under the credit-linked interest subsidy and beneficiary-led construction should have a provision for these basic civic services. The Mission will provide flexibility to the States for choosing the best options among its four verticals to meet the demand of housing. The process of project formulation and approval in accordance with the Mission Guidelines would be left to the States, so that projects can be formulated, approved and implemented faster. The Mission will provide technical and financial support in accordance to the Guidelines to the States to meet the challenge of urban housing.

6.3.2.3 The credit-linked subsidy component will be implemented as a Central Sector Scheme while the other three components will be implemented as a Centrally Sponsored Scheme. The Central grant of ₹1 lakh per house, on an average, will be available under the slum rehabilitation programme. A State Government will have flexibility in deploying this slum rehabilitation grant to any slum rehabilitation project taken for development, using land as a resource for providing houses to slum dwellers. Under the credit-linked interest subsidy component, interest subsidy of 6.5 per cent on housing loans availed up to a tenure of

[29] *Ministry of Housing and Urban Poverty Alleviation, PMAY – Guidelines, 2015*

15 years will be provided to the EWS/LIG categories. Here, the subsidy payout on an NPV basis would be about ₹2.2 lakh per house for both the categories. Central assistance at the rate of ₹1.5 lakh per house for the EWS category will be provided under the affordable housing in partnership and beneficiary-led individual house construction or enhancement verticals. State Governments or their parastatals, such as the Housing Boards, can take up projects of affordable housing to avail the Central Government grant. The Union Cabinet has given its approval for the implementation of the rural housing scheme of the Pradhan Mantri Awas Yojana – Gramin. Under the Scheme, financial assistance will be provided for construction of *pucca* houses to those living in dilapidated houses. The expenditure involved in implementing the project is ₹81,975 crore in a span of three years, from 2016–17 to 2018–19. It is proposed to provide assistance to one crore households for the construction of *pucca* houses. It will be implemented in rural areas throughout the country except in Delhi and Chandigarh. The identification of beneficiaries eligible for housing loans from Primary Lending Institutions and their prioritisation will be done using information from the Socio Economic and Caste Census (SECC) – 2011, ensuring total transparency and objectivity.

6.3.2.4 The success of this Scheme will depend on the right targeting of actual beneficiaries, which is a huge challenge in a country such as India. One of the major hurdles faced by the EWS and LIG segments is the availability of affordable credit from the formal institutions. The combination of an interest subsidy and Central assistance to build housing or the enhancement of existing households in urban and rural areas would go a long way in addressing the housing shortage. However, the implementation needs to expand and adopt a more holistic vision that situates affordable housing within the larger issues of urbanisation, in order to achieve a sustainable long-term solution. The Government has, therefore, placed the focus on innovative technologies, green buildings and the use of earthquake-resistant technologies in the Housing for All plan.

Chapter 7: The Way Forward

7.1 The Indian economy is poised for better growth among the world's major economies today. The growth rate in GDP at constant (2011-12) market prices in 2012-13 was 5.1 per cent, which increased to 6.9 per cent in 2013-14. As per advanced estimates, it is expected to further increase to 7.4 per cent in 2014-15. One of the reasons for the expectation of such a growth rate is owing to a number of reforms that have already been undertaken and more that are being planned for. The real estate sector, with housing as one of the sub-sectors, is the second largest employment generator after agriculture. It contributes about 6 per cent to India's GDP. Increased investment in housing, besides adding to the housing stock, also contributes to the larger economy. The Indian economy is full of possibilities and housing finance is certainly among the most critical of economic issues. Maintaining, promoting and expanding access to housing finance in a safe and sound manner will promote stability in our housing market and the broader economy.

7.2 In a market-oriented housing finance system, the role of stakeholders is dynamic and changing, and affordable housing finance continues to be a challenge. Long-term and low-cost housing finance availability and outreach to the rural and low-income households is a major task ahead of us and a new ecosystem for housing finance needs to be developed and nurtured.

7.3 Development of New Housing Finance Ecosystem for Affordable Housing

The housing finance system is becoming a part of the overall financial ecosystem. It has linkages with household savings, capital markets, foreign direct investment, affordable, rental and green housing. This ecosystem is an approach that considers the housing finance market in the larger environment of the economy and recognises that its success is dependent on a range of other factors of the overall ecosystem. Some of these factors are:

7.3.1 Rental Housing

Housing prices and non-affordability of housing makes a large number of residents in cities and towns of developed as well as developing countries tenants on rent. Moving in and out of an urban environment has become an inherent part of life for most adults. Considering that a sizeable chunk of the migrant population in cities either cannot purchase a house or does not want to buy one, the Government has prepared a draft to increase formal rental housing stock. These houses will be in the form of hostels, paying guest accommodations and dormitories under the Social Rental Housing (SRH) Scheme.

The Urban Housing Ministry is finalising the proposal of the National Urban Rental Housing Policy and, if approved, it will provide, for the first time, a policy framework to address the issue that has so far been overshadowed by an overbearing emphasis on ownership housing. The draft is aimed at helping the EWS category and labourers, besides those who come to stay in urban areas for short periods as they will get direct support from both the Centre and the State Governments as well as market-driven rental housing.

7.3.2 Green Housing

The concept of green buildings envisions a new approach to save water, energy and material resources in the construction and maintenance of buildings. It can reduce or eliminate the adverse impact of buildings on the occupants and the environment. Environmentally responsible and resource-efficient buildings are becoming an integral part and the future of the construction industry. Developers, end users and the Government have understood its need and importance and are adopting it at a fast pace. Many home buyers are paying attention to green homes and sustainable buildings by recognising the importance and link between green properties, cost savings and healthy living.

Sustainability in the real estate context is not only limited to energy conservation, but also includes the use of resources, the impact on the surrounding environment and living conditions for inhabitants. Green buildings incorporate sustainable features such as the efficient use of water, energy, renewable energy and recycled/recyclable materials, the effective use of landscapes and building management systems. A green building creates less waste and provides a healthier living environment. Green buildings account for only 2 per cent of new constructions in India. The country's growing housing sector is one of the highest contributors to its carbon emissions. It accounts for 22 per cent of India's total annual carbon emissions. Buildings account for up to 40 per cent of the total energy consumption in India, of which over 60 per cent is from residential real estate. Hence, it is important to move towards sustainable development for residential projects.

The NHB started a first of its kind, Promotional Programme for Energy Efficient New Residential Housing, with KfW Development Bank of Germany. Under this programme, 2,065 energy-efficient dwelling units were built using a €50 million credit line provided by KfW to the NHB. With a view to promoting the use of solar energy in the domestic context, the Ministry of New and Renewable Energy (MNRE), Government of India, is implementing a capital subsidy scheme under its Jawaharlal Nehru National Solar Mission (JNNSM). The Scheme aims at popularizing the use of solar water heating and solar lighting equipment in homes by offering suitable incentives in the form of capital subsidies for the purchase and installation of the solar equipment. The NHB has been designated as a nodal agency for administering and monitoring this Scheme.

7.3.3 Housing Technologies and Sustainable Materials

Building materials and technologies, and building practices have evolved through the ages. Housing and building conditions reflect the living standards of a society. The Indian construction industry is one of the largest in terms of economic expenditure, volume of raw materials/natural resources consumed, volume of materials and products manufactured, employment generated, environmental impacts, and so on.

Steel, cement, glass, aluminium, plastics, bricks, among others, are energy-intensive materials, commonly used for building construction. Generally these materials are transported over great distances. The extensive use of these materials can drain the energy resources and adversely affect the environment. Hence, there is a need for the optimum utilisation of available energy resources and raw materials to produce simple, energy-efficient, environment-friendly and sustainable building alternatives and techniques to satisfy the increasing demand for buildings. This can be achieved by:

- Minimising the use of high energy materials.
- Concern for environment and environment-friendly technologies.
- Minimising transportation and maximising the use of local materials and resources.
- Decentralised production and the maximum use of local skills.
- Utilisation of industrial and mine wastes for the production of building materials.
- Recycling of building wastes and the use of renewable energy sources.

A Technology Sub-Mission under PMAY has been set up to facilitate the adoption of modern, innovative and green technologies and building material for faster and quality construction of houses. This Sub-Mission will also facilitate the preparation and adoption of layout designs and building plans suitable for various geo-climatic zones. It will assist States/cities in deploying disaster-resistant and environment-friendly technologies.

7.4 New Trends in Housing Finance

Housing finance in India has seen rapid growth on account of various trends such as increased urbanisation, favourable demographics, rising disposable incomes for a large section of the population along with Government tax incentives and subsidies, larger supply of better quality houses at stable prices and lower interest rates.

Investment in affordable housing would lead to higher inclusion of economically weaker people towards affordable housing finance, better quality of houses at lower costs and increased employment opportunities. The amount of investment required to overcome the housing shortage in India is huge and Government tax incentives and subsidies alone are not enough. Also, another challenge that the affordable housing sector faces is the lack of long-term finances. To overcome this, more private investment in the form of Pension Funds, Real Estate Investment Trusts, Foreign Direct Investment, and so on are needed to provide a thrust to the affordable housing sector.

Graph 7.1 depicts the affordable housing market in India and the key players operating in it. Customer segmentation, new due diligence processes and new products are evolving in the Indian housing finance market depending on the needs of the people. Micro Finance Institutions in India have completely captured the market. However, the market where the formal income assessment mechanism is present and document requisites are high is dominated by the HFCs that have the advantage of better service and banks that have the advantage of interest rates.

Graph 7.1: Affordable Housing Finance Matrix

Maximum / Payment Requisites - Margin, Income, Repayment Ability and Willingness, Credit History / Minimum

	HFCs (Metros, Tier 1, 2 & 3 Cities& Rural) & Banks (Metros, Tier 1, 2 Cities& Rural)	Banks (Metros, Tier 1, 2 Cities& Rural) & HFCs (Metros, Tier 1, 2, 3 Cities& Rural)	Banks (Metros & Tier 1 Cities) & HFCs (Metros, Tier 1, 2 & 3 Cities)
HFCs (Metros, Tier 1& 2 Cities& Rural) & MFIs (Metros, Tier 1& 2 Cities)	HFCs (Metros, Tier 1, 2 & 3 Cities& Rural) & Banks (Metros, Tier 1, 2 Cities& Rural)	Banks (Metros,Tier 1, 2 Cities & Rural) & HFCs (Metros, Tier 1, 2, 3 Cities&Rural)	Banks (Metros & Tier 1 Cities) & HFCs (Metros, Tier 1, 2 & 3 Cities)
MFIs (Metros & Tier 1 Cities) & HFCs (Metros, Tier 1 Cities& Rural)	MFIs (Metros & Tier 1 Cities) & HFCs (Metros, Tier 1 , 2 Cities& Rural)	HFCs (Metros, Tier 1, 2 Cities& Rural) & MFIs (Metros & Tier 1 Cities)	HFCs (Metros, Tier 1& 2 Cities) & Banks (Metros, Tier 1& 2 ities)
MFIs (Metros &Tier 1 Cities)	MFIs (Metros & Tier 1 Cities) & HFCs (Metros& Tier 1 Cities)	HFCs (Metros & Tier 1 Cities) & MFIs (Metros & Tier 1 Cities)	HFCs (Metros & Tier 1 Cities) & MFIs (Metros & Tier 1 Cities)

Unavailable — Documentation Requisites-Title, Collateral, Plans & Approvals, Insurance — Available

Central and State Government Housing Schemes

The real estate sector in India plays a crucial role in the development of the country's infrastructure base and overall growth of the economy. It also contributes significantly to social upliftment. The launch of the Pradhan Mantri Awas Yojana—Housing for All by 2022 Mission will take the housing sector to a new era. It will deliver the much-needed lift to the real estate and housing finance industry by creating an enabling and supportive environment for expanding credit flow and increasing home ownership. Also, with the Draft Model Tenancy Act, 2015, a large number of properties lying vacant will be used to generate additional income. This will also help solve the urban housing problem of the country.

With the thrust provided by way of the policy initiatives of the Government and the measures initiated by the National Housing Bank and other agencies in respect of housing problems, the housing finance sector is expected to maintain the growth momentum witnessed during the last few years. Renewed measures, however, are required to address and tackle the core issues that can improve the growth of habitat development in our country.

Abbreviations

APL	Above Poverty Line
ACHFs	Apex Cooperative Housing Federations
AML	Anti-Money Laundering
ARDBs	Agriculture Rural Development Bank
BPL	Below Poverty Line
BRGF	Backward Region Grant Fund
CAD	Current Account Deficit
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India
CII	Confederation of Indian Industry
CLSS	Credit Linked Subsidy Scheme
CNA	Central Nodal Agency
CoR	Certificate of Registration
CPI	Consumer Price Index
CRAR	Capital to Risk (Weighted) Assets Ratio
CRGFTLIH	Credit Risk Guarantee Fund Trust for Low Income Housing
CRR	Cash Reserve Ratio
CST	Central Sales Tax
ECBs	External Commercial Borrowings
EMI	Equated Monthly Installment
EWS	Economically Weaker Section
FAR	Floor Area Ratio
FSI	Floor Space Index
GDP	Gross Domestic Product
GFD	Gross Fiscal Deficit
GJRHRS	Golden Jubilee Rural Housing Refinance Scheme
GoI	Government of India
GRIDS	Grievance Registration & Information Database System
GST	Goods and Services Tax
HFCs	Housing Finance Companies
HFIs	Housing Finance Institution
HIG	High Income Group
HUDCO	Housing and Urban Development Corporation Ltd.
IAY	Indira Awaas Yojana
ICDS	Integrated Child Development Services
ICDs	Inter Corporate Deposits
ICRA	Investment Information And Credit Rating Agency of India
IHSDP	Integrated Housing and Slum Development Project
IMF	International Monetary Fund

IMGC	India Mortgage Guarantee Corporation Pvt. Ltd.
ISHUP	Interest Subsidy Scheme for Housing the Urban Poor
IT	Information Technology
JNNSM	Jawaharlal Nehru National Solar Mission
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KYC	Know Your Customer
LAF	Liquidity Adjustment Facility
LIG	Lower Income Group
MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
MIG	Middle Income Group
MoHUPA	Ministry of Housing & Urban Poverty Alleviation
MoU	Memorandum of Understanding
NBFC	Non-Banking Financial Company
NCHF	National Cooperative Housing Federation of India
NDTL	Net Demand and Time Liabilities
NGNB	NijaGrihaNijaBhumi
NGOs	Non-Governmental Organisations
NHB	National Housing Bank
NIIF	National Investment and Infrastructure Fund
NOF	Net Owned Fund
NPA	Non-Performing Asset
NPV	Net Present Value
NREP	National Rural Employment Programme
NULM	National Urban Livelihood Mission
OECD	Organisation for Economic Co-operation and Development
PDS	Public Distribution System
PLIs	Primary Lending Institutions
PMAY	Pradhan Mantri Awas Yojana
PPP	Public Private Partnerships
PSBs	Public Sector Banks
RBI	Reserve Bank of India
RBIA	Risk Based Internal Audit
REITs	Real Estate Investment Trusts
RHF	Rural Housing Fund
RLEGP	Rural Landless Employment Guarantee Program
RO	Regional Office
RRBs	Regional Rural Banks
RRY	Rajiv Rinn Yojana
SCBs	Scheduled Commercial Banks
SECC	Socio Economic and Caste Census
SLCC	State Level Coordination Committee

SPVs	Special Purpose Vehicles
SRA	Slum Rehabilitation Authority
SRH	Social Rental Housing
SUH	Shelter for Urban Homeless
TDR	Transfer of Development Rights
TOLIC	Town Official Language Implementation Committee
UCBs	Urban Co-operative Banks
UHF	Urban Housing Fund
ULBs	Urban Local Bodies
USAID	United States Agency for International Development
WPI	Wholesale Price Index

Note :

कोर 5–ए, तृतीय–पंचम तल, भारत पर्यावास केन्द्र,
लोधी रोड, नई दिल्ली–110003
टेली: 011–24649031–35, फैक्स: 011–24646988, 24649041
वेबसाइट: http://www.nhb.org.in

राष्ट्रीय आवास बैंक
NATIONAL HOUSING BANK

Core 5-A, India Habitat Centre,
3rd-5th floor, Lodhi Road, New Delhi - 110003
Tel: 011-24649031-35, Fax: 011-24646988, 24649041
Website : http://www.nhb.org.in

Printed and Design by: Mode Advertising & Marketing Pvt. Ltd.