HOUSING FINANCE IN INDIA

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PREFACE

The National Institute of Public Finance and Policy is an autonomous, non-profit organisation whose major functions are to carry out research, do consultancy work and undertake training in the area of public finance and policy. In addition to carrying out, on its own, research studies on subjects that are considered to be important from the national point of view in terms of policy formulation, the Institute also undertakes research projects on subjects of public interest, sponsored by member governments and other institutions.

The present study was undertaken at the request of the Ministry of Works and Housing, Government of India, which wanted an independent assessment of the problems of mobilising resources for financing housing activities at the level of the home-owner and suggestions for measures which would strengthen institutional financing of housing in the country.

The study was conducted by Vinay D. Lall who also drafted the report. A.K. Gupta was associated with the housing finance surveys in Delhi and Lucknow and S.B.L. Sherry with those in Delhi, Ambala, Cuttack and Quilon. Sherry also provided research support to the project. K.K. Atri and A.K. Halen processed the data for the report on the NIPFP computer. The editing of the report was done by C. Cecil.

The Governing Body of the Institute does not take responsibility for any of the views expressed in the report. The responsibility for the conclusions arrived at and the views expressed belong to the staff of the Institute and more particularly to the author of the report.

Bimal Jalan
Honarary Director

13 September 1984

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In the NIPFP, S.B.L. Sherry was associated with the research project throughout its tenure and he undertook the responsibility of conducting the field surveys in Delhi, Quilon, Cuttack and Ambala and A.K. Gupta did so in Lucknow. Several investigators worked in the field surveys in different parts of the country. K.K. Atri and A.K. Halen took over the arduous responsibility of processing the data obtained in the housing finance surveys.

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September 10, 1984 VINAY D. LALL

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I. HOUSING AND THE RESOURCES ISSUE

1. Housing and the Development Process

The housing sector has an important role to play in the development process. In the first place, investment in the housing sector stimulates the rest of the economy, including the building materials industry, the engineering industry and the transport, communications and infrastructure sectors. In several economies, including some of the most developed ones, the housing sector has been and continues to be a major engine of growth activities. Secondly, home ownership offers the greatest incentive to save and accumulate, and at the household level it is given the highest priority in asset formation. Therefore, home-linked savings can provide the much-needed impetus to the national resource mobilisation effort. Finally, for achieving a major socio-economic objective of development, namely, an improvement in the quality of human life, a decent, clean and habitable home with minimum facilities like potable water and hygienic sanitation is a basic requirement. In fact, housing provides the appropriate environment for attainment of the crucial goals of national policies relating to health, family planning and education.

The national plan programmes in India have focussed attention on the removal of poverty by attempting to reduce the proportion of population who live below specified 'poverty-line', through employment-generating activities. Partly for this reason, the flow of funds into the social consumption sectors has not been to the extent that may have been desirable. The total investment in housing, for example, during the first six five year plans adds up to Rs 11,400 crore, or 14.3 per cent of the total plan investment. In fact, as a proportion of total investment in each successive plan, the investment in housing has been falling: 34.2 per cent in the First Plan, 9.8 per cent in the Fifth Plan and 7.5 per cent in the Sixth Plan (Table I.1). As a proportion of the gross domestic product (GDP) in the country, the annual budgetary allocations for housing by the Central and State governments (including Union Territories) during 1980-81 to 1982-83 ranged between 0.19 per cent and 0.23 per cent. The estimated annual investment in housing (including commercial properties) is less than 3 per cent of the GDP (and in housing in particular, it may be less than 1.5 per cent), falling short of the United Nations target of 5 per cent.

2. Present Status of Indian Housing

a. The 1981 scenario. The national housing stock, as per the 1981 Census, stands at 119.8 million units, three-fourth in the rural areas (90.9 million units) and one-fourth in the urban areas (28.9 million units). There is some imbalance in the distribution of the national population, households and housing stock as between urban and rural areas. As can be seen from Table I.2, the proportion of national population is slightly lower than the proportions of national households and housing stock in the urban areas. There has been some improvement in the urban housing situation over the last decade mainly because the housing stock has grown substantially faster than the population.

TABLE I.1

Investment in Housing During the Five Year Plans

Plan period	Total investment in the economy (Rs crore)	Investment in housing (Rs crore)	Investment in housing as percentage of total investment in the economy	Investment in housing in public and private sectors as percentage of total investment in housing
First Plan				
Total	3360	1150	34.2	100.0
Public	1560	250	16.0	21.7
Private	1800	900	50.0	78.3
Second Plan				
Total	6750	1300	19.3	100.0
Public	3650	300	8.2	23.0
Private	3100	1000	32.3	77.0
Third Plan				
Total	10400	1550	14.9	100.0
Public	6100	425	7.0	27.4
Private	4300	1125	26.2	72.6
Fourth Plan				
Total	11635	2800	12.4	100.0
Public	13655	625	4.6	22.3
Private	8980	2175	24.2	77.7
Fifth Plan				
Total	47561	4630	9.8	100.0
Public	31400	1044	3.3	22.5
Private	16161	3636	22.5	77.5
Sixth Plan				
Total	172210	12991	7.5	100.0
Public	97500	1491	1.5	11.5
Private	74710	11500	15.4	88.5

Source: National Building Organisation (1980), Handbook of Housing Statistics.

TABLE I.2

Growth of Population, Households and Housing Stock

(Million numbers)

	1951	1961	1971	1981	Decennial growth rate (%) (1951-61)	Decennial growth rate (%) (1961-71)	Decennial growth rate (%) (1971-81)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Population							
Urban	62.4	79.1	108.9	157.7	26.8	37.7	44.8
Rural	298.5	360.1	438.3	507.6	20.6	21.7	15.8
Total	360.9	439.2	547.2	665.3	21.7	24.6	21.6
Households							
Urban	12.8	14.9	19.1	28.9	16.4	28.2	51.3
Rural	60.6	68.6	78.0	90.9	13.2	13.7	16.5
Total	73.4	83.5	97.1	119.8	13.7	16.3	23.4
Occupied Housing Stock							
Urban	10.3	14.1	18.1	27.6	36.9	28.4	52.5
Rural	54.1	65.1	72.7	86.1	20 3	11.2	18.4
Total	64.4	79.2	90.8	113.7	23.0	14.7	25.2

Source: For 1951 to 1971, Data have been taken from NBO (1980) and for 1981 from Census (1981).

Thus, during the period 1971 to 1981, the annual average rate of growth of housing stock was 5.3 per cent and that of population was 4.5 per cent in the urban areas, whereas the corresponding rates of growth for the country as a whole were 2.5 per cent and 2.2 per cent, respectively. The average size of a household continues to remain smaller than the average number of residents in a residential unit, indicating that more than one household shares a residential unit. The situation has somewhat improved in the last decade, 1971 to 1981, especially in the urban areas.

The foregoing analysis shows that government's policies have had some impact on the urban housing scene, both in terms of the housing stock and population relationship and occupancy ratios. Available data in the decennial censuses upto 1971, and from the National Sample Surveys, also reveal that during the last three decades, there has been a noticeable improvement in the quality of housing units in both the urban and the rural areas. These improvements are reflected in the better quality of construction materials used for building walls and roofs, superior ventilation facilities, and the improved systems of drinking water supply, lighting and sanitation.1/

1/ The analysis is based on comparable data from the national censuses on population and housing stock, the reports of the National Sample Surveys: 7th Round (1958) and 28th Round (1977) and the results of a survey conducted in Surat and Villupuram [for details, see Lall (1982)]

It is likely that the 1981 census data, when published, may provide further and more recent evidence on the qualitative aspect of the national housing stock.

b. Changing economic scene and housing status. The improvements in the quality of Indian housing stock and the changes in the proportionate shares of the housing stock of the urban and rural sectors reflect the changing socio-economic scene, the direct result of development programmes undertaken by the government and the initiatives of the private sector, which accounts for about four-fifth of the activities in housing. The impact of industrialisation, urbanisation and improvements in the economic conditions in the rural sector have brought about changes in the preferences of the home owners and in their income-earning and investment capabilities. However, the magnitude of the problem still remains large and, as has been correctly stated in the Sixth Plan, "a sustained programme of investment in construction" has "to be undertaken over the next 20 years" (Page 390), if the housing requirements of the country are to be met.

c. Some dimensions of the housing problem. A Sub-Group appointed by the Working Group of the Planning Commission on Housing for the Seventh Five Year Plan (1985-90) has estimated the housing stock in 1985 at 124.9 million units (95.2 million rural units and 29.7 million urban units) and the housing shortage at 24.2 million units. The Sub-Group has further estimated that between 1985 and 2000 AD, an additional housing stock of 90.8 million units will be required to meet the needs of the increasing population, the obsolescence in existing stock and the destruction of a part of the existing stock due to natural calamities. As such, the total housing stock requirement in 2000 AD is estimated at 229.9 million units and the net additional housing stock at 105 million units.[2]

The magnitude of the housing problem can be attributed to several factors. The growth of house construction has not kept pace with the growing demand for housing due to constraints of land, building materials and finances. This situation has arisen, in the first place, due to the poverty of the general population. Secondly, very little of the savings generated in the economy are channelised into the housing sector, as the national economic strategy has given a low priority to housing possibly due to a misconception that it is a resource-absorbing activity and not a resource-generating activity. This view overlooks the multiplier and growth-initiating effects of investment in the housing sector on the rest of the economy. Thirdly, from the point of view of resource allocation, housing is not treated as an organised "industry", even though many other activities including

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2/ These estimates are based on the following assumptions:

(i) Every household, urban or rural, should have a housing unit to itself;

(ii) In urban areas, a housing unit may either be pucca or semi-pucca; and

(iii) In rural areas, the housing unit may be pucca, semi-pucca or serviceable kutcha.

Further, the annual rate of increase in housing requirement due to increase in population has been assumed to be 1.5 per cent, the rate of obsolescence has been assumed to be 1.5 per cent and some allowance has been also made for destruction of housing stock by natural calamities.

those in the nature of services have been given such a status. Fourthly, often the employment potential of house construction is underestimated. Finally, under the Indian Constitution, housing is a "State" subject and so the Central government is not responsible for its development. The main responsibility for the housing sector lies with the State governments, which consider activities in other sectors more important from economic and political considerations.

There exists no systematic national policy which may outline the growth and operational strategy for the housing sector as exists, for example, in several other sectors, like industry, agriculture, banking, trade, etc. The Central government draws out a broad plan perspective for investment in the housing sector and arranges to provide for flow of some funds <u>via</u> the LIC, the GIC and the HUDCO. Practically no monitoring or follow-up work of investment schemes is undertaken by the Central and State governments.

The private sector has come to play a major role in the housing sector and, under the present strategy, as enunciated in the Sixth Plan, it would have to continue to play the dominant role. But no serious attempt has been made, or is being made, to provide for the inputs that might ensure that the private sector plays its developmental role effectively.

3. <u>The Resources Issue</u>

The lack of financial resources has been identified as a crucial constraint on housing activity in the country. The Working Group on Private Housing

(Mukharjee Group, 1981), Government of India, had therefore emphasised the need to strengthen the organised housing finance system in the country. From the point of view of the individual home - buyer, the major constraint, in fact, is the non-availability of adequate finances. However, other constraints, like the limited availability of land and building materials, are not directly faced by a home owner, especially if he acquires a house in a cooperative society or from a public or private sector builder/agency.

The Sub-Group of the Working Group on Housing for the Seventh Five Year Plan has estimated that during the Seventh Plan, 1985-1990, an investment of Rs 33,800 crore would be required and that during the period 1985-2000 AD, a total investment of Rs 1,31,650 crore would have to be made to ameliorate the housing situation. The proposed plan envisages, in line with the planning strategy, that three-fourth of the estimated investment would be made in the private sector. However, sufficient effort is not being made at present to ensure the requisite flow of resources for this purpose. The resources problem, will thus, be a crucial issue for the housing sector in the years to come.[3/]

It is not just the lack of financial resources that is the real problem but the absence of any grass-roots-level institutional system that would mobilise the existing household savings in the economy for investment in housing,

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3/ If the resources flow is suddenly increased, shortages of real resources would immediately be felt. This study, however, is concerned only with the problem of finances.

stimulate a shift from consumption to savings for investment in housing, provide institutional financial intermediation on a mass basis, and encourage individuals to invest in housing at an early stage in their earning life. It is significant to note that a few years ago there hardly existed any semblance of an organised housing finance system in the country and, even today, it is felt that the institutionally-mobilised financial flows into housing make only a token contribution. The basic thrust in the Seventh Plan approach to the housing sector would, therefore, have to be directed towards the development of an appropriate housing finance system for the large scale mobilisation of financial resources for housing.

II. OBJECTIVES AND SURVEY METHODOLOGY

1. Objectives of the Study

The Mukharjee Group (1981) had recommended several measures to promote housing activity in the country, including the grant of fiscal incentives to mobilise savings for investment in housing and the strengthening and/or creation of new institutions. Subsequently, the Central Council of State Ministers for Housing urged the Central Government to adopt the major recommendations of the Mukharjee Group, but for a considerable period of time, no progress was made in this direction. In pursuance of these recommendations, "the Ministry (Works and Housing) has entrusted a study of housing finance to the National Institute of Public Finance and Policy" (Ministry of Works and Housing, Annual Report 1982-83, page 5-6). The present Report has been prepared on the basis of the assignment given by the Ministry of Works and Housing (MWH).

The MWH have specified the following objectives for the study.

(i) Examination of the lacunae in the existing system of financing housing;

(ii) Analysis of the existing capital market in housing;

(iii) Recommendation of methods for improving the flow of resources into the housing sector;

(iv) Examination of the modalities for setting up a specialised financial institution;

(v) Study of the scope for setting up decentralised financial intermediaries, such as savings and loans associations, to promote additional savings; and

(vi) Examination of the possibility of introducing mortgage insurance in the housing sector.

The study, as per the discussions between the officials of the MWH and the NIPFP, is restricted to the urban housing sector. It was felt that the financial needs of the rural sector, the methods of assessment for financial assistance, and of disbursement and monitoring mechanism for rural housing finance would be different from those for urban housing and could not be dealt with in this study, given the constraints of time and resources.

2. The Approach

Objectives (i) and (ii) specified by the MWH suggest an ex-post analysis of the present system of housing finance with a view to identifying the weaknesses, gaps and inadequacies in the existing system of housing finance. At the level of the home owner, the study has to focus attention on his resource mobilisation efforts, identify the source of finances tapped by him and examine the difficulties encountered by him in raising the requisite resources. At the institutional level, it intends to examine the allocation of funds among beneficiaries, including an assessment of lending policies and credit appraisal methods, and then assess the operational constraints on making institutional housing finance a wide-based activity.

The study relating to objectives (i) and (ii) is based on primary and secondary data. The primary data at the home owner level have been obtained through a house-to-house survey of a sample of selected owners of recently-constructed houses in different parts of the country, and at the institutional level they have been obtained through discussions with senior officials of major financial institutions, Central and State governments, and individual experts in the field. Secondary data have been obtained from published documents and available research studies.

Objectives (iii) ato (vi) relate to possible ways of mitigating, if not wholly eliminating, the observed weaknesses and inadequacies in the existing system of housing finance. The study relating to the stimulants to encourage the flow of financial resources into housing has to examine the alternative incentives that may be developed at the individual and institutional levels. The proposed stimulants may lead to some re-allocation of the existing volume of household and institutional savings in the economy in favour of the housing sector, but they must also be designed to bring about a net increment in the proportion of national savings to the national income, and to channelise a growing proportion of savings into the housing sector. This part of the study is based on an analysis of secondary data and information on experiences in India and in some selected countries. The analysis of the measures that may be considered to strengthen the housing finance system is based on discussions with official from national and international institutions and individual experts and a study of literature on experiences of countries having a developed housing finance system.

3. Objectives and Methodology of Housing Finance Survey

a. Objectives. The objectives of the housing finance surveys in the selected towns are:

(i) to identify the pattern of resource mobilisation by individual home owners;

(ii) to evaluate the role that institutional financing is now playing;

(iii) to assess the importance of the informal housing finance sector;

(iv) to examine whether the relative size of a town (as represented by the size of the population and some of the major socio-economic characteristics of each town (economic status and income pattern of the home owner, the level of industrialisation and urbanisation, the level of literacy, the state of the co-operative movement in housing, etc.) had a bearing on the resource mobilisation effort of the home owners; and

(v) to identify the problems encountered by home owners in mobilising resources.

b. Selection of towns. In view of the specific objectives for which the field surveys were to be conducted, it was considered necessary, within the time schedule for the project, to adopt a simple method for selection of the sample towns. The ideal way to select representative towns would have been to list major socio-economic characteristics of all small, medium-size and large towns in the country and then give weightage to these characteristics in selecting the sample. In this study, the objective is not to do a comprehensive and representative housing finance survey for the country but only to make case studies in selected towns in order to obtain some quantitative and qualitative evidence on issues of relevance to the study. The evidence that was to be collected was to be then compared with data and analyses available from earlier studies of other towns in the country. Hence, a simple method of selection of the towns was adopted.

From a provisional list of 20 towns, five towns were finally selected, after discussions with officials in the MWH, the Planning Commission and State governments and with individual experts. These towns represent different socio-economic conditions in the country, and also reflect industrial, rural and urban characteristics.

The selected towns are Delhi, Lucknow, Cuttack, Ambala and Quilon. The sample, thus, includes two metropolises, one town having a population of around 3 lakh and two towns having a population of around 1 to 2 lakh.

The metropolises were selected as representative of the problems in large cities. The two largest metros, namely, Calcutta and Bombay, were excluded as they are not representative of the likely situation that may arise in the larger and growing towns in the country. If appropriate policies are formulated and implemented, the Calcutta-Bombay situation may not recur in other towns.

Delhi was selected not only because it is the national capital, but also because large-scale industrialisation and agricultural development within Delhi and in the peripheral areas has added to growing congestion and an acute housing shortage. Delhi experienced a very high rate of growth of population during 1971-1981. The annual rate of growth of population at 4.6 per cent was lower than only that of Bangalore and Jaipur, among the 12 metropolises in the country. The density of population is also high as compared to other towns and there is large-scale in-migration of people from all over the country.

A contributory factor to Delhi's shelter problem which may become important in other growing urban complexes is total government control over the supply of urban land. This policy is not only generally believed to have raised urban land prices to abnormally high levels, but it has also placed physical constraints on private sector housing activities. Besides, Delhi has a large service population, including government employees and private sector employees and a substantial migratory population. Unauthorised housing inclusive of slums and squatter settlements as well as illegal large permanent structures, has become a special characteristic of the metropolis. Another reason for including Delhi is that public sector housing programmes through the efforts of the Delhi Development Authority, are known for many of their innovative features, including self-financing schemes, which have become popular and are being increasingly adopted in other towns.

Lucknow is included among the sample towns as it represents important characteristics of an urban centre, which have a close bearing on the housing situation. These characteristics are seen in several large and medium-sized towns in the country. Lucknow is also the capital of the most populous Indian State and to a large extent, its growth has been due to political considerations. Further, while Lucknow cannot be classified as an industrial, commercial or agro-based town, its close proximity to a major industrial town, namely, Kanpur, exposes it to the fall out effects of growth therein. In the process, the housing problems arising due to industrialisation in Kanpur are partly shifted to Lucknow. Also, large-scale rural migration into Lucknow aggrevates the housing problems in the town.

Lucknow is also an excellent example of unplanned development. The practice in the past has been to develop 'mohalla' by 'mohalla', according to the wishes of the people and/or the whims of past rulers. Housing, as per a master plan, is still a new concept, and examples of such planning are seen only in a few areas like Mahanagar and Nirala Nagar. A special feature of the Lucknow housing scene is that almost one-third of the population lives in squalid conditions, in 457 slums scattered all over the town.

The medium-sized and small towns are included in the sample as an earlier study (Lall, 1982) had shown that institutional financing facilities were restricted mainly to the major metropolises, and very little of institutional financing percolated to the smaller towns. It was shown in that study that the informal housing finance market, comprising indigenous bankers, relatives and friends, is the main source for housing finance and the dependence upon the informal housing finance market is inversely related to the level of the income of the home owner and is positively related to the distance of the location from the major centres of institutional credit.[4/] Cuttack, Ambala and Quilon are, therefore, representative of the pattern of resource mobilisation efforts of home owners in medium-sized and small towns.

Cuttack is not only a medium-sized town in terms of population and area, but it is also on excellent example of an economically underdeveloped region, a low level of urbanisation and a high density of population. More importantly, the resource mobilisation capacity of individuals in this town is not only low, but it is further constrained by the periodical occurrance of natural calamities.

The type of housing and the extent of housing finance that the people of Cuttack may require are, therefore, different from what may be observed and expected in a more developed and relatively affluent society. It is hoped that the pattern and problems of housing finance that may emerge from a study of the savings and resource mobilisation efforts of home owners in Cuttack would be indicative of the problems that are encountered by the vast majority of people living in relatively small and low-income towns, where the individual's capacity to save is constrained by periodic natural calamities.

4/ There was general agreement on these findings among discussants at a Workshop held in April, 1983 in New Delhi to discuss the main conclusions of the study.

A special feature of Cuttack which is common to other urban and semi-urban centres in the country is that while it has no large-scale industries and there appears little possibility for such type of industrialisation in the near future, it has developed into an important commercial centre for the surrounding region. As such, there is a substantial inflow of people who often come for temporary visits but gradually settle down. Civic amenities are grossly inadequate and there are natural barriers for planned development and expansion of the town (created by the twin rivers Mahanadi and Kathajori).

The main reason for selecting Ambala is its relatively high level of prosperity due to both industrial and agricultural development. Ambala is also prone to the fall out effects of development in several proximate growth centres (e.g., Delhi, Chandigarh, Amritsar and Ludhiana) and to that extent, its housing problems have multiplied. Several examples of a similar nature are found all over the country. Public housing programmes have, however, made an important contribution.

Ambala is divided into two distinct parts, namely, Ambala City and Ambala Cantonment, the point of demarcation between the two being the overhead road bridge on the railway line. The survey relates only to Ambala City, in line with the decision taken to exclude cantonment areas (this is also done in the case of Delhi and Lucknow). The main reason for the exclusion of cantonment areas is that they are special regions and the situation there may be found in other parts of the towns.

Quilon has been selected because of its high level of literacy, inflow of petro-dollars into it, and its special features as a coastal town. The housing activity in Quilon has been almost wholly in the private sector, with marginal contributions made by the State Housing Board. The Quilon Development Authority was set up only in 1982 and, therefore, in the absence of public sector housing programmes, the exclusive efforts of the private sector in the housing sector provide a new perspective to the study.

c. Selection of sample houses. A few studies that have examined the housing finance problems of home owners have covered mainly the formal housing sector, consisting of housing units built as per the prior approved plans of the concerned local authorities. No data are available on the housing finance problems of the informal housing sector, consisting of unauthorised permanent structures on public land, agricultural land and/or on private land without any requisite approval, and semi-pucca and kutcha slum and squatter settlements. A national housing finance policy has to keep in perspective the housing finance problems of all categories of potential home owners. It was, therefore, decided during the discussions between the NIPFP and the MWH that the housing finance problems of the informal housing sector would also be studied. Hence, about 15 per cent to 20 per cent of the sample houses have been selected from the informal housing sector.

In the formal housing sector, houses are constructed by individuals with the help of hired labour, by contractors, by co-operative societies and by public sector agencies like the housing boards and development authorities.

The public sector agencies construct specific categories of houses for home owners in different income brackets, and sometimes they also provide developed plots to individuals to build their own residential units. In view of the fact that the quality of construction, covered area and cost of houses constructed by public sector agencies at any particular point of time area more or less the same (except for the differences due to the location on different floors of multi-storeyed buildings and some differences due to marginal variations in type and area of balcony, dining space, etc.), it was felt that a few randomly selected houses in each major colony for specific income categories should be included in the sample. For this purpose, public sector houses are classified into two broad income categories, namely, one consisting of EWS and LIG houses and the other of MIG and HIG houses. As regards houses constructed by individuals or by co-operative societies, including those on developed plots purchased from public sector agencies, a census was made of such houses. The census covered houses which received a completion certificate (as in Delhi) and where this system does not prevail, houses which were assessed to property tax for the first time (in Lucknow, Ambala, Cuttack and Quilon) during January, 1981 to June, 1982. As such, the majority of the houses in the sample can be expected to have been constructed during the five-year period, 1977-1982. The sample houses constructed by non-public sector agencies were then given random numbers and classified into three groups based on their rateable value (RV), as given in the records of the municipal authorities for the assessment of property tax.

A major limitation of using RV data is the possible under-estimation of house values. Secondly, in many cases, the RV values are provisional, pending further investigations. Finally, the RV is assessed only periodically and re-assessment is made generally after four to five years. However, in the absence of any superior base for classification, the RV has been used to classify the houses in the sample. While selecting the sample, the distribution of the census houses by their location was also kept in perspective. Therefore, in effect, a two-tier system of selection has been used, namely, according to RV and by location.

Before the selection of RV as the base, several alternatives were examined. It would have been ideal to categorise the houses on the basis of their actual cost, but the relevant house-wise data are not available in municipal records and can be obtained only through a door-to-door survey. Secondly, the covered area of the house could have been taken as the criterion, but again, data are not readily available in municipal records even though detailed plans approved by the municipal authorities contain data on the proposed size of the house. The compilation of such data on a census basis would have been, however, a time-consuming exercise and sometimes the actual size may not match with the approved size of the house. Thirdly, the classification of houses according to the income or status category (viz., EWS, LIG, MIG and HIG) would have required in the case of private sector housing, the compilation of data on cost and value, which are not readily available. Finally, the classification by type of constructing agency (viz., co-operatives, development authority, other institutions and private individuals) would have served no useful purpose.

In the sample towns, where more than one local authority existed and were empowered to grant building permission and/or completion certificates in different parts of the town, an attempt was made to include houses coming under the jurisdiction of each of the authorities. In Delhi, for example, three authorities function, namely, Municipal Corporation of Delhi (MCD), New Delhi Municipal Committee (NDMC) and Delhi Development Authority (DDA). The bulk of the housing activity in the town falls under the jurisdiction of the MCD and the DDA. While in Lucknow and Ambala, two official agencies granted permission for construction of houses, in Cuttack and Quilon only one agency operated during the period when the survey houses were constructed.[5/] The areas under the jurisdiction of cantonment boards have been excluded.

Houses constructed by non-public agencies were classified into three categories based on their RV, namely,

(i) RV upto Rs 5,000;
(ii) RV from Rs 5,001 to Rs 25,000; and
(iii) RV above Rs 25,000.

The classification of the population and sample houses according to their RV is shown in Table II.1 for private sector houses and in Table II.2 for houses built by public sector agencies. The composition of the sample of 720 units, including the informal housing sector units, is shown in Table II.3

5/ These included the Cuttack Municipality in Cuttack, Quilon Municipality in Quilon, Lucknow Municipal Corporation and Lucknow Development Authority in Lucknow, and Ambala Municipal Committee and Haryana Urban Development Authority in Ambala.

TABLE II.1

Classification of Census and Sample Houses in the Private Sector by their Rateable Values

Town	Rateable value: Upto Rs 5000 (1)	Rs 5001- Rs 25000 (2)	Rs 25001- and above (3)	Total (4)
1. Delhi				
Census	425 (49.77)	302 (35.36)	127 (14.87)	854 (100.00)
Sample	62 (49.60)	44 (35.20)	19 (15.20)	125 (100.00)
2. Lucknow				
Census	692 (55.27)	463 (36.98)	97 (7.75)	1252 (100.00)
Sample	20 (55.56)	13 (36.11)	3 (8.33)	36 (100.00)
3. Cuttack				
Census	748 (99.73)	2 (0.27)	-	750 (100.00)
Sample	153 (98.35)	1 (0.65)		154 (100.00)
4. Quilon				
Census	722 (99.10)	14 (1.90)	-	736 (100.00)
Sample	57 (96.61)	2 (3.39)	-	59 (100.00)
5. Ambala				
Census	329 (97.63)	8 (2.37)	-	337 (100.00)
Sample	43 (97.73)	1 (2.27)	-	44 (100.00)
Total				
Census	2916 (74.22)	789 (20.08)	224 (5.70)	3929 (100.00)
Sample	335 (80.14)	61 (14.59)	22 (5.26)	418 (100.00)

Note: 1. The census relates to period January, 1981 to June, 1982.

2. Figures in parentheses are percentages of total.

3. -: indicates nil.

TABLE II.2

Classification of Public Sector Constructed Houses by their Rateable Values

(Number)

Town	Rateable value	Upto Rs 5,000	Rs 5,001-Rs 25,000	Rs 2,5001 and above	Total
1. Delhi					
	Census	6508 (32.96)	11576 (58.62)	1662 (8.42)	19746 (100.00)
	Sample	25 (32.89)	45 (59.21)	6 (7.89)	76 (100.00)
2. Lucknow					
	Census	3861 (57.75)	2223 (33.25)	602 (9.00)	6686 (100.00)
	Sample	57 (59.38)	34 (35.42)	5 (5.21)	96 (100.00)
3. Ambala					
	Census	1011 (100.00)	-	-	1011 (100.00)
	Sample	6 (100.00)	-	-	6 (100.00)
TOTAL					
	Census	11380 (41.47)	13799 (50.28)	2264 (8.25)	27443 (100.00)
	Sample	88 (49.44)	79 (44.38)	11 (6.18)	178 (100.00)

Note: 1. The census relates to the period January, 1981 to December, 1982

2. Figures in parentheses are percentages of total.

TABLE II.3

Composition of NIPFP Sample of Home Owners

Town	Formal Sector			Informal sector			Total
	Private	Public	Total	Permanent structures	Slums and squatter settlements	Total	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Delhi (Pop. 57.3 lakh)	125 (50.00)	76 (30.40)	201 (80.40)	25 (10.00)	24 (9.60)	49 (19.60)	250 (100.00)
2. Lucknow (Pop. 9.17 lakh)	36 (22.22)	96 (59.26)	132 (81.48)	15 (9.26)	15 (9.26)	30 (18.52)	162 (100.00)
3. Cuttack (Pop. 3.3 lakh)	154 (83.70)	-	154 (83.70)	18 (9.78)	12 (6.52)	30 (16.30)	184 (100.00)
4. Quilon (Pop. 1.4 lakh)	59 (79.73)	-	59 (79.73)	7 (9.46)	8 (10.81)	15 (20.27)	74 (100.00)
5. Ambala (Pop. 1.1 lakh)	44 (88.00)	6 (12.00)	50 (100.00)	-	-	-	50 (100.00)
TOTAL	418 (58.06)	178 (24.72)	596 ([illegible]2.78)	65 (9.03)	59 (8.19)	124 (17.22)	720 (100.00)

Notes: 1. Figures in parentheses are per centages of total of formal and informal sectors.

2. Figures in parentheses below the name of the town indicate the population as per 1981 census.

d. <u>Questionnaire</u>. Data were obtained during the housing finance surveys on the basis of a five-part questionnaire. The first three parts related to data on physical characteristics of the housing project and the socio-economic background of the home-owner. The fourth part focussed attention on the cost of the house and on the resource mobilisation efforts of the home-owner. An attempt was made to obtain information and data on the pattern of resource mobilisation efforts of the home owners and, in the case of resources mobilised through borrowings, also on relevant issues like the rate of interest charged by institutional and non-institutional lenders, type of mortgage, expenditure on servicing of loans, etc. The last part of the questionnaire sought some qualitative assessment by the home owner of the problems encountered by him in mobilising resources.

4. <u>Framework of Report</u>

The report contains seven chapters. The importance of housing in the development process and an estimate of the financial resources needed in the housing sector are brought out in Chapter I. This chapter provides the perspective for the analysis and discussions in Chapters III to VII.

The objectives of the study, as laid down by the Government of India, have been stated in the present chapter, together with an explanation of the study's approach. The methodology used in the housing finance surveys to obtain quantitative and qualitative evidence on the problems of resource mobilisation of individual home owners and on their housing finance pattern have also been spelt out. An analysis of the data obtained from the field surveys is then presented and analysed in chapter III.

In chapter IV, the salient features of the existing financial institutional set-up in the housing sector are examined, bringing out the important inadequacies and weaknesses. An evaluation of the interaction between the capital market and the housing sector is also presented.

Chapter V is of a recommendatory nature. The objectives of a new housing finance system are first identified, followed by an examination of the approach that may be considered. Several suggestions are made on the line of action that may be considered to strengthen the housing finance system, make it broad-based, and easily accessible by the masses and yet ensure its viability. Some suggestions on expanding the flow of household and non-household savings into the housing sector are also examined. In Chapter VI, an analysis is made of the potential sources that might be tapped to mobilise additional finances for housing.

8 The main findings and policy recommendations are summarised in chapter VII.

III. THE RESOURCE MOBILISATION EFFORTS OF NEW HOME OWNERS

1. Introduction

The objectives in undertaking the case studies in five selected towns in the country and the reasons for selecting the sample towns have been explained in Chapter II. The primary purpose of the case studies was to get an idea of the pattern of resource mobilisation by new home owners in the country and of the major problems that they had encountered in raising resources. However, for a proper perspective on the housing finance scenario, data were also obtained on the salient features of the new housing stock.

2. Salient Characteristics of New Housing Stock

a. Magnitude and size of housing stock. The housing finance surveys in the five selected towns covered 720 residential units comprising 2,245 rooms with a total covered area of 5.89 lakh sq. ft. The surveyed housing stock had a permanent occupancy of 4,222 residents. A little over one-sixth of the surveyed housing stock (i.e., 124 residential units) was in the informal sector, having a total covered area of 34,580 sq.ft. i.e., about six per cent of the total covered area of the sample houses (Table III.1)[6/]

6/ There are two features that differentiate housing in the informal housing sector from housing in the formal housing sector. In the first place, the construction of the house in the informal sector is not according to a plan approved in advance by the concerned local authority and secondly, the ownership of the land may not be clear or the land may not belong to the home owner (may belong to the government or a public sector agency), or the land may be earmarked for a non-residential purpose.

TABLE III.1

Salient Characteristics of New Housing Stock of Home Owners in Selected Towns

	Delhi			Lucknow			Cuttack			Quilon			Ambala	All towns		
	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector and total	Formal sector	Informal sector	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(15)
A. Physical Characteristics																
1. Number of homes	201 (33.72)	49 (39.52)	250 (34.72)	132 (22.15)	30 (24.19)	162 (22.50)	154 (25.84)	30 (24.19)	184 (25.56)	59 (9.90)	15 (12.10)	74 (10.28)	50 (8.39)/(6.94)	598 (100.00)	124 (100.00)	720 (100.00)
2. Total covered area ('000 sq. ft.)	261.22 (47.11)	15.73 (45.49)	276.95 (47.02)	121.85 (21.98)	7.12 (20.60)	128.97 (21.89)	83.35 (15.03)	9.85 (28.50)	93.20 (15.82)	47.47 (8.56)	1.87 (5.41)	49.34 (8.38)	40.57 (7.32)/(6.89)	554.46 (100.00)	34.58 (100.00)	589.04 (100.00)
3. Average area per house (sq.ft.)	1299.62	321.06	1107.80	923.08	237.47	796.11	541.23	328.47	506.52	804.63	124.57	666.76	811.32	930.30	278.87	818.11
4. Total number of rooms	735 (36.64)	84 (35.15)	819 (36.48)	375 (18.69)	46 (19.25)	421 (18.75)	538 (26.82)	76 (31.80)	614 (27.35)	222 (11.07)	33 (13.81)	255 (11.36)	136 (6.78)/(6.06)	2006 (100.00)	239 (100.00)	2245 (100.00)
5. Average number of rooms per house	3.36	1.71	3.28	2.84	1.53	2.60	3.49	2.53	3.34	3.76	2.20	3.45	2.72	3.37	1.93	3.12
B. Occupancy Characteristics																
6. Total number of occupants	1214 (34.59)	242 (33.99)	1456 (34.49)	622 (17.72)	178 (25.00)	800 (18.95)	1094 (31.17)	200 (28.09)	1294 (30.65)	305 (8.69)	92 (12.92)	397 (9.40)	275 (7.83)/(6.51)	3510 (100.00)	712 (100.00)	4222 (100.00)
7. Average area per member (sq. ft.)	215.18	65.01	190.22	195.89	40.02	161.21	76.19	49.27	72.03	155.65	20.33	124.29	147.51	157.96	48.57	13[illegible].52
8. Average members per house	6.04	4.94	5.82	4.71	5.93	4.94	7.10	6.67	7.03	5.17	6.13	5.36	5.50	5.8[illegible]	5.74	5.86
9. Average age of home owner	45.39	39.34	44.20	42.60	38.50	41.84	43.78	44.30	43.86	41.70	41.73	41.71	44.44	40.26	40.6[illegible]	40.32
C. Income Status of Home Owners																
10. Total annual income of all household (Rs lakh)	81.39	4.82	86.21	31.29	2.04	33.33	33.71	2.56	36.37	6.97	8.34	7.31	8.47	161.83	9.76	171.59
11. Total annual income of all head of household (Rs lakh)	55.89	4.04	59.93	24.98	1.69	26.67	23.31	1.70	25.01	5.39	8.31	5.70	7.26	118.63	7.74	124.57
12. 11 as part of 10	68.67	83.82	69.52	79.83	82.84	80.02	69.15	66.41	68.77	77.33	91.18	77.98	85.71	72.19	79.30	72.60
13. Per capita annual income of household (Rs '000)	40.49	9.84	34.48	23.70	6.80	20.57	21.89	8.53	19.77	11.81	2.27	9.88	16.94	27.15	7.87	23.83
14. Per capita annual income of head of household (Rs '000)	27.81	8.24	23.97	18.92	5.63	16.46	15.14	5.67	13.59	9.14	2.07	7.07	14.52	19.60	8.24	17.30
D. Cost and Investment																
15. Total cost (Rs lakh)	258.18	9.90	268.08	90.50	2.32	92.82	52.23	1.78	54.01	35.78	0.75	36.45	25.97	462.58	14.75	477.33
16. Average cost per home (Rs '000)	128.45	20.20	107.23	68.56	7.73	57.30	33.92	5.93	29.35	60.51	5.00	49.26	51.94	77.81	11.90	66.30
17. Cost per sq.ft.(Rs)	98.84	62.93	96.80	74.27	32.57	71.97	62.66	18.06	57.95	75.20	40.11	73.86	64.02	83.43	42.65	81.04
18. Home investment as percent of annual household income (i.e. 15 as per cent of 10)	317.21	205.39	310.96	289.23	113.73	278.49	154.94	69.53	148.50	512.20	220.59	498.63	306.61	285.84	151.13	278.19

Note: Figures in parenthesis are the per cent to total.

There are significant differences in the sizes of new houses in the different sample towns and within each town, also between the formal and informal sectors. While the average size of the 720 sample housing units taken together works out to 818 sq. ft. (with 3.1 rooms), the average size of a formal sector housing unit is 930 sq.ft. (3.4 rooms) and that of an informal sector housing unit is 279 sq.ft. (1.9 rooms). In other words, a formal sector housing unit is 3.3 times the size of an informal sector housing unit. Within the formal housing sector, the average house has as large an area as 1,300 sq.ft. in Delhi, but 923 sq.ft. in Lucknow, 811 sq. ft. in Ambala, 805 sq. ft. in Quilon, and 541 sq.ft. in Cuttack. In the informal housing sector, the houses are substantially smaller, the average size ranging from 125 sq.ft. in Quilon to 328 sq.ft. in Cuttack.

Within a town, the extreme example of sharp differences in the size of a residential unit in the formal and the informal housing sectors is seen in Quilon, where a formal sector housing unit is about 6.5 times larger than an informal sector housing unit. In the two major metropolises, namely, Delhi and Lucknow, a formal sector housing unit is larger than the informal sector housing unit by four times and 2.6 times, respectively. In Cuttack, however, the difference is comparatively small, a formal sector housing unit being only 0.6 times larger than an informal sector housing unit. These figures show that while there are substantial differences in the quality and size of a house in the formal and the informal housing sectors in the larger and more urbanised towns, in the case of a low-income. less-urbanised centre like

Cuttack, this is not so. One reason for this situation may be that the difference in the incomes of households in the formal and the informal sectors is less glaring in Cuttack (where the ratio of average income of the informal sector household to that of the formal sector household is 1:2.6) than in the other towns (where the ratio ranges from 1:3.5 to 1:5.2).

b. Type of new housing stock. As one would expect, the bulk of the houses in the informal sector are kutcha houses or non-permanent structures. However, about one-third of the houses can be classified as pucca houses or permanent structures, these being mainly the unauthorised constructions on agricultural land in New Delhi (about one-half) and on government land in Cuttack (one-fourth). In the formal housing sector, almost the entire housing stock can be classified as pucca (95.6 per cent), with a small proportion as semi-pucca houses, mainly in Cuttack (Table III.2).

The data on the informal sector housing reveals that about two-fifth of the new stock is in the nature of huts and another one-fourth is in the form of semi-permanent structures. It is interesting to find that about one-fourth of the informal sector housing units are independent bungalows in the non-slum segment of the sector. For all practical purposes, these units are like formal sector housing units, except that they have been constructed on unauthorised land and/or on non-residential land and without any official permission or plans approved by the concerned local bodies. An equally interesting fact is that the owners of such houses were able to mobilise some finances from the organised financial market.

[illegible]	[illegible]	19	[illegible]	[illegible]	34 / 15	[illegible]	22 / 96
[illegible]	[illegible]	3 / 2	[illegible]	[illegible]	27 / 6	[illegible]	[illegible] / 3
[illegible]	[illegible]	[illegible]	39	[illegible]	39 / 8	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	46	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	30 / 19	[illegible]	66 / 71
[illegible]	1 / 35 / 8	[illegible]	5 / 3	[illegible]	[illegible] / 70	[illegible]	[illegible] / 28
[illegible]	[illegible] / 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]	35 / 26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	5	[illegible]	[illegible]	1 / 8	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	59 / 0	21 / 33	[illegible]	[illegible]	[illegible]	[illegible]
19 / 90	2 / 5 / 0	2 / 10	10	[illegible]	[illegible]	[illegible]	[illegible]

In the formal housing sector, almost three-fourth of the new housing stock can be classified as independent units like bungalows and they form an important proportion of the housing stock in the smaller towns, namely, Cuttack, Quilon and Ambala, but bungalows form a small proportion of the new housing stock in Lucknow and Delhi. As much as 95 per cent to 96 per cent of the formal sector housing units in Quilon and Cuttack and 84 per cent in Ambala fall in this category and these three towns together account for over one-half of the bungalow population in the sample. However, by standards of major metropolises, many of these houses may be inferior in terms of construction, facilities and amenities than the flats in major metropolises and larger towns, but they are conceptually definable as "bungalows' -- independent residential units, mainly single-storeyed, with a small courtyard/open place, toilet/kitchen and two or more other rooms. Flats in multi-storeyed buildings are found mainly in Delhi and Lucknow and a few in Cuttack. It appears that the practice of living in flats has not yet spread to the smaller towns in which the housing surveys were conducted.

c. <u>Occupancy pattern and home size</u>. No significant difference has been noticed in the occupancy ratios between the formal and the informal housing sectors in the five survey towns. Taken together, on average, 5.9 persons occupy a residential unit in the formal sector and 5.7 persons in the informal sector. These occupancy ratios compare quite favourably with the all-India average of 5.7 persons, as per the 1981 Census. However, the average now observed for the five survey towns is higher than the average occupancy ratio of 5.2 for the same five sample towns, as per the 1981 Census, suggesting that the occupancy ratios in newer houses in the sample towns are rising.

Within the five survey towns, however, there are sharp differences in the occupancy ratios (Table III.1). In the first place, in the formal housing sector, the occupancy ratio varies from as high as 7.1 persons per house in Cuttack to as low as 4.7 persons per house in Lucknow, and in the informal housing sector, the range is from as high as 6.7 persons per house in Cuttack to as low as 4.9 persons per house in Delhi. The substantially higher occupancy ratio in the formal housing sector in Delhi (6.0 persons per house) than in Lucknow (4.7 persons) is due to larger differences between the rates of growth of population and of housing stock in the two metroplises. In fact, if one goes by the data on the occupancy ratios of the sample towns, the pressure on the formal housing sector seems to be the least in Lucknow and this may be partly due to the relatively high rate of in-migration in the other towns as compared to Lucknow.

What is more important is the variations in the occupancy ratios in the formal and the informal sectors within a town. This is quite large in Delhi, where the occupancy ratio in the formal sector is 22.3 per cent higher than in the informal sector, but in Cuttack it is only 6.4 per cent higher. On the other hand, the occupancy ratio in the informal sector is higher than in the formal sector in Lucknow and Quilon, 25.9 per cent in the case of the former and 18.6 per cent in the case of the latter.

From the point of view of housing policy, an equally important aspect is the average living space per resident. In the formal housing sector, for the five towns taken together, a resident has more than three times the living space than a resident in the informal sector (i.e., 158 sq.ft. and 49 sq.ft., respectively) and the total area per house also is more than three times. The differences are marginal in Cuttack, perhaps a characteristic representative of housing in a low-income under-developed town. In Quilon, however, the differences are substantial and the occupancy ratio in the informal sector is also higher than in the formal sector. In the case of Delhi, the average area per resident in the formal sector housing unit is 3.3 times higher than that in the informal sector housing unit and in Lucknow, it is almost five times higher (Table III.1).

The average actual living space per resident in the different towns, for the houses surveyed, ranges from 72 sq.ft. in Cuttack to 190 sq.ft. in Delhi. In the formal housing sector, the average area ranges from 76.7 sq.ft. in Cuttack to 215 sq.ft. in Delhi.

Contrary to the general feeling, it was found that the average size of a house increases with the density of population in both the formal and the informal sectors.[7/] One reason may be the higher income levels in the sample town with a higher population density. Thus, while the average size of a formal sector housing unit in Cuttack is 541 sq.ft., that in Quilon is 805 sq.ft.,

7/ The density per sq.km., as per the 1981 Census data, is 4151 in Cuttack, 6172 in Ambala, 7464 in Quilon, 8036 in Lucknow and 10,595 in Delhi.

in Ambala 811 sq.ft., in Lucknow 923 sq.ft. and in Delhi 1,300 sq.ft. Similarly, the average size of a residential unit in the informal sector ranges from 125 sq.ft. in Quilon to 321 sq.ft. in Delhi though it was found to be slightly higher in Cuttack (328 sq.ft.). These sizes of residential units may appear relatively large in the Indian context, but they are in line with the recent trends in the housing sector. In an earlier study (Lall, 1982), it was found that the average size of a residential unit in Surat was 813 sq.ft. and in Villupuram it was 1017 sq.ft. The average number of rooms per house in these two towns was also comparable with what has been found to be the case in the five survey towns included in the present study. Similarly, the area per resident estimated at 104 sq.ft. in Surat and 148 sq.ft. in Villupuram, are within the range of occupancy ratios found in the present study.

d. Land acquisition aspects. A significant finding that emerges from a study of available survey data is that 13.2 per cent of the new housing stock covered in the surveys was constructed on land that was encroached upon by the home owners. Such encroachment was marked in Lucknow and Cuttack (each accounting for 31.6 per cent of the total encroachment cases in the sample), followed by Delhi and Quilon (Table III.3).

The bulk (four-fifth) of the housing units on authorised land was built on land that was purchased by the home owner or by the co-operative society through which a house was acquired. The proportion of housing units constructed on inherited land was about one-fifth of the total housing units in the authorised sector.

TABLE III.3

Pattern of Acquisition of Land and its Legal Status

Towns	A-Authorised					B-Unauthorised	
	Inherited	Purchased	Freehold	Leasehold	Total 1/ (1+2) or (3+4)	Encroachment	Grand total 2/ (5+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Delhi	16 (12.40)	214 (43.15)	114 (29.53)	116 (48.54)	230 (36.80)	20 (21.05)	250 (34.72)
Lucknow	1 (0.78)	131 (26.41)	9 (2.33)	123 (51.46)	132 (21.12)	30 (31.58)	162 (22.50)
Cuttack	74 (57.36)	80 (16.13)	154 (39.90)	-	154 (24.64)	30 (31.58)	184 (25.56)
Quilon	26 (20.16)	33 (6.65)	59 (15.29)	-	59 (9.44)	15 (15.79)	74 (10.28)
Ambala	12 (9.30)	38 (7.66)	50 (12.95)	-	50 (8.00)	-	50 (6.94)
TOTAL	129 (100.00)	496 (100.00)	386 (100.00)	239 (100.00)	625 (100.00)	95 (100.00)	720 (100.00)

Notes: 1/ Figures in parentheses are per cent to total.

2/ Includes 596 formal sector housing units and 29 unauthorised permanent structures from informal housing sector, which were constructed on legally acquired land but without relevant approvals.

The proportions are substantially high in smaller towns, namely, 48.1 per cent in Cuttack, 44.1 per cent in Quilon and 24.0 per cent in Ambala but low in the large cities, being 0.8 per cent in Lucknow and 7.0 per cent in Delhi. These findings point to the scarcity of land in a highly urbanised town and indicate that a large part of the construction in such a town has to take place on land that may be released by the government as in the case of Delhi or land that may be actually purchased by the home owner. On the other hand, in relatively small towns and less urbanised centres, family ownership of land provides a major physical input for the house-building.

The survey data have provided interesting evidence on the freehold and leasehold ownership of land. In the smaller towns all the new housing units are constructed on freehold land and it is only in the large cities like Delhi and Lucknow that the lease system exists. In fact, in Lucknow 93.2 per cent of the new housing units are constructed on leasehold land and in Delhi, the corresponding figure is 50.4 per cent. Further, in the case of leasehold land, there is a restriction on the sale of the land, usually the period of restriction being 10 years (in 75 per cent and 80 per cent, respectively, of the total leasehold cases in Delhi and Lucknow). While in Delhi there is no restriction on resale of houses on leasehold land after 10 years, in the case of Lucknow in about 20 per cent of the cases, the restriction on resale of the houses on leasehold land extends upto 15 years (Table A.III.1).

3. Salient Characteristics of New Home Owners

a. Age pattern. Data on the age of new home owners indicate that their average age is almost the same in both the formal and informal sectors, the respective ages for the sample towns taken together working out to 40.3 years and 40.6 years. Among the individual towns, there is some difference noticed only in the case of Lucknow and Delhi where the age of the informal sector home owner (around 39 years in both towns) is substantially lower than that of the formal sector home owner (43 and 45 years, respectively). In the smaller towns, such differences are negligible, though the informal housing sector home owner is somewhat older.

The information presented above on the age pattern of home owners, and on the higher cost of a house in metropolises than in smaller towns, throws some light on the limitations of a prospective home owner in mobilising a larger volume of resources to acquire a house in a metro than that for a house in a smaller town. The disaggregated data on the age of home owners in different income brackets further bring out the seriousness of the resources constraint: the low-income individual (in spite of the lower cost of the house that he may acquire), is able to own a house at an older age than his high-income counterpart.

An analysis of the frequency distribution of home owners by their age groups confirms the generally-held belief that in India, the proportion of home owners who acquire a house in the early stages of their career is very low. Less than 1 per cent of home owners in the formal housing sector included in the surveys are less than 25 years of age and about two-fifth of them are in the age group 26 to 40 years. The majority of the home owners, three-fifth of the sample, are more than 41 years old and 16 per cent are above the age of 55 years. The town-wise data show that a larger proportion of home owners in the respective samples are more than 41 years old in Delhi and Lucknow, but a smaller proportion, than the sample average, belong to this age group in the smaller towns. In the informal sector, the situation is different in view of the low average cost of the house: more than one-half of the new housing stock is owned by relatively young individuals (Table III.4).

b. Occupational pattern. Disaggregated data on the pattern of occupation of new home owners in each of the sample towns indicate that the role of the salaried sector is less important in the sample towns where organised employment, including government sector employment, is not as widespread as in the cities and metropolises. In fact, a large proportion of home owners in these towns are engaged in petty trade and business activities. A corollary to the evidence on the smaller contribution of the salaried sector is that new home owners in smaller towns obtain a lower income from retirement benefits than those in the larger urban centres (Table III.5)

4. Housing Investment, Home Owner's Income Pattern and Impact

a. Estimates on housing investment. The 720 housing units covered in the survey towns involved an investment of Rs 477 lakh. As much as 97 per cent of this investment was used for 596 formal sector housing units, the

TABLE III.5

Pattern of Occupations of New Home Owners

(Number)

Occupational status		Delhi (1)	Lucknow (2)	Cuttack (3)	Quilon (4)	Ambala (5)	Total (6)
1. Service		133	100	86	34	28	381
	a.	(34.91)	(26.25)	(22.57)	(8.92)	(7.35)	(100.00)
	b.	(53.20)	(61.73)	(46.74)	(45.95)	(56.00)	(52.92)
2. Business		83	24	56	21	16	200
	a.	(41.50)	(12.00)	(28.00)	(10.50)	(8.00)	(100.00)
	b.	(33.20)	(14.81)	(30.43)	(28.38)	(32.00)	(27.78)
3. Retired		32	18	17	5	4	76
	a.	(42.11)	(23.68)	(22.37)	(6.58)	(5.26)	(100.00)
	b.	(12.80)	(11.11)	(9.24)	(6.76)	(8.00)	(10.56)
4. Others		2	20	25	14	2	63
	a.	(3.17)	(31.75)	(39.68)	(22.22)	(3.17)	(100.00)
	b.	(0.80)	(12.35)	(13.59)	(18.92)	(4.00)	(8.75)
Total...		250	162	184	74	50	720
	a.	(34.72)	(22.50)	(25.56)	(10.28)	(6.94)	(100.00)
	b.	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Notes: a. Figures in parentheses are per cent to total of each source of income in all towns.

b. Figures in parentheses are per cent to total of income from all sources in each town.

marginal remainder being spent on 124 informal sector housing units. The average cost of a formal sector housing unit was Rs 77,610 and that of an informal sector housing unit was Rs 11,900. There were sharp variations in the respective costs of the two types of housing units in the sample towns. The average cost of a house in the formal sector was Rs 1.28 lakh in Delhi but it was substantially lower in the other towns, that is, Rs 68,516 in Lucknow, Rs 60,510 in Quilon, Rs 51,940 in Ambala and Rs 33,920 in Cuttack. In the informal sector, the cost of a residential unit ranged from Rs 5,000 to Rs 8,000 in Quilon, Cuttack and Lucknow, but it was relatively high, Rs 20,000, in Delhi. (Table III.1)

What is more important than the total cost of a house and inter-town differences in cost is the marked variations in the cost per sq.ft. The cost per sq.ft. in the formal sector is relatively high at Rs 99 in Delhi but it ranges from Rs 63 to Rs 74 in the other four towns. In the informal sector, the cost per sq.ft. ranges from Rs 33 to Rs 40 in Lucknow and Quilon, is as low as Rs 18 in Cuttack but is as high as Rs 63 in Delhi.

b. Income pattern of new home owners. The total annual income of the 720 households covered in the study is estimated at Rs 171.59 lakh, of which about three-fourth of the income is earned by the heads of the respective households. The average annual income per household for the five towns taken together is estimated at Rs 27,150 in the formal sector and Rs 7,870 in the informal sector. The income of the formal sector home owner is, thus 3.4 times that of the informal sector home owner. There are also wide variations in the average income per household in the formal housing sector in the five towns (the annual income ranging from Rs 11,810 to Rs 40,490) but the differences in the informal sector are marginal (annual income ranging from Rs 6,800 to Rs 9,840, with the exception of Quilon, where the annual income is Rs 2,270). Thus, while the size of a town and the level of urbanisation has a bearing on the level of household income in the formal housing sector, low-income levels are characteristic of the informal housing sector. (Table III.1).

A comparative study of the levels of annual income of sample households and their total investment in housing shows that housing absorbs a very substantial proportion of their annual income, almost three times in the formal housing sector and about one-and-a-half times in the informal housing sector. In other words, on average, a household requires the combined annual income of three years to pay for the price of a house in the formal housing sector and one-and-a-half years' annual income in the informal housing sector. Within the survey towns, sharp differences exist (Table III.1). Even if we assume that a household is able to save about 20 per cent of its annual income to be invested subsequently in a house, it would require a household at least 15 years to save the requisite resources, assuming that the cost of the house does not increase during the savings period. The need to strengthen the institutional housing finance system in the country is clearly indicated. Disaggregated data on the level of household income and housing investment of home owners in different income brackets in the survey towns, brings out even more strongly the need to strengthen housing finance intermediation. (Table A.III.2).

c. Sources of home owner's income. A study of the sources of income of the 720 households reveals that several of the new home owners had multiple sources of income. For the group of survey respondents as a whole, the average number of income sources works out to 1.19. Almost one-half of the sources of income of the home owners is salaries, and around one-fourth is trade and commerce. Income from pensions accounts for about 10 per cent of the sources of income of the home owners and interest income for another 2.6 per cent (Table III.6).

Salary is the predominant source of income in all the survey towns, accounting for between 44 per cent and 55 per cent of the total income of the home owners. The importance of the pension sector increases with the level of urbanisation, whereas that of the business sector declines (Table A.III.3).

An analysis of the sources of income of home owners in different income brackets clearly indicates that the income range Rs 5,001 to Rs 35,000 can be classified as the salary income group: over one-half of the home owners in this income range derive their income in the form of salaries, and pension income is also an important source of income for them. On the other hand, home owners in the income bracket above Rs 35,000 derive their income mainly from trade and commerce (Tables A.III.3 and III.7).

d. Objectives for investment in housing. It is interesting to find that the vast majority of new home owners acquired their house for the purpose of self-occupancy. Self-occupancy was stated as the main objective for owning a house by nine-tenth of the home owners,

TABLE III.6

Sources of Income of New Home Owners in Selected Towns

(Number)

Sources of Income		Delhi (1)	Lucknow (2)	Cuttack (3)	Quilon (4)	Ambala (5)	Total (6)
1. Salary		138	110	91	37	28	404
	(a)	(34.16)	(27.23)	(22.52)	(9.16)	(6.93)	(100.00)
	(b)	(43.53)	(53.14)	(45.73)	(45.68)	(54.90)	(47.25)
2. Business		87	28	65	26	16	222
	(a)	(39.19)	(12.61)	(29.28)	(11.71)	(7.21)	(100.00)
	(b)	(27.44)	(13.53)	(32.66)	(32.10)	(31.37)	(25.96)
3. Pension		39	17	17	4	4	81
	(a)	(48.15)	(20.99)	(20.99)	(4.94)	(4.94)	(100.00)
	(b)	(12.30)	(8.21)	(8.54)	(4.94)	(7.84)	(9.47)
4. Interest		16	6	-	-	-	22
	(a)	(72.73)	(27.27)	-	-	-	(100.00)
	(b)	(5.05)	(2.90)	-	-	-	(2.57)
5. Others		37	46	26	14	3	126
	(a)	(29.37)	(36.51)	(20.63)	(11.11)	(2.38)	(100.00)
	(b)	(11.67)	(22.22)	(13.07)	(17.28)	(5.88)	(14.74)
Total		317	207	199	81	51	855
	(a)	(37.08)	(24.21)	(23.27)	(9.47)	(5.96)	(100.00)
	(b)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Notes: 1. a. Figures in parentheses are per cent to total of all owners.

2. b. Figures in parentheses are per cent to total of all sources of income in each town.

3. - Indicates nil.

TABLE III.7

Sources of Income of Home Owners in Different Income Groups

Sources of Income	Income Groups						
	0 - 5000	5001 - 15000	15001 - 35000	35001 - 50000	50001 - 100000	Above 100000	Total
1. Salary	45 (31.91)	183 (51.40)	151 (56.77)	18 (29.03)	6 (22.22)	1 (33.33)	404 (47.25)
2. Business	31 (21.99)	83 (23.31)	66 (24.81)	26 (41.94)	15 (55.56)	1 (33.33)	222 (25.96)
3. Pension	14 (9.93)	51 (14.33)	14 (5.26)	0	1 (3.70)	1 (33.33)	81 (9.47)
4. Interest	0	5 (1.40)	5 (1.88)	11 (17.74)	1 (3.70)	-	22 (2.57)
5. Others	51 (36.17)	34 (9.55)	30 (11.28)	7 (11.29)	4 (14.81)	-	126 (14.74)
TOTAL	141 (100.00)	356 (100.00)	266 (100.00)	62 (100.00)	27 (100.00)	3 (100.00)	855 (100.00)

Note: Figures in parentheses are per cent to total.

the proportion being higher in the informal housing sector (98.4 per cent) than in the formal housing sector (87.8 per cent). Self-occupancy is, however, found to be relatively less important in a more urbanised and larger town, for the data show that the proportion of home owners stating self-occupancy as the purpose for acquiring a house is the lowest in Delhi and also it is lower in Lucknow than in Cuttack and Quilon. In the case of Ambala, where the sample of home owners included a large proportion of government employees, self-occupancy is a less important consideration for owning a house.

The acquisition of a house, partly for self-occupancy and partly for renting out, is a more important consideration in larger and/or urbanised centres like Delhi, Lucknow and Ambala than in the small, less-urbanised towns like Cuttack and Quilon. The possible explanation for this situation may be, on the one hand, the higher investment required for the house, resulting in the need to raise resources in all possible ways and the desire to earn an income from the large investment, and on the other hand, the substantial demand for rental housing. A negligible proportion of sample home owners acquired a house to wholly rent it out, the proportion for the sample as a whole being 0.7 per cent. This is the situation only in the formal housing sector (Table III.8).

Disaggregated data reveal that the objective of self-occupancy of an entire house becomes less important with an increase in the income level of the home owner. While 93.6 per cent of the home owners in the income bracket upto Rs 5,000 stated self-occupancy as the reason for owning a house, the proportion is 91.8 per cent for

TABLE III.8

Rationale of Home Owners in Different Income Groups for Owning a House

Purpose	Income groups: 0-5000 (1) Formal sector	0-5000 (1) Informal sector	0-5000 (1) Total	5001-15000 (2) Formal sector	5001-15000 (2) Informal sector	5001-15000 (2) Total	15001-35000 (3) Formal sector	15001-35000 (3) Informal sector	15001-35000 (3) Total	35001-50000 (4) Formal sector	35001-50000 (4) Total	50001-100000 (5) Formal sector	50001-100000 (5) Total	Above 100000 (6) Formal sector	Above 100000 (6) Total	(7) Formal sector	(7) [illegible]
1. Self occupancy	53 (88.33)	64 (98.46)	117 (93.60)	225 (90.00)	53 (100.00)	278 (91.75)	188 (86.64)	5 (83.33)	193 (86.55)	39 (86.64)	39 (86.64)	16 (76.19)	16 (76.19)	2 (66.67)	2 (66.67)	523 (87.75)	[illegible] (93.[illegible])
2. Partly renting out	7 (11.67)	1 (1.54)	8 (6.40)	22 (8.80)	-	22 (7.26)	27 (12.44)	1 (16.67)	28 (12.56)	6 (13.33)	6 (13.33)	5 (23.81)	5 (23.81)	-	-	67 (11.[illegible])	([illegible]
3. Wholly renting out	-	-	-	3 (1.20)	-	3 (0.99)	1 (0.46)	-	1 (0.45)	-	-	-	-	1 (33.33)	1 (33.33)	(0.[illegible])	
4. Partly non-residential	-	-	-	-	-	-	1 (0.46)	-	1 (0.45)	-	-	-	-	-	-	1 (0.[illegible])	
Total ...	60 (100.00)	65 (100.00)	125 (100.00)	250 (100.00)	53 (100.00)	303 (100.00)	217 (100.00)	6 (100.00)	223 (100.00)	45 (100.00)	45 (100.00)	21 (100.00)	21 (100.00)	3 (100.00)	3 (100.00)	596 (100.00)	

Note: Figures in parenthesis are percent to total of all income groups.

the income bracket Rs 5,001 to Rs 15,000, 86.6 per cent for income brackets Rs 15,001 to Rs 35,000 and Rs 35,001 to Rs 50,000, 76.2 per cent for the income bracket Rs 50,001 to Rs 1 lakh and 66.7 per cent for the income bracket above Rs 1 lakh. As a corollary to this, it was found that the rationale for acquiring a house for partial renting becomes stronger with the increase in the income level. Data show that while only 6.4 per cent of the home owners in the income bracket upto Rs 5000 acquired a house to partly rent it out, this proportion increased progressively to 23.8 per cent for the income bracket Rs 50,001 to Rs 1 lakh (Table III.8).

These findings suggest that the lower income home owner acquires a house primarily as a shelter, in the absence of any alternative such as economical rental accommodation. Further, the size of the houses that he may acquire may also be too small to partly rent out. As the income level increases, and with it also the size of the house, the home owner in higher income brackets can partly rent out his house and, sometimes, also wholly, as he may have access to an alternative shelter either provided by the employer or obtained from the rental market, and home ownership, in his case, may be for the 'rainy day' (the post-retirement period) or as an avenue for secured investment of savings.

e. The rental housing scenario. The analysis in the preceding sub-section (d) indicated that about one-tenth of the new home owners acquired their houses with the objective of wholly or partly deriving some rental income from them. In the sample of 596 formal sector home owners, 93 home owners (or 15.6 per cent) belonged to this category.

An attempt was made to obtain data from such home owners on the specific reasons for letting out their houses and the level of rental income that they derived. The data on rental income, obtained from 72 out of the 93 home owners who rented out their premises (77.4 per cent), are presented in Table III.9. While an element of under-estimation of rental income cannot be ruled out, the data do provide some insight into the rental market.

The total annual rental income of the 72 home owners is estimated at Rs 7.4 lakh or about Rs 10,333 per rental unit. There is substantial difference in the annual rental income in the five sample towns, ranging from as low as Rs 1,000 in Quilon to Rs 3,290 in Ambala, Rs 6,250 in Cuttack, Rs 8,760 in Lucknow and Rs 13,820 in Delhi. These data, thus, show that rental incomes tend to rise with the size and level of urbanisation of the respective towns.

A large proportion of home owners (45.9 per cent) who rented out their houses to facilitate the repayment of their home loan. In the case of about one-fifth of home owners, recovery of their housing investment was the primary consideration and additional income was a major consideration in the case of one-third of the home owners. Some home owners (about one-fifth) were induced to rent out their houses in order to pay taxes on the property. (Table A.III.4).

The rent control act, is generally believed to deter investment in housing, but home owners seem to weigh the negative effects of the legislation with the positive benefits of investment in housing. About one-fifth of

TABLE III.9

Rental Income of New Home Owners in Selected Towns (Formal Housing Sector)

(Rs '000)

Name of towns	All respondents	Per capita
1. Delhi (38)	525	13.82
2. Lucknow (17)	149	8.76
3. Cuttack (8)	44	6.25
4. Quilon (3)	3	1.00
5. Ambala (7)	23	3.29
TOTAL (73)	744	10.33

Notes: 1. Figures in parentheses are number of respondents.

2. Includes 1 respondent in Cuttack from informal sector with annual rental income of Rs 5000.

home owners (mainly in Delhi and Lucknow) invested in housing, inspite of being fully aware of the implications of rent control legislation, because they felt that housing provided an avenue for safe investment, bestowed some status value, and allowed for substantial capital gains. The status symbol is more important in Delhi than in Lucknow (Table A.III.5).

f. Income impact on housing stock. In section 4(b) of this chapter, we had seen that the resource mobilisation efforts of individuals in the survey towns might require a substantial savings effort for 15 years or more, to raise the requisite resources to buy a house, assuming that the cost of the house did not escalate substantially during this period. The impact of income on the size and type of house that individuals may acquire, on the cost of the house, and on the nature of construction is an aspect which has a significant bearing on the formulation of a housing finance policy and strategy.

The data that were obtained from the 720 housing units bring out clearly the positive relationship between the level of income of an individual and the size of the house that he acquires. While the majority of the home owners in the annual income bracket upto Rs 15,000, acquired a house having a covered area of upto 500 sq.ft., the majority of home owners in the income bracket above Rs 50,000 acquired a house having a covered area of more than 1000 sq.ft. At the two extremes of the annual income scales examined in this study, namely, upto Rs 5,000 and above Rs 1 lakh, the differences in sizes of houses acquired are very marked, for the majority of home owners in these two income brackets acquired a house of upto 250 sq.ft. and above 1000 sq.ft., respectively, (Table III.10).

The observed impact of income on home size is more marked when the analysis is extended to individual towns and also when we make a comparison between the housing stocks in the two sectors. However, within the informal housing sector, the home owners do not have an annual income above Rs 35,000; the majority of them (52.4 per cent) have an annual income of upto Rs 5,000 (Table III.10 and Table A.III.6).

A corollary to the income impact on the size of a house is the income impact on the cost of the house that an individual acquires. The survey data show that these are positively related : the cost of a house rises with the income level of the individual. While more than one-half of the home owners aearning less than Rs 5,000 acquired a house costing upto Rs 10,000, the majority of home owners in the Rs 5,001 to 35,000 income bracket acquired a house at a cost of upto Rs 50,000. The house cost goes up progressively thereafter: at an income level exceeding Rs 35,000, the majority of home owners invest more than Rs 1 lakh (Tables III.11 and A.III.7).

What is more important from the point of view of housing policy, is the ratio of home cost to annual household income. The ratio goes up progressively with an increase in the income of the home owner, upto an annual income of Rs 50,000, and thereafter it starts falling. While at the low income level, say, upto Rs 5,000 per annum, the cost of the house is 2.3 times the annual household income, in the middle income range (between

TABLE III.10

Income Groups of Home Owners and Home Size

Size of house (sq.ft.)	Income groups																				
	0-5000			5001-15000			15001-35000			35001-50000			50001-100000			Above 100000			Total		
	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total
	(1)			(2)			(3)			(4)			(5)			(6)			(7)		
0-250	20 (33.33)	51 (78.46)	71 (16.00)	40 (16.00)	31 (58.49)	71 (23.43)	5 (2.30)	0	5 (2.24)	-	-	-	-	-	-	1 (33.33)	-	1 (33.33)	66 (11.07)	82 (66.13)	148 (20.56)
251-500	20 (33.33)	6 (12.13)	28 (22.40)	81 (32.40)	13 (24.53)	94 (31.02)	40 (18.43)	2 (33.33)	42 (18.83)	2 (4.44)	-	2 (4.44)	-	-	-	-	-	-	143 (23.99)	23 (18.55)	166 (23.[illegible])
501-1000	14 (23.33)	5 (7.69)	19 (15.20)	72 (28.80)	9 (16.98)	81 (26.73)	79 (36.41)	3 (50.00)	82 (36.77)	11 (24.44)	-	11 (24.44)	1 (4.76)	-	1 (4.76)	-	-	-	177 (29.70)	17 (13.71)	194 (26.[illegible])
1001-5000	6 (10.00)	1 (1.54)	7 (5.60)	57 (22.80)	0	57 (18.81)	93 (42.86)	1 (16.67)	94 (42.15)	29 (64.44)	-	29 (64.44)	18 (85.71)	-	18 (85.71)	2 (66.66)	-	2 (66.66)	205 (34.40)	2 (1.61)	207 ([illegible]8.75)
Above 5000	-	-	-	-	-	-	-	-	-	3 (6.67)	-	3 (6.67)	2 (9.62)	-	2 (9.52)	-	-	-	5 (0.84)		5 (0.69)
Total	60 (100.00)	65 (100.00)	125 (100.00)	250 (100.00)	53 (100.00)	303 (100.00)	217 (100.00)	6 (100.00)	223 (100.00)	45 (100.00)	-	45 (100.00)	21 (100.00)	-	21 (100.00)	3 (100.00)	-	3 (100.00)	596 (100.00)	124 (100.[illegible])	720 (100.00)

Notes: 1. Figures in parenthesis are per cent to total.

TABLE III.11

Cost of Construction of Houses of Owners in Different Income Groups

(Rs)

Cost of construction (Rs'000)	Income groups 0-5000	5001-15000	15001-35000	35001-50000	50001-100000	Above 100000	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
0 - 10	71 (56.80)	63 (20.79)	8 (3.59)	1 (2.22)	-	-	143 (19.86)
11 - 25	31 (24.80)	77 (25.41)	31 (13.90)	3 (6.67)	-	1 (33.33)	143 (19.86)
26 - 50	12 (9.60)	77 (25.41)	58 (26.01)	5 (11.11)	1 (4.76)	-	153 (21.25)
51 - 100	11 (8.80)	59 (19.47)	73 (32.74)	9 (20.00)	4 (19.05)	-	156 (21.67)
101 - 250	-	27 (8.91)	47 (21.08)	14 (31.11)	8 (38.10)	1 (33.33)	97 (13.47)
Above 250	-	-	6 (2.69)	13 (28.89)	8 (38.10)	1 (33.33)	28 (3.89)
TOTAL	125 (100.00)	303 (100.00)	223 (100.00)	45 (100.00)	21 (100.00)	3 (100.00)	720 (100.00)

Notes: 1. Figures in parentheses are per cent to total in each income group

2. - Indicate nil.

Rs 5,001 and Rs 35,000) the house cost is 2.6 times the annual household income. The ratio rises to 3.6 times and 3.3 times in the two high-income groups of Rs 35,001 to Rs 50,000 and Rs 50,001 to Rs 1,00,000, respectively. At the top of the income scale, i.e., at the income level above Rs 1 lakh, the cost of the house, however, works out to 0.9 times the annual household income. These data bring out, on the one hand, the substantial problems in raising resources for housing at lower and middle income levels, and on the other hand, the relative ease at very high income levels. (Tables III.11 and A.III.7).

As one would expect, the quality of a house improves with the income level of the home owner. The kutcha houses, all in the informal sector, are largely built by individuals in the income bracket upto Rs 5,000 and to some extent, by those in the income bracket Rs 5,001 to Rs 15,000. The semi-pucca houses are also built largely by home owners in these two income brackets, both in the informal and the formal sectors. The houses of home owners in the income bracket above Rs 15,000 are all of a pucca nature and they are mainly (84 per cent) bungalows (16 per cent being flats). Disaggregated data at the town level show that more than 50 per cent of the bungalows are in smaller towns like Cuttack, Quilon and Ambala, where there is a tendency to build bungalows rather than acquire a flat, in view of the availability of land, the socio-economic environment and the fact that the flat system has not yet become popular. On the other hand, in larger towns like Delhi and Lucknow, flats account for almost the whole of the new houses included in the sample (Tables III.12 and A.III.8).

TABLE III.12

Type of New Housing Stock of Owners in Different Income Groups in Selected Towns

	Income Groups																	
	0-5000			5001-15000			15001-35000			35001-50000		50001-100000		Above 100000		Total		
	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Total	Formal sector	Total	Formal sector	Total	Formal sector	Informal sector	Total
	(1)			(2)			(3)			(4)		(5)		(6)		(7)		
A. Type of Construction																		
1. Pucca	49 (81.67)	14 (21.54)	63 (50.40)	236 (94.40)	19 (35.85)	255 (84.16)	216 (99.54)	6 (100.00)	222 (99.55)	45 (100.00)	45 (100.00)	21 (100.00)	21 (100.00)	3 (100.00)	3 (100.00)	570 (95.64)	39 (31.45)	609 (84.58)
2. Semi-pucca	11 (18.33)	13 (20.00)	24 (19.20)	14 (5.60)	19 (35.85)	33 (10.89)	1 (0.46)	-	1 (0.45)	-	-	-	-	-	-	26 (4.36)	32 (25.61)	58 (8.06)
3. Kutcha	-	36 (58.46)	38 (30.40)	-	15 (28.30)	15 (4.95)	-	-	-	-	-	-	-	-	-	-	53 (42.74)	53 (7.36)
B. Type of House																		
4. Hut	1 (1.67)	34 (52.31)	35 (28.00)	1 (0.40)	15 (28.30)	16 (5.28)	-	-	-	-	-	-	-	-	-	2 (0.34)	49 (39.52)	51 (7.08)
5. Semi-permanent structure	6 (10.00)	15 (23.08)	21 (16.80)	5 (2.00)	20 (37.74)	25 (8.75)	-	-	-	-	-	-	-	-	-	11 (1.65)	35 (28.23)	46 (6.39)
6. Flats	17 (28.33)	3 (4.62)	20 (16.00)	78 (31.20)	3 (5.66)	81 (26.73)	40 (18.43)	-	40 (17.94)	5 (11.11)	5 (11.11)	1 (4.76)	1 (4.76)	1 (33.33)	1 (33.33)	142 (23.83)	6 (4.84)	148 (20.56)
7. Bungalow	36 (60.00)	13 (20.00)	49 (39.20)	166 (66.40)	15 (28.30)	181 (59.74)	177 (81.57)	6 (100.00)	183 (82.06)	40 (88.89)	40 (88.89)	20 (95.24)	20 (95.24)	2 (66.67)	2 (66.67)	441 (73.99)	34 (27.42)	475 (65.97)
Total (1 to 3 or 4 to 7)	60 (100.00)	65 (100.00)	125 (100.00)	250 (100.00)	53 (100.00)	303 (100.00)	217 (100.00)	6 (100.00)	223 (100.00)	45 (100.00)	45 (100.00)	21 (100.00)	21 (100.00)	3 (100.00)	3 (100.00)	596 (100.00)	124 (100.00)	720 (100.00)

Note: 1. Figures in parenthesis are per cent to total in each income group.

Some other interesting evidence brought out by the survey data are that the occupancy ratios are higher, but the average area per house and per occupant are substantially lower in the case of houses owned by individuals in lower income groups than in those owned by individuals in higher income groups. This suggests that the stresses and strains of living are more acutely felt at lower income levels. If one of the prime objectives of housing and housing finance policy is to ameliorate the living conditions of people in the lower and middle income groups, then a major effort would have to be made to improve the quality of housing at these income levels. The need to strengthen housing finance intermediation for these income groups, thus, is of crucial importance.

Another interesting finding is that the objective of acquiring a house to improve the income of the home owner is a more important consideration at lower and middle income levels than at higher income levels, as can be seen from Table III.8. Data show that at the lower and middle income levels, partial renting out is an important consideration for the majority of home owners, whereas these considerations become less relevant as we go higher up the income scale.

g. Annual expenditure on housing loan and housing stock. About four-fifth of the home owners (596 out of 720) provided data on annual expenditure on items like servicing of home loans, maintenance of the house, payment of taxes and payment of lease charges, if any. The total annual expenditure on these four identified items aggregated to Rs 16.64 lakh and the per house annual expenditure works out to about Rs 2,800. The annual expenditure is substantially higher in Delhi and Lucknow (Rs 4,560 and Rs 4,000, respectively) than in Cuttack (Rs 700) and Quilon (Rs 600) (Table A.III.9).

The relative importance of expenditure on servicing of home loans declines with an increase in the income of the home owner, viz-a-viz both total expenditure and annual income. The most important expenditure item turns out to be on servicing of the home loans, accounting for over one-half of the total annual expenditure. The second most important expenditure is on maintenance of the house (29.2 per cent). Property taxes account for one-sixth of the annual expenditure, whereas lease charges (in Delhi, Lucknow and Cuttack) account for 1 per cent of the annual expenditure.

5. Pattern of Resource Mobilisation by New Home Owners

a. Magnitude of the housing finance efforts. The 720 sample residential units were acquired by their owners at an estimated cost of Rs 477 lakh. As much as 97 per cent of the investment was in the formal housing sector, accounting for 82.8 per cent of the housing stock surveyed. The remaining 3 per cent of the investment was in the informal housing sector accounting for 17.2 per cent of the housing stock.

An attempt was made to obtain as much data at the disaggregated level as was possible on the sources tapped by individual home owners in mobilising the requisite resources. The data were then classified into two broad categories, according to the type of intermediation availed of to raise the housing finances. The first category is institutional intermediation through what may be termed as the formal housing finance market. This market includes special housing finance institutions, general financial institutions like the insurance companies and commercial banks and other organised sector intermediation through the home owner's employer, provident fund organisation, etc. The second category is non-institutional intermediation through what may be termed as the informal housing finance market. This market consists of external sources like friends, relatives, associates and the indigenous money lenders and the home owner's own resources, represented by his past and current savings and the resources that he may mobilise through liquidation of his personal and/or family assets.

The important distinction between the formal and the informal financial intermediation in housing (as in other sectors also) is that the former is based on some pre-determined and uniformly-applicable norms, procedures and terms, whereas the latter is based on <u>ad hoc</u> fixation of terms and conditions.

On the basis of the above mentioned two-tier classification of the housing finance data, an attempt has been made to develop the scenaries of the two housing finance markets in the country. The scenarios are developed for both the formal housing sector (i.e., houses built according to approved plans of local bodies) and the informal housing sector (i.e., houses built without the approval of the local bodies, including slum and squatter settlements, unauthorised construction on government lands, agricultural lands, etc.) The analysis brings out not only the differences in the methods of raising resources in the two sectors but also provides evidence on the respective roles of the formal and the informal housing finance markets, and on their identifiable components. The analysis is then extended to the disaggregated level to bring out the relative role of the two housing finance markets in major metropolises, medium-sized towns and small-sized towns in the country and to examine whether the accessibility of individual home owners to different sources of housing finance is, in any way, related to the level of income of the home owner and to his age, and the size and type of house that he acquires.

b. The formal housing finance market. The formal housing finance market contributes less than one-fifth of the total resources mobilised for housing by the 720 home owners included in the study. In the formal housing sector, the proportion is 20.3 per cent and in the informal it is 10.7 per cent. In the individual towns, the contribution of the formal housing finance market ranges from 10.6 per cent of the resources used in Quilon to 26.7 per cent in Lucknow. In Delhi, the proportionate contribution of the formal housing finance market is 18.9 per cent and in Cuttack 12.1 per cent. In Ambala, however, it is as high as 37.0 per cent, mainly due to the inclusion of a large number of government employees among the sample home-owners, and they had access to financial assistance from the government, provident funds and co-operative housing finance societies in the State (Tables III.13 and III.14).

A detailed analysis of major suppliers of funds in the formal housing finance market enables us to identify the main channels through which funds flow into housing

[illegible]	92	4.	[illegible]	1.	[illegible]	[illegible]	0.	.13	5
[illegible]	11	1	2.	0.	1	[illegible]			
[illegible]			0.						0.
[illegible]		0.	0.						2
[illegible]		0	12	0	1				
[illegible]	25		6.	0.	5				
[illegible]	16	5	3.	0					
[illegible]	14	1	3.	0	2				
[illegible]		11	11.			5.		.1	6
[illegible]	20	.9	4.	0.	9	4.			
[illegible]	23	8	5.	0	5	1.		.1	
[illegible]		.4	1.	0.	.2	0.			
[illegible]	168	4	79.	12.	5	9.	0.		
[illegible]			57.	7			0.	.5	74
[illegible]			21.		4		0.	.4	
[illegible]	148		31.				0.	.5	
[illegible]			0.						1.
[illegible]	10	1	1	2	1		0.	.5	1.
[illegible]	36					0.	0.	.0	7.

	[illegible] al sector (1)	Informal sector (2)
		(Delhi)
[illegible]	19.06	[illegible]
[illegible] institutions	[illegible]	5.15
[illegible]	0.14	-
[illegible]	0.51	-
[illegible]	0.96	5.15
[illegible]	6.04	1.62
[illegible]	[illegible]	0.40
[illegible]	2.96	[illegible]
[illegible]	11.41	7.27
[illegible]	[illegible]	4.95
[illegible]	5.00	1.62
[illegible]	2.53	0.71
[illegible] ks	80.94	85.96
[illegible]	[illegible]	47.37
[illegible]	18.50	8.69
[illegible]	[illegible]	17.68
[illegible] ction	0.61	-
[illegible]	2.32	21.01
[illegible]	5.64	11.62
[illegible]	[illegible]	0.10
[illegible]	[illegible]	4.14
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	0.22	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	

(As percent of total)

Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	Formal sector	Informal sector	Total	[illegible]
(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
[illegible]	27.40	-	[illegible]	[illegible]	5.62	12.07	[illegible]	[illegible]	[illegible]	
1.74	[illegible].72	-	2.55			-	[illegible]	-	[illegible]	
0.13	0.08	-	0.07		-	-	[illegible]53	-	[illegible]	
0.40	0.66		0.6[illegible]	-		-		-		
1.12	1.98	-	[illegible]	-			0.1[illegible]		[illegible]	
5.8[illegible]	11.16	-	10.68	[illegible]		3.70	2.6[illegible]	-		
2.98	6.04		5.69	[illegible]		1.30	0.90	-	[illegible]	
2.89	[illegible].12	-	4.99	[illegible]		2.27	1.8[illegible]	-	1	
11.26	13.52	-	13.19	[illegible].59	5.62	8.[illegible]	7.1[illegible]	6.67		
3.92	6.54	-	6.38	6.00	5.62	5.[illegible]9	0.40	-	[illegible]	
4.87	5.18	-	5.05	2.59	-	2.[illegible]2	5.38	-		
2.47	1.80	-	1.76	-	-	-	1.29	6.67	1	
81.13	72.60	100.00	73.28	87.71	94.38	87.[illegible]	89.33	[illegible].33	[illegible]	
59.52	42.21	37.50	42.09	69.42	94.3[illegible]	70.[illegible]	73.08	60.0[illegible]		
18.14	5.28	11.64	9.34	29.18	40.45	29.55	52.30	60.00	[illegible]	
37.77	19.70	18.10	19.66	39.86	53.93	40.33	18.46	-	18	
0.59	2.46	0.43	2.41	0.38	-	0.37	-	-		
3.01	10.76	7.33	10.69	-	-	-	2.32	-	2.[illegible]	
5.86	12.54	10.34	12.49	7.95	-	7.68	14.99	33.33	15.36	
0.24	0.07	-	0.06	[illegible]	-	-	-	-	-	
1.36	1.16	6.90	1.30	[illegible]	-	1.02	-	-	-	
2.55	4.50	1.29	4.[illegible]	[illegible]	-	4.02	13.87	33.33	14.[illegible]	
1.06	6.33	2.16	6.[illegible]	[illegible]	-	2.55	1.12	-	1.[illegible]	
0.2[illegible]	0.49	-	[illegible]	[illegible]		0.09	-	-	[illegible]	
13.7[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		10.00	1.2[illegible]	-		
9.7[illegible]	[illegible].09	33.3[illegible]	14.[illegible]	[illegible]		9.18	-			
[illegible]	[illegible].37	[illegible]	3.[illegible]	[illegible]		0.82	1.[illegible]	-		
[illegible]	[illegible]	14.6	[illegible]	-		[illegible]	-	-		
1.0[illegible]	[illegible].28		0.[illegible]			-	-	-		
[illegible]	10[illegible].00	[illegible]	100.[illegible]	[illegible]	[illegible]	[illegible]00.[illegible]	[illegible]	[illegible]	[illegible]	

from this market. As a consequence of the large organised sector employment in major towns, the employers, in both the public and the private sectors, and the provident fund organisations, play an important role. Data show that almost one-tenth of the resources for housing in the five survey towns is mobilised from the organised employment sector, namely, the employer and the provident fund organisations. Disaggregated data at the town level show that these sources of housing finance are more important in the more urbanised centres, where a larger proportion of the population is employed in the organised sector than in the smaller towns, where the role of trade and commerce sectors in employment generation (including self-employment) is more important. The LIC and the commercial banks are also important suppliers of housing finance, each meeting around 3.0 per cent of the total housing finance requirements of sample home owners.

The role of the employer and the provident fund organisations and also the general financial institutions, like the LIC and the commercial banks, is, however, almost wholly restricted to the formal housing sector. In the informal housing sector which is represented by the slum and squatter settlements, the LIC, the commercial banks and the provident fund organisations do not play any role though some amount of finances comes from employers. This support of the employer, through short-term or medium-term loans, is very largely dependent upon the individual employee-employer relationship. The segment of the informal housing sector, which is represented by unauthorised but permanent constructions has some access to the formal housing finance market, including the LIC (on life insurance policies), commercial banks (general-purpose loans), provident fund organisations and employers. The proportion of support from provident fund organisations is substantial in this part of the informal housing sector, meeting 4.1 per cent of the total resources of the home owners. This proportion is roughly the same as in the formal housing sector. It is possible that some proportion of the provident fund support in both the housing sectors may have been obtained through the provident fund withdrawal process for general purposes like marriages, education, illness, etc., a part may be final withdrawal towards termination of membership of the provident fund and only a small proportion may be in the form of a housing loan *per se*.8/

The specialised housing finance institutions make a negligible contribution to the finances of aspiring home owners. The HDFC, for example, provided a mere 0.1 per cent of the financial requirements of the home owners included in the study. In fact, among the five survey towns, the HDFC did not make any contribution in Ambala and Cuttack, whereas its contribution in Delhi (0.13 per cent), Lucknow (0.07 per cent) and Quilon (0.52 per cent) is negligible. 9/ The State housing boards have

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8/ It is interesting to note that housing loan from a provident fund organisation does not require a mandatory examination of title deeds of the property, the approved building plans from the local body, etc.

9/ It may be pointed out that in the case of home owners assisted by the HDFC, the average contribution of the HDFC to the total housing finance efforts of the home owner worked out to 41.5 per cent for a sample of 272 HDFC-assisted home owners. For details, see Lall (1982) Chapter 4.

made a larger proportionate contribution than the HDFC, but in view of the fact that they operated in all the selected survey towns and have been in existence for a longer time than the HDFC, their contribution to the resource mobilisation efforts of home owners, at around 0.5 per cent of their total resources, is also insignificant. The co-operative housing finance societies, which have been in existence for a considerable period in all the survey towns, have also not made any significant dent in the housing finance market, their aggregate support to the financial efforts of home owners being less than 2 per cent.

The foregoing analysis points out the under-developed state of the organised housing finance market in the country. On the basis of the experiences in the five surveys towns [as also two towns covered in an earlier study, namely, Surat and Villupuram (Lall, 1982)] it would be rather more appropriate to state that there does not exist an effective housing finance system in the country. Further, whatever little funds flow into housing from the organised financial system in the country, tend to the concentrated in relatively larger towns, and home owners in small and medium-sized towns in effect, have practically no access to organised sector financial intermediation.

c. <u>The informal housing finance market</u>. The predominant role of the informal housing finance market is brought out effectively in the analysis of data obtained for the 720 new home owners. While in the formal housing sector, the home owners mobilised almost four-fifth of their resources from informal sources of finance, in the informal housing sector, nine-tenth of the resources were mobilised from these sources. In fact, in the slum and squatter settlements, except for some financial support provided by employers of the home owners (2.1 per cent of the total funds), almost the whole amount was mobilised from informal sources (Tables III.13 and III.14).

In the formal housing sector, self-generated resources account for two-third of the housing finances that are required, and about 14 per cent are mobilised from external sources, including friends, relatives and indigenous money lenders. These findings stress the predominating contribution of personal and/or family savings in the housing finance efforts, a situation that is common in most developing countries, where the 'extended family' is the main catalyst of financial intermediation in housing.

Current savings in the form of cash and bank deposits supply more than one-half (54 per cent) of the housing finances, and the resources mobilised through liquidation of assets like shares and stocks in the corporate sector, family jewellery, land and property, including agricultural property, account for another 8 per cent of the requisite resources. A notable fact is that sale of family property alone accounts for 6.6 per cent of the housing finances of new home owners.

The concept of extended family is amply confirmed by the data collected. While one-tenth of the housing finance is provided by close relatives including parents, uncles, aunts, brothers and sisters, another 3.6 per cent is provided by friends. If to these contributions are added the resources raised by the home-owner from his past and current savings and disposal of investments, almost four-fifth of housing finances may be said to be mobilised from within the 'family' circle.

The individual moneylender may not seem to make an appreciable contribution (providing 0.3 per cent of the total resources) but, as is brought out in section (d), the role of the indigenous moneylender is relatively important in the case of people in the lower and middle income groups, as compared to home owners in the high income groups.

d. Disaggregated analysis

(i) Income impact. The level of income is a major factor in influencing the pattern of resource mobilisation of individual home owners. The formal housing finance market makes a substantial contribution to the resource mobilisation efforts of home owners in the middle-income groups. In the income group Rs 15,001 to Rs 35,000, 30 per cent of the housing finances are provided by the formal housing finance market as compared to about 20 per cent for the sample home owners taken together. The only other income group wherein the proportionate contribution of the formal housing finance market is slightly higher than for the sample taken as a whole, is the income group Rs 5,001 to Rs 15,000. In other words, the middle income group among the home owners included in the sample, appears to be the main beneficiary of the little financial flows into housing from organised financial intermediation. But the resources that they obtain are mainly from non-specialised housing finance intermediation, sources like the LIC, provident fund organisations and employers. But resource mobilisation from specialised housing finance institutions is small. The HDFC impact, for example, is not yet noticeable (Table III.15).

The lowest income group in the survey towns, that is, with an annual income of upto Rs 5,000, gets little support from the formal housing finance market, less than 8 per cent of their funds coming from this source. Further, a substantial part of these funds comes from the provident fund organisations and employers, i.e., finance suppliers linked to the organised employment sector. Incidentally, among the different income groups, the most noticeable impact of the HDFC is seen in this low income group, and in their case, almost 1 per cent of the requisite resources are provided by the HDFC.

In the higher income groups (i.e., those with annual income level above Rs 35,000), the personal resources are largely sufficient to make any approach to organised financial intermediation unnecessary. In view of time-consuming procedures and the fact that the amount of resources which the high income home owners may be eligible to mobilise (because of monetary ceilings on home loans to be given by housing boards, co-operative societies, banks and the HDFC) would constitute only a small proportion of their investment requirements, they may consider it not worth the while to seek institutional financial support.

The highest income group among the sample home owners (i.e., the group with annual income exceeding Rs 1 lakh), do not receive any support from specialised

TABLE III.15

Pattern and Structure of Housing Finance of Home Owners in Different Income Groups

	Income range per annum													
	0-5000 (125)		5001-15000 (303)		15001-35000 (223)		35001-50000 (45)		50001-100000 (21)		Above 100000 (3)		Total (720)	
		Percent		Percent		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. Formal Housing Finance Market	1.65	7.93	25.62	20.23	51.29	29.76	11.08	11.64	4.94	8.67	0.80	15.12	95.38	19.98
a) Specialised housing finance institution	0.24	1.15	3.10	2.45	7.56	4.39	0.39	0.41	0.63	1.11	-	-	11.92	2.50
i) HFC	0.19	0.91	-	-	0.20	0.12	0.07	0.07	0.15	0.27	-	-	0.61	0.13
ii) State Housing board	-	-	0.39	0.31	1.43	0.83	0.10	0.11	0.48	0.84	-	-	2.40	0.50
iii) Cooperative housing finance/ building societies	0.05	0.24	2.71	2.14	5.93	3.44	0.22	0.23	-	-	-	-	8.91	1.87
b) Other financial institutions	0.32	1.54	5.55	4.38	15.80	9.17	4.07	4.28	2.74	4.81	0.80	15.12	29.28	6.13
i) LIC	0.05	0.24	3.22	2.54	8.89	5.16	1.57	1.65	1.26	2.21	-	-	14.99	3.14
ii) Banks	0.27	1.30	2.33	1.84	6.91	4.01	2.50	2.63	1.48	2.60	0.80	15.12	14.29	2.99
c) Others	1.09	5.24	16.97	13.40	27.93	16.20	6.62	6.95	1.57	2.75	-	-	54.18	11.35
i) Provident fund	0.33	1.59	8.44	6.67	9.14	5.30	2.17	2.28	1.00	1.75	-	-	21.08	4.42
ii) Employer	0.36	1.73	5.84	4.61	14.39	8.35	2.85	2.99	0.40	0.70	-	-	23.84	4.99
iii) Others	0.40	1.92	2.69	2.12	4.40	2.55	1.60	1.68	0.17	0.30	-	-	9.26	1.94
2. Informal Housing Finance Market	19.16	92.07	101.02	79.77	121.08	70.24	84.14	88.36	52.05	91.33	4.49	84.88	381.95	80.02
a) Self generated	15.28	73.43	67.86	53.58	80.63	46.78	64.03	67.24	42.69	74.89	4.18	79.02	274.67	57.54
i) Cash	8.76	42.10	32.98	26.04	28.36	16.45	21.88	22.98	9.91	17.38	0.43	8.13	102.32	21.44
ii) Bank deposits	4.49	21.58	26.32	20.78	45.48	26.39	39.91	41.91	29.52	51.79	3.60	68.05	149.32	31.28
iii) Savings during construction	0.03	0.14	1.29	1.02	1.03	0.60	1.22	1.28	0.50	0.88	-	-	4.07	0.85
iv) Others	2.00	9.61	7.27	5.74	5.76	3.34	1.02	1.07	2.76	4.84	0.15	2.84	18.96	3.97
b) Disposal of assets	2.03	9.75	13.46	10.63	13.54	7.85	6.54	6.87	3.44	6.04	0.12	2.27	39.13	8.20
i) Shares	-	-	0.01	0.01	0.21	0.12	0.49	0.52	-	-	-	-	0.71	0.15
ii) Jewellery	0.19	0.91	2.54	2.00	1.77	1.03	1.05	1.10	0.25	0.44	0.12	2.27	5.92	1.24
iii) Land and building	1.63	7.83	9.14	7.22	5.16	2.99	4.40	4.62	0.29	0.51	-	-	20.62	4.32
iv) Agriculture property	-	-	1.77	1.40	5.74	3.33	0.60	0.63	2.60	4.56	-	-	10.71	2.24
v) Others	0.21	1.01	-	-	0.65	0.38	-	-	0.30	0.53	-	-	1.17	0.25
c) External sources	1.85	8.89	19.70	15.56	26.91	15.61	13.57	14.25	5.93	10.40	0.19	3.59	68.15	14.28
i) Relatives	1.43	6.87	14.03	11.08	20.56	11.93	7.48	7.85	3.03	5.32	0.19	3.59	46.72	9.79
ii) Friends	0.38	1.83	3.43	2.71	5.98	3.47	4.74	4.98	2.75	4.82	-	-	17.28	3.62
iii) Indigenous bankers	0.04	0.19	0.64	0.51	0.02	0.01	0.35	0.37	0.15	0.26	-	-	1.20	0.25
iv) Others	-	-	1.60	1.26	0.35	0.20	1.00	1.05	-	-	-	-	2.95	0.62
Total ...	20.81	100.00	126.64	100.00	172.37	100.00	95.22	100.00	57.00	100.00	5.29	100.00	477.33	100.00

Note: Figures in parenthesis are number of home owners in each category.

housing finance institutions like the HDFC, State housing boards and co-operative housing finance societies, but they do obtain assistance from commercial banks. However, data on the type and extent of specific type of bank loans are not available. It is more likely that a substantial proportion of the commercial bank support may not be direct housing loans but may be general-purpose loans or overdrafts which may have been used to partly finance the housing investment.

The analysis relating to the formal housing finance market shows that the role of the informal housing finance sector is comparatively less important in the middle income group(annual income from Rs 5,001 to Rs 35,000). At the higher income levels, as well as at the lowest income levels, the impact of the informal housing finance market is very substantial, for it provides between 85 per cent and 92 per cent of the finances for housing activity.

A fact worth nothing is that self-generated resources constitute the most important source of housing finance in all the income groups, the proportion being the highest in the lowest and the highest income groups. Savings in the form of cash play an important role in the lowest income group, providing for 42.1 per cent of the total mobilised resources. But in the other income groups, cash savings are less important, supplying between 16 per cent and 26 per cent of the housing finances in the income groups upto Rs 1 lakh and only 8 per cent at income level above Rs 1 lakh. It is interesting that over two-third of the resources for the above Rs 1 lakh income group comes in the form of bank deposits, the proportion going down progressively with a decline in the income level. Thus, while cash savings fall in importance with increase in the level of income, the importance of bank deposits increases. The dominance of cash savings in the case of low and middle income groups and that of bank deposits in the case of high income groups has important policy implications. Thus, on the one hand, the results suggest that low-income home owners have to scrimp and tighten their belts substantially in order to save for a house, keeping their savings in the most liquid form so that, if necessary, they can be utilised for other purposes also. The capability to save being limited, the low-income home owners are not in a position to block their small savings in time-bound fixed deposits and in the process, they also lose an opportunity to earn any return on their savings. On the other hand, current liquidity is not the major constraint for home owners in the higher income groups as they have sufficient savings to meet liquidity needs and to earn a reasonable rate of return on time-bound deposits in banks.

Another indication suggesting the hardships of low and middle income groups in raising even the limited funds required for their house is the relative role of liquidation of physical and monetary assets. Assets are mostly liquidated by the low and middle income group home owners. While disposal of assets provided between 2.7 per cent and 6.9 per cent of the resources for home owners in the income groups above Rs 35,000, they provided between 8 per cent and 11 per cent of the resources in the three income groups below Rs 35,000. Among the identifiable assets that are sold to raise housing finances, land and buildings are the most important, especially in the case of low-income and middle-income groups.

The policy implication of these results is that the lower income home owner not only has to keep his little savings in the most uneconomic form, but also has to sell his personal and/or family properties, probably even make distress sale at low prices, to mobilise the relatively small amount of money for his house. The findings, thus, confirm the well-known fact of the severe stresses and strains felt by low-income groups in acquiring a house; they also indicate that the situation is only slightly better for middle income group home owners who get some support from their employment-linked sources of finance. In their case also, personal savings are largely in the form of cash holdings and only a small proportion is held as fixed deposits with banks and liquidation of assets is also important. On the other hand, the relatively affluent home owner is not only able to earn a reasonable rate of return on his savings but he also does not find it necessary to touch his personal and ancestral properties, he may also get adequate financial assistance from financial institutions.

The role of the 'extended' family is more significant in the middle income group (Rs 5,001 to Rs 35,000), wherein around 14 to 15 per cent of the housing finances are provided by friends and relatives. But this proportion declines with the rise in the income level, being less than 10 per cent in the income group Rs 50,000 to Rs 1 lakh and 3.3 per cent in the income group above Rs 1 lakh. In other words, the high income home owner has enough resources of his own; he requires no support from relatives and friends or from the organised financial market. But the 'extended' family has come to play a major role in the case of lower and middle income groups.

(ii) <u>The home owner's age impact</u>. The access to the organised housing finance market seems to increase progressively with the age of the home owner. The maximum contribution of the organised housing finance market to the resource mobilisation efforts of home owners is seen in the case of the age group 41 to 55 years. Among the sample home owners, this is the scenario that emerges for the HDFC (which provided financial support in the sample towns only to the age groups 26 to 40 years and 41 to 55 years), State Housing Boards (which provided no loans to the age groups below 40 years) and co-operative housing finance societies (which provided no loans to the age group below 25 years). Even in the case of other intermediaries in the organised sector, except for commercial banks, no funds were provided to home owners in the age group below 25 years, and the financial support went only to the age group 41 to 55 years (Table III.16). While officially, there is a minimum age restriction for availing of institutional financial intermediation, in effect, the existing system is really closed to young home owners, on account of conventional norms relating to income earning capacity, credit worthiness, etc.

The relative importance of different sources of financial intermediation brings out the significant role of provident fund organisations in the above 55 years age groups (because of final withdrawal, provident funds provided 10.5 per cent of the total housing finances of this age group, as compared to the average of 4.4 per cent for the sample). Employers also make a relatively significant contribution to the age group 41 to 55 years, when the employee could be expected to have a substantially

TABLE III.16

Pattern and Structure of Housing Finance of Home Owners in Different Age-Groups

(Rs lakh)

	Age Group									
	0-25 years (12)		26-40 years (297)		41-55 years (295)		Above 55 years (116)		Total (720)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Formal Housing Finance Market	0.50	13.51	28.21	18.22	50.97	21.05	15.70	20.45	95.38	19.98
a. Specialised housing finance institutions	-	-	3.73	2.41	7.13	2.94	1.06	1.38	11.92	2.50
i. [illegible]	-	-	0.39	0.25	0.22	0.09	-	-	0.61	0.13
ii. State housing board	-	-	-	-	2.15	0.89	0.24	0.31	2.40	0.50
iii. Cooperative housing finance/building societies	-	-	3.34	2.16	4.75	1.96	0.82	1.07	8.91	1.87
b. Other financial institutions	0.50	13.51	10.63	6.85	15.30	6.32	2.85	3.72	29.28	6.13
i. LIC	-	-	3.68	2.38	9.46	3.91	1.85	2.41	14.99	3.14
ii. Banks	0.50	13.51	6.95	4.49	5.84	2.41	1.00	1.31	14.29	2.99
c. Others	-	-	13.85	8.95	28.54	11.79	11.79	15.36	54.18	11.35
i. Provident fund	-	-	4.11	2.66	8.92	3.69	8.05	10.49	21.08	4.42
ii. Employer	-	-	7.40	4.78	13.90	5.74	2.54	3.31	23.84	4.99
iii. Others	-	-	2.34	1.51	5.72	2.36	1.20	1.56	9.26	1.94
2. Informal Housing Finance Market	3.20	86.49	126.59	81.78	191.12	78.95	61.04	79.54	381.95	80.02
a. Self-generated	2.53	68.38	85.49	55.23	139.97	57.82	46.68	60.83	274.67	57.54
i. Cash	1.17	31.62	38.59	24.93	50.17	20.72	12.39	16.15	102.32	21.44
ii. Bank deposits	1.35	36.49	41.98	27.12	81.35	33.60	24.64	32.11	149.32	31.28
iii. Savings during construction	-	-	0.91	0.59	2.07	0.86	1.09	1.42	4.07	0.85
iv. Others	0.01	0.27	4.01	2.59	6.38	2.64	8.56	11.15	18.96	3.97
b. Disposal of assets	0.40	10.81	14.49	9.36	19.87	8.21	4.37	5.69	39.13	8.20
i. Shares	-	-	0.22	0.14	0.39	0.16	0.10	0.13	0.71	0.15
ii. Jewellery	0.10	2.70	2.06	1.33	2.84	1.17	0.92	1.20	5.92	1.24
iii. Land and building	-	-	9.14	5.90	8.99	3.72	2.49	3.24	20.62	4.32
iv. Agriculture property	0.30	8.11	2.19	1.42	7.36	3.04	0.86	1.12	10.71	2.24
v. Others	-	-	0.88	0.57	0.29	0.12	-	-	1.17	0.25
c. External sources	0.27	7.30	26.61	17.19	31.28	12.92	9.99	13.02	68.15	14.28
i. Relatives	0.02	0.54	18.46	11.92	20.33	8.40	7.91	10.31	46.72	9.79
ii. Friends	0.25	6.76	6.56	4.24	9.40	3.88	1.07	1.39	17.28	3.62
iii. Indigenous bankers	-	-	0.35	0.23	0.45	0.19	0.40	0.52	1.20	0.25
iv. Others	-	-	1.24	0.80	1.10	0.45	0.61	0.80	2.95	0.62
Total	3.70	100.00	154.80	100.00	242.09	100.00	76.74	100.00	477.33	100.00

Note: Figures in parenthesis are number of home owners in each category.

long service to his record, a permanent income stream and may yet have enough years of active employment ahead of him to obtain financial support from the employer for buying a house.

It is, therefore, not surprising to find, as a corollary, that the youngest age group, i.e., upto 25 years, depend to a large extent on self-generated resources in the form of cash, bank deposits and liquidation of assets, than the other age groups. The role of self-generated resources declines in the case of middle age groups but again becomes important for home owners above the age of 55 years, who have life-time savings with them on the one hand, and shorter loan-repaying period ahead of them, on the other. Relatives and friends make a sizeable contribution in the case of home owners below the age of 25 years. The indigenous bankers are important for the above 55 years age group.

(iii) The size impact. The size of a house that a home owner acquires also has a bearing on his pattern of resource mobilisation. Broadly, the pattern that emerges from a study of disaggregated data of home owners by the size of the house that they acquired is similar to that of home owners in different income groups.

As was seen in the analysis relating to the income impact on the pattern of resource mobilisation, the access to the formal housing finance market is the greatest for the group of home owners acquiring houses having a covered area of 501 to 1000 sq.ft. In this group, 27.4 per cent of the resources are raised from the formal housing finance market and the role of the HDFC, the co-operative housing finance societies, the LIC, the commercial banks and the employer is, as compared to home owners of other-sized units, more important. In the case of home owners acquiring houses having a covered area of 1001 to 5000 sq.ft., the relative importance of provident fund organisations, employers, the LIC and the commercial banks is clear. It may be noted that most of the middle income group home owners acquire houses having a covered area ranging from 500 sq.ft. to 1500 sq.ft., whereas large houses, especially above 5000 sq.ft. in area, are acquired by high income home owners (Table III.17).

Another notable finding is that home owners who acquired the smallest houses (say, covered area less than 250 sq.ft.) have little access to specialised housing finance institutions, and they receive only marginal support from commercial banks. In fact, in their case, the two important sources of housing finances in the organised finance market are the provident fund organisations and the employer, i.e., agencies linked to organised sector employment. In the informal housing finance market, self-generated resources are very important, accounting for around 60 per cent of the total resources in the case of houses less than 250 sq.ft. in area as also those houses having an area between 250 and 500 sq.ft. In these cases, while bank deposits are important, cash savings are more important, especially for the home owners of the smallest-sized houses.

In the case of the home owners acquiring very large houses (covered area more than 5000 sq.ft.) also, the recourse to institutional agencies is negligible, and

TABLE III.17

Pattern and Structure of Housing Finance of Home Owners acquiring Different-sized Houses

	Size of house (sq.ft.)											
	0-250 (148)	Percent	251-500 (166)	Percent	501-1000 (194)	Percent	1001-5000 (207)	Percent	Above 5000 (5)	Percent	Total (720)	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Formal Housing Finance Market	1.93	14.29	7.64	17.85	27.57	27.41	57.74	19.55	0.50	1.99	95.38	19.98
a. Specialised housing finance institutions	0.05	0.37	1.70	3.97	3.95	3.93	6.22	2.10	-	-	11.92	2.50
i. HDFC	-	-	-	-	0.19	0.19	0.42	0.14	-	-	0.61	0.13
ii. State housing board	-	-	0.28	0.65	0.50	0.50	1.52	0.51	-	-	2.40	0.50
iii. Cooperative housing finance/ building societies	0.05	0.37	1.42	3.32	3.16	3.14	4.28	1.45	-	-	8.91	1.97
b. Other financial institutions	0.42	3.11	0.61	1.43	8.18	8.13	19.57	6.63	0.50	1.99	29.28	6.13
i. LIC	0.05	0.37	0.22	0.52	3.86	3.84	10.86	3.68	-	-	14.99	3.14
ii. Banks	0.37	2.74	0.39	0.91	4.32	4.29	8.71	2.95	0.50	1.99	14.29	2.99
c. Others	1.46	10.81	5.33	12.45	15.44	15.35	31.95	10.82	-	-	54.18	11.35
i. Provident fund	0.62	4.59	2.36	5.51	3.60	3.58	14.50	4.91	-	-	21.08	4.42
ii. Employer	0.58	5.03	2.16	5.05	7.73	7.58	13.27	4.49	-	-	23.84	4.99
iii. Others	0.16	1.19	0.81	1.89	4.11	4.09	4.18	1.42	-	-	9.26	1.94
2. Informal Housing Finance Market	11.58	85.71	35.16	82.15	73.00	72.59	237.57	80.45	24.64	98.01	381.95	80.02
a. Self-generated	8.17	60.47	26.02	60.79	55.35	55.04	164.83	55.82	20.30	80.75	274.67	57.54
i. Cash	4.28	31.68	11.63	27.17	25.15	25.01	57.52	19.48	3.74	14.88	102.32	21.44
ii. Bank deposits	1.62	11.99	11.17	26.10	24.09	23.95	95.88	32.47	16.56	65.87	149.32	31.28
iii. Savings during construction	0.04	0.30	0.63	1.47	0.95	0.95	2.45	0.83	-	-	4.07	0.85
iv. Others	2.23	16.50	2.59	6.05	5.16	5.13	8.98	3.04	-	-	18.96	3.97
b. Disposal of assets	1.10	8.14	4.12	9.63	5.36	5.33	27.75	9.40	0.80	3.18	39.13	8.20
i. Shares	0.01	0.07	-	-	0.20	0.20	0.50	0.17	-	-	0.71	0.15
ii. Jewellery	0.33	2.44	1.01	2.36	0.93	0.92	2.85	0.97	0.80	3.18	5.92	1.24
iii. Land and building	0.56	4.15	2.27	5.30	3.87	3.85	13.92	4.71	-	-	20.52	4.32
iv. Agriculture property	-	-	0.78	1.83	0.03	0.03	9.90	3.35	-	-	10.71	2.24
v. Others	0.20	1.48	0.06	0.14	0.33	0.33	0.58	0.20	-	-	1.17	0.25
c. External sources	2.31	17.10	5.02	11.73	12.29	12.22	44.99	15.23	3.54	14.08	68.13	14.28
i. Relations	1.64	12.14	4.05	9.46	9.45	9.39	30.57	10.35	1.01	4.02	46.72	9.79
ii. Friends	0.23	1.70	0.57	1.33	2.33	2.32	11.62	3.93	2.53	10.06	17.28	3.62
iii. Indigenous bankers	0.34	2.52	0.32	0.75	0.34	0.34	0.20	0.07	-	-	1.20	0.25
iv. Others	0.10	0.74	0.08	0.19	0.17	0.17	2.60	0.88	-	-	2.95	0.62
Total	13.51	100.00	42.80	100.00	100.57	100.00	295.31	100.00	25.14	100.00	477.33	100.00

Figures in parenthesis are number of home owners in each category.

these institutions provide about 2 per cent of the total housing finance. While one reason may be that the cost of such houses is very high and, therefore, institutional support may mean very little to induce the home owners to approach them in view of the procedures involved, a more important reason may be the role of the parallel economy in high-value housing units. Self-generated resources, among the informal sources of housing finance, are no doubt most important in the case of houses of all sizes but their relative role is more significant in the case of large-sized houses (84 per cent of the finances are provided through personal savings, bank deposits and disposal of assets in the case of houses having an area more than 5000 sq.ft.).

The external sources of the informal housing finance market provide between 11.7 per cent and 17.1 per cent of the total housing finances needed, and among the individual sources, relatives and friends play a major role. The role of the indigenous bankers cannot be overlooked in the case of owners of smaller houses.

e. Type of house and pattern of resource mobilisation. Our findings also conform that the owners of semi-permanent and kutcha residential units have practically no access to the formal housing finance market except, to some extent, to employers and the commercial banks. Data on the pattern of resource mobilisation of owners of flats and bungalows again substantiate the evidence presented earlier, that the main beneficiary of the organised housing finance market is the upper middle class, which prefers a flat to a bungalow in the major metropolises, but may sometimes acquire a small bungalow in the towns (Table III.18).

TABLE III.18

Pattern and Structure of Housing Finance of Home Owners of Different Types of House

	Type of House									
	Hut		S.P. Structure		Flat		Bungalow		Total	
	(51)		(46)		(132)		(475)		(720)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Formal Housing Finance Market	0.20	17.39	0.13	2.77	17.21	28.68	77.84	18.92	95.38	19.98
a. Specialised housing finance institutions	0.19	16.52	-	-	1.54	2.57	10.19	2.48	11.92	2.50
i. HDFC	0.19	16.52	-	-	0.20	0.33	0.22	0.06	0.61	0.13
ii. State housing board	-	-	-	-	-	-	2.40	0.58	2.40	0.50
iii. Cooperative housing finance/building societies	-	-	-	-	1.34	2.23	7.57	1.84	8.91	1.87
b. Other financial institutions	-	-	-	-	4.68	7.80	24.60	5.98	29.28	6.13
i. LIC	-	-	-	-	3.60	6.00	11.39	2.77	14.99	3.14
ii. Banks	-	-	-	-	1.08	1.80	13.21	3.21	14.29	2.99
c. Others	0.01	0.87	0.13	2.77	10.99	18.52	43.05	10.46	54.18	11.35
i. Provident fund	-	-	0.08	1.70	4.49	7.48	16.51	4.01	21.08	4.42
ii. Employer	0.01	0.87	0.05	1.07	3.20	5.33	20.58	5.00	23.84	4.99
iii. Others	-	-	-	-	3.30	5.50	5.96	1.45	9.26	1.94
2. Informal Housing Finance Market	0.95	82.61	4.56	97.23	42.79	71.32	333.65	81.08	381.95	80.02
a. Self-generated	0.72	62.61	2.09	44.56	31.38	52.30	240.48	58.44	274.6[illegible]	57.54
i. Cash	0.55	47.83	1.27	27.08	7.58	12.63	92.92	22.58	102.32	21.44
ii. Bank deposit	0.14	12.17	0.74	15.78	11.63	19.38	136.81	33.25	149.32	31.28
iii. Savings during construction	-	-	-	-	0.62	1.03	3.45	0.84	4.07	0.85
iv. Others	0.03	2.61	0.08	1.70	11.55	19.25	7.30	1.77	18.96	3.97
b. Disposal of assets	0.01	0.87	0.71	15.14	5.19	8.65	33.22	8.07	39.13	8.20
i. Shares	0.01	0.87	-	-	0.15	0.25	0.55	0.13	0.71	0.15
ii. Jewellery	-	-	0.32	6.82	1.38	2.30	4.22	1.02	5.92	1.24
iii. Land and building	-	-	0.03	0.64	1.47	2.45	19.12	4.65	20.62	4.32
iv. Agriculture property	-	-	0.35	7.46	1.89	3.15	8.47	2.06	10.71	2.24
v. Others	-	-	0.01	0.22	0.30	0.50	0.86	0.21	1.17	0.25
c. External sources	0.22	19.13	1.76	37.53	6.22	10.51	59.95	14.57	68.15	14.28
i. Relatives	0.19	16.52	1.10	23.45	5.82	9.70	39.61	9.63	46.72	9.79
ii. Friends	0.02	1.74	0.19	4.05	0.17	0.28	16.90	4.11	17.28	3.62
iii. Indigenous bankers	0.01	0.87	0.42	8.96	0.15	0.25	0.62	0.15	1.20	0.25
iv. Others	-	-	0.05	1.07	0.08	0.13	2.82	0.68	2.95	0.62
Total	1.15	100.00	4.69	100.00	60.00	100.00	411.49	100.00	477.33	100.00

Note: Figures in parenthesis are number of home owners in each category.

f. Town-wise analysis. The data on the pattern of resource mobilisation of home owners in the five selected towns included in the sample are presented in Tables III.14, III.19, III.20, and A.III.10 to A.III.34. The disaggregated data substantiate the findings at the aggregated level.

The empirical evidence on the resource mobilisation efforts of home owners brings out clearly that the access to the formal housing finance market is greater in the large towns than in the smaller ones. Much also depends on the size of the organised employment sector, because a significant proportion of housing finance needs of home owners are met by the employers and provident fund organisations. Where the government sector employment is important, the contribution of the formal housing finance market is more appreciable. Thus, the data show that, whereas 26.7 per cent of the housing finance of home owners in Lucknow is met by the formal housing finance market (mainly, employers including the government, provident fund organisations, the LIC and commercial banks), in Delhi the proportion is 18.9 per cent and in Ambala, with a large government sector-employed home owners in the sample, the proportion is still higher at 37.0 per cent. It may be mentioned here that the contribution of the employer alone in Ambala is as high as 10.8 per cent and that of the co-operative housing finance societies is even higher, at 15.7 per cent. On the other hand, the formal housing finance market supplies only 12.1 per cent of the resources of home owners in Cuttack and 10.6 per cent in Quilon, the two smaller towns in the sample, where organised sector employment and, in particular in the government sector, is not as widespread as in the larger towns (Table III.14).

TABLE III.19

Structure of Resource Mobilisation Efforts of New Home Owners in Different Income Groups in Selected Towns

(as percent of total)

Income group (Rs)	Formal housing finance: Specialised housing finance institutions	Formal housing finance: General financial institutions	Formal housing finance: Other sources	Informal housing finance: Self-generated	Informal housing finance: Disposal of assets	Informal housing finance: External sources	Total (1 to 6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
I. **Delhi**							
1. 0 - 5000	-	-	17.79	57.69	7.69	16.84	100.00
2. 5001 - 15000	1.60	6.01	13.98	45.25	9.36	23.83	100.00
3. 15001 - 35000	4.22	10.45	19.42	47.97	2.60	15.33	100.00
4. 35001 - 50000	0.29	2.09	7.22	67.99	7.09	15.33	100.00
5. 50001 - 100000	0.29	4.86	2.07	75.32	6.49	10.99	100.00
6. Above 100000	-	-	-	100.00	-	-	100.00
7. Total	1.74	5.87	11.26	59.52	5.86	15.75	100.00
II. **Lucknow**							
8. 0 - 5000	-	2.19	1.76	64.47	4.39	27.19	100.00
9. 5001 - 15000	4.67	5.14	19.55	44.14	8.50	16.89	100.00
10. 15001 - 35000	2.31	11.89	12.08	33.22	17.44	23.06	100.00
11. 35001 - 50000	1.02	14.79	6.47	60.30	6.59	10.84	100.00
12. 50001 - 100000	-	12.70	37.30	42.06	-	7.94	100.00
13. Above 100000	-	58.39	-	25.55	8.76	7.30	100.00
14. Total	2.65	10.88	13.18	42.09	12.49	18.70	100.00
III. **Cuttack**							
15. 0 - 5000	-	-	0.85	74.58	16.67	7.91	100.00
16. 5001 - 15000	-	2.26	9.80	69.11	8.38	11.45	100.00
17. 15001 - 35000	-	5.65	8.88	68.68	6.34	9.34	100.00
18. 35001 - 50000	-	-	-	100.00	-	-	100.00
19. 50001 - 100000	-	-	-	-	-	-	-
20. Above 100000	-	-	-	52.63	-	47.37	100.00
21. Total	-	3.57	8.50	70.25	7.69	10.00	100.00
IV. [illegible]							
2[illegible]. 0 - 5000	2.38	2.68	2.78	82.16	10.01	-	100.00
[illegible] 5001 - 15000	-	3.40	8.63	68.41	17.21	2.35	100.00
[illegible] 15001 - 35000	-	1.38	8.25	71.41	17.96	-	100.00
2[illegible]. [illegible] - 5000[illegible]	-	-	-	-	-	-	-
[illegible] - 1000[illegible]	-	-	-	-	-	-	-
[illegible]	-	-	-	-	-	-	-
[illegible]	0.66	2.80	7.14	72.81	15.36	1.23	100.00
[illegible]							
2[illegible]	-	-	-	64.86	1.35	33.79	100.00
[illegible]	10.82	1.70	14.03	52.71	12.12	8.62	100.00
[illegible]	25.[illegible]3	2.46	25.16	28.99	6.75	12.79	100.00
[illegible]	-	-	-	-	-	-	-
[illegible]	18.[illegible]	-	-	91.95	-	-	100.00
[illegible]		-	-	-	-	-	-
[illegible]	[illegible]7.96	1.85	17.59	44.55	7.87	10.48	100.00

TABLE III.20

Structure of Resource Mobilisation Efforts of Home Owners in Different Age Groups in Selected Towns

(As per cent of total)

Age groups (in yrs)	Formal housing finance: Specialised housing finance institutions	Formal housing finance: General financial institutions	Formal housing finance: Other sources	Informal housing finance: Self-generated	Informal housing finance: Disposal of assets	Informal housing finance: External sources	Total (1 to 6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
I. Delhi							
1. 0 - 25	-	15.67	-	72.73	3.13	8.46	100.00
2. 26 - 40	2.60	4.77	8.54	55.28	6.85	21.95	100.00
3. 41 - 55	1.38	6.77	11.15	61.71	5.97	13.01	100.00
4. Above 55	1.35	4.45	17.57	59.72	3.85	13.05	100.00
5. Total	1.74	5.87	11.26	59.52	5.86	15.75	100.00
II. Lucknow							
6. 0 - 25	-	-	-	100.00	-	-	100.00
7. 26 - 40	0.94	16.93	10.07	42.32	12.62	17.12	100.00
8. 41 - 55	3.55	9.91	11.74	41.83	13.36	19.61	100.00
9. Above 55	2.61	4.99	21.56	42.46	9.92	18.46	100.00
10. Total	2.65	10.88	13.19	42.09	12.49	18.70	100.00
III. Cuttack							
11. 0 - 25	-	-	-	100.00	-	-	100.00
12. 26 - 40	-	8.05	8.86	62.58	0.45	10.06	100.00
13. 41 - 55	-	1.01	11.13	71.74	6.00	10.12	100.00
14. Above 55	-	-	-	84.52	5.83	9.65	100.00
15. Total	-	3.57	8.50	70.25	7.68	10.00	100.00
IV. Quilon							
16. 0 - 25	-	-	-	-	-	-	-
17. 26 - 40	1.34	3.64	6.77	71.20	14.54	2.52	100.00
18. 41 - 55	-	2.53	8.48	71.22	17.77	-	100.00
19. Above 55	-	-	3.81	86.04	10.15	-	100.00
20. Total	0.66	2.80	7.14	72.81	15.36	1.23	100.00
V. Ambala							
21. 0 - 25	-	-	-	25.00	75.00	-	
22. 26 - 40	15.25	-	15.40	39.12	10.88	19.35	
23. 41 - 55	21.82	3.01	21.50	39.75	6.27	7.65	
24. Above 55	-	-	1.97	92.91	-	5.12	
25. Total	17.56	1.85	17.59	44.55	7.97	10.48	

Disaggregated data at the individual town level strengthen the aggregated-level finding that specialised housing finance institutions, with the exception of the co-operative housing finance societies in Ambala, make a negligible contribution to the resource mobilisation efforts of home owners. The proportionate supply of housing finance by such institutions is nil in Cuttack and 0.7 per cent in Quilon and slightly higher in Delhi and Lucknow (1.7 per cent and 2.7 per cent, respectively). Therefore, irrespective of the size and location of the town in which a home owner resides, accessibility to institutional financial intermediation is either non-existent or marginal. In effect, quantitative evidence from the housing finance surveys in five selected towns suggest the highly under-developed nature of the organised housing finance market in the country.

In the context of the merely token existence of the formal housing finance market in the country, the survey data at the disaggregated town level confirm the very high dependence on the informal housing finance market. Further, the dependence is more marked in the smaller towns where, the data also reveal the significance of self-generated resources (providing 72.8 per cent of the total housing finance in Quilon and 70.3 per cent in Cuttack) as compared to the larger towns (59.5 per cent in Delhi and 42.1 per cent in Lucknow). The liquidation of family assets is also more important in the smaller towns, though in Lucknow the sale of agricultural property provided a large proportion (6.2 per cent) of the resources of the home owners.

Further, a disaggregated-level study of the housing finance structure of home owners in the different

...ns and belonging to different income groups, reveals that the dependence on the informal housing finance market is not only greater in the smaller towns, but that it is even more substantial in the case of lower income groups in these smaller towns. Thus, for example, in Quilon, the informal housing finance market provided 92.2 per cent of the resources for home owners having an annual income upto Rs 5,000, 88.0 per cent for the income group Rs 5,001 to Rs 15,000 and 89.4 per cent for the income group Rs 15,001 to Rs 35,000, and in Cuttack, the respective proportions for similar income groups were 99.2 per cent, 88.9 per cent and 84.4 per cent, respectively. However, on the other hand, the proportions in Lucknow were 96.1 per cent for the income group upto Rs 5,000, but only 70.6 per cent and 73.7 per cent respectively, for the two other comparable income groups and in Delhi, these proportions were 82.2 per cent, 78.4 per cent and 65.9 per cent, respectively (Table III.19)

The above analysis, thus, shows that home owners in the lowest income group have practically no access to specialised housing financial intermediation in any town, irrespective of its size and extent of urbanisation. In the case of the middle income group, the accessibility to the formal housing finance market is practically non-existent in the smaller towns, unlike the larger towns, where it is quite discernible. Much of the accessibility to the formal housing finance market, however depends upon the extent of the organised sector employment in the respective towns, and in particular, the government sector employment.

The data also reveal that the lower income home owners depend very largely on their personal savings and/ or on disposal of personal and family assets, whereas the roles of these sources of housing finance become less important in the larger towns. Thus, for example, while in Quilon and Cuttack 92.2 per cent and 91.3 per cent, respectively, of the resources are mobilised through personal savings and sale of assets, in Delhi the proportion is 65.4 per cent, in Lucknow 68.9 per cent and in Ambala 66.1 per cent for home owners having an annual income of upto Rs 5,000.

The disaggregated data on home owners in the five sample towns classified into different groups on the basis of their respective ages substantiate the aggregated-level finding that the younger the home owner, the less is his accessibility to the formal housing finance market. The formal housing finance market, thus, provides no finances for the home owner in the below 25 years age group in four of the five survey towns, the exception being Delhi, wherein only the commercial banks, among the identified suppliers of funds in this market, provided some financial assistance. Even in the age group 26 to 40 years, the support from the formal housing finance market meets around 16 per cent to 17 per cent of the needs of the home owners in Delhi, Lucknow, Cuttack and Quilon, though in Ambala, the proportionate support is higher (27.9 per cent), due to the inclusion of a large number of government employees, who received financial support from government agencies and providend fund organisations. Further, the data reveal that in smaller towns, even the proportionate support that the middle income group home owners obtain from the housing finance institutions compares poorly with that in larger towns. (Table III.20)

6. Qualitative Evidence on the Resource Mobilisation Efforts of Home Owners

a. Major constraints. In view of the need to strengthen institutional financial intermediation in housing,[10/] it was considered desirable to understand the problems that were faced by the home owners in mobilising resources from financial institutions. An attempt was made to obtain the reactions of home owners to a few identified problems that are generally believed to act as constraints on obtaining access to the formal housing finance market. These problems were also considered to be important by a group of experts in housing finance at a Workshop held in New Delhi in April, 1983.

A fairly good response was received, as 45.7 per cent of the sample home owners(excluding those in slum and squatter settlements) responded to the questions raised by the NIPFP field investigators on the problems faced by them in mobilising resources. In fact, the response was better in the larger towns (Delhi 67.6 per cent, Lucknow 45.1 per cent, Ambala 46 per cent and Cuttack 34.8 per cent).

Inadequate information about the availability of financial intermediation at the institutional level is stated as the main problem by over one-fourth of the respondents. The "information gap" is more significant in towns like Cuttack and Ambala than in the cities like Lucknow and Delhi. Another major constraint on the initiative of home owners in approaching financial institutions, even though they were aware of the availability of their assistance, is the complexity and time-consuming

10/ For a discussion of the advantages that flow from institutional financial intermediation, see Chapter IV.

procedures involved in obtaining institutional financial support for housing. The seriousness of this constaint is felt almost uniformly in all the selected towns. In fact, this problem seems to be even more crucial. Not only have a large proportion of home owners (35.3 per cent) identified complicated and time-consuming institutional procedures as a major constraint, but as these respondents included only those with some experience and/or awareness of the availability of institutional financing, the quantitative evidence that has been obtained become very important (Table III.21).

Another important constraint pointed out by our survey is the interest burden of institutional home loans. One-sixth of the respondents identified the rate of interest as a major constraint and disaggregated town-wise data show that the issue is considered more important in smaller towns like Cuttack and Ambala than in Delhi and Lucknow.

The lack or inadequacy of appropriate securities and guarantees that have to be provided for a home loan, the high initial contribution that a home owner has to make to become eligible for a home loan, and unsuitable repayment schedules were identified as important problems by only a small proportion of the respondents. One possible reason for this may be that, in the absence of any information on the availability of financial intermediation, only a small proportion of home owners were exposed to the operational problems that would be encountered in mobilising financial support from financial intermediation, and therefore, in the case of most of the home owners, the issue was more of an academic nature.

TABLE III.21

Frequency Distribution of Home Owners on Major Problems Encountered in Mobilisation of Resources from Financial Institutions

(Number of Home Owners)

	Delhi (1)	Lucknow (2)	Cuttack (3)	Ambala (4)	All towns (5)
1. Lack/inadequacy of information of financial intermediation	44 (26.04)	8 (10.96)	25 (39.06)	8 (34.78)	85 (25.84)
2. Lack/inadequacy of security	18 (10.65)	7 (9.59)	1 (1.56)	-	26 (7.90)
3. Lack/inadequacy of guarantors	10 (5.92)	7 (9.59)	-	-	17 (5.17)
4. Complicated and time consuming procedures	58 (34.32)	28 (38.36)	23 (35.94)	7 (30.43)	116 (35.26)
5. High initial contribution for assistance from financial intermediaries	7 (4.14)	3 (4.11)	-	-	10 (3.04)
6. Unbearable interest cost	22 (13.01)	8 (10.96)	14 (21.88)	8 (34.78)	52 (15.81)
7. Unsuitable repayment schedules/repayment	8 (4.73)	8 (10.96)	1 (1.56)	-	17 (5.17)
8. Others	2 (1.18)	4 (5.48)	-	-	6 (1.82)
TOTAL	169 (100.00)	73 (100.00)	64 (100.00)	23 (100.00)	329 (100.00)

Notes: 1. Figures in parentheses are per cent to total.

2. - indicates nil.

b. Type of home loan mortgage. Some data were obtained in the case of home owners in Delhi on the type of mortgage that had to be provided by them for getting financial support from institutions and individuals. While the response was limited (27 or 13.4 per cent of the 201 home owners in the formal housing sector in Delhi), it may be broadly indicative. Institutional suppliers of housing finance are interested in having a mortgage of the concerned property or of a life insurance policy, whereas for non-institutional suppliers there is no clear-cut policy (Table III.22). Further, it is interesting to find that for the home owners who supplied the information, the value of the home loan is generally less than 50 per cent of the value of the mortgaged property and only sometimes it goes upto 75 per cent of the value of the mortgaged property.

c. Cost of home loans. Another important issue relates to the cost of the home loan. Around two-fifth of the home-owners provided data on the rate of interest that they had to pay on their home loans. Almost one-half of the respondents paid interest in the range of 5.1 per cent to 9.0 per cent and another one-fourth paid in the range of 9.1 per cent to 14.0 per cent. About one-tenth of the respondents paid low interest, upto 5.0 per cent and another one-tenth paid interest at rates ranging between 14.1 per cent and 20 per cent. Some home owners in Delhi and Lucknow obtained home loan at a rate of interest of more than 20 per cent, mainly from indigenous bankers (Table III.23).

d. Potential sources of housing finance. About one-half of the home owners responded to the question relating to the potential sources of housing finance that could be

TABLE III.22

Type of Mortgage required for Home Loans:
Case Study of Delhi Home Owners

Type of mortgage	Institutional lenders	Non-institutional lenders	Indigenous bankers
1. No mortgage	1	0	0
2. Shares a d stock	0	0	0
3. Jewellery	0	1	0
4. Property	18	1	1
5. Insurance	4	0	0
6. Others	1	0	0
TOTAL	24	2	1

TABLE III.24

Potential Sources of Housing Finance

(Number of Home Owners)

	Delhi (1)	Lucknow (2)	Cuttack (3)	Quilon (4)	Ambala (5)	Total (6)
1. Gratuity funds	20 (21.74)	15 (28.30)	75 (57.69)	36 (62.07)	24 (55.81)	170 (45.21)
2. Corporate sector	20 (21.74)	1 (1.89)	4 (3.08)	1 (1.72)	2 (4.65)	28 (7.45)
3. Banks	50 (54.35)	37 (69.81)	51 (39.23)	21 (36.21)	17 (39.53)	176 (46.81)
4. Others	2 (2.17)	-	-	-	-	2 (0.53)
TOTAL	92 (100.00)	53 (100.00)	130 (100.00)	58 (100.00)	43 (100.00)	376 (100.00)

Note: Figures in parentheses are per cent to total.

tapped in the country. A point of interest is that the response to this issue was better (70 per cent to 86 per cent) in Cuttack, Quilon and Ambala than in Lucknow and Delhi (where one-third of the home owners responded).

Almost one-half of the respondents felt that commercial banks should provide housing finance and roughly the same proportion identified gratuity funds as a potential source. An increased role by the corporate sector was suggested mainly by home owners in Delhi (Table III.24).

IV. HOUSING FINANCE MARKET AND FINANCIAL INTERMEDIATION

1. Introduction

The major suppliers of housing finance in selected Indian towns were identified in Chapter III and quantitative evidence was also presented on their relative importance and role in the resource mobilisation efforts of home owners. It was seen that the informal housing finance market plays a most crucial role and that institutional financial intermediation in housing is in a highly underdeveloped and unorganised state.

In order to provide the proper perspective for a discussion on the strategy for, and modalities of, strengthening the housing finance market (in Chapter V), an assessment is made in this chapter of the operations in the formal and the informal housing finance markets. In the process, the inadequacies in the existing housing finance system and the main constraints on the spread of institutional intermediation are identified. Some estimates are also presented on the annual flow of funds from major institutional intermediaries into the housing sector and on the relative size of the informal housing finance market. in the country.

2. The Informal Housing Finance Market

As noted earlier in this study, the informal housing finance sector, in the absence of well-developed institutions, becomes the main catalyst of housing sector activities. It includes all unorganised and non-institutional supplies of finances.

a. Evolution and role. The informal credit market in India has existed for centuries. At one time the system focussed around the local money-lenders and pawn-brokers, often the village landlords who were also the feudal lords, and the village traders who supplied most of the local goods and services. This group gradually developed into the main nucleus of trading and industrial activity in the country by providing finances for such activity, or by undertaking such activity themselves, much before organised financial intermediation came into being. Many of the major business and industrial houses in India either received support in the initial years from the indigenous money lenders and indigenous bankers (who dealt in 'hundis') or were themselves engaged in these activities. With developments in the financial markets, the role of the indigenous money lenders and bankers has been declining in sectors like industry and trade. In the housing sector, however, the informal credit market continues to play a prominent role.

b. Salient features. The important characteristics of the indigenous financing sector are:

(i) Easy accessibility. No specified working hours, hence accessible practically round-the-clock;

(ii) Quick processing. There is no need to fill any form, provide any evidence, guarantee, documentation or proof of credit-worthiness or on repaying capacity;

(iii) Flexible collateral. Collateral norms are flexible, depending on the borrower-lender relationship and on what the borrower can offer. Besides jewellery and property, household goods and any other article having a marketable value are acceptable. Finance is sometimes provided even without any collateral;

(iv) Unequal bargaining power. The assessment of the value of the mortgaged property and the terms and conditions relating to the financial assistance are unquestionable;

(v) High rate of interest. The normal rate of interest ranges from 15 per cent to 36 per cent. The effective rate is much higher as the interest is deducted at source at the time of disbursement of the loan;

(vi) Excellent monitoring system. The banker, being a local person and operating at the grass-root level, is fully aware of the sources and the timing of receipts of the potential borrower, the amount and timing of his liabilities, details of his creditors, etc. ;

(vii) Good recovery record. Fear of forfeiture of higher-valued property, public disrepute in case of default and fear of rough recovery methods ensure a good recovery record.

The informal housing finance market consists not only of the indigenous money lenders and bankers but also includes extended family members including relatives, friends, business associates and employers. In addition to these sources of finance, a home owner makes use of his accumulated savings in cash and/or resources obtained by liquidation of assets that he may have acquired through his own efforts or may have inherited.

Some quantitative evidence on the role of the informal housing finance market and its broad structure has been presented in Chapter III.

c. Notional and effective interest rates. The most important features of financial assistance provided by the indigenous money lenders and bankers relates to its cost. While official data are not available, discussions with home owners, builders, land developers and others who had tapped them for purposes of housing finance, as well as to meet other financial requirements, have revealed that the rate of interest generally ranges from 15 per cent to 36 per cent and sometimes it is even higher. What is more important is the method of computation and recovery of the interest.

The interest is computed on the total amount of the loan for the full loan period in advance at the time of loan negotiation and full deduction is made at source, at the time of disbursement. This practice pushes up the effective rate of interest. The effective rate of interest measures the real burden on the borrower and is dependent upon the amortisation period, as can be seen from Table IV.1. The effective cost works out to be higher, the longer the period of amortisation.

On average, loans in the informal credit market are renewed every three to four months, and are never available on a long-term basis.

3. The Formal Housing Finance Market

The formal segment of the housing finance market can be divided into two parts: general financial institutions (GFI) and specialised housing finance institutions (SHFI).

TABLE IV.1

Notional and Effective Rate of Interest in Informal Credit Market

Gross Loan (Rs)	Notional rate of interest (per cent)	Loan period (months)	Interest amount (Rs)	Net loan (Rs) (1-4)	Effective rate of interest during loan period (4 as per cent of 5)	Annual effective rate of interest $\frac{\text{Col.(6)}}{\text{Col.(3)}} \times 12$
(1)	(2)	(3)	(4)	(5)	(6)	(7)
100	36.0	12	36.0	64	56.3	56.3
100	36.0	9	27.0	73	37.0	49.3
100	36.0	6	18.0	82	22.0	44.0
100	36.0	3	9.0	91	9.9	39.6
100	30.0	12	30.0	70	42.9	42.9
100	30.0	9	22.5	77.5	29.0	38.7
100	30.0	6	15.0	85	17.6	35.2
100	30.0	3	7.5	92.5	8.1	32.4
100	24.0	12	24.0	76	31.6	31.6
100	24.0	9	18.0	82	22.0	29.3
100	24.0	6	12.0	88	13.6	27.2
100	24.0	3	6.0	94	6.4	25.6

Source: Based on discussions with land developers and builders in the private sector and other individuals who had availed of the services of the informal credit market.

a. Objectives and role. The GFI sector includes the commercial banks, insurance companies (consisting of the Life Insurance Corporation of India and the General Insurance Corporation group) and the provident fund organisations. Financing of housing is not the primary function of GFI. Their participation in the housing sector is mainly because some proportion of investment is expected to be made in selected priority sectors in the economy which include housing, and partly to meet, to some extent, the housing finance needs of employees, members, beneficiaries and business associates. The main objectives of GFI are to safeguard the interest of their major clientele and to provide to them an adequate rate of return on their savings/investments. The incidental nature of the participation by GFI in housing finance activities is perhaps also due to the fact that, financial support to housing has to be on a relatively low rate of interest and on a long-term basis and, therefore, investment in housing does not yield an attractive rate of return.

The major specialised housing finance institutions are the Housing and Urban Development Corporation (HUDCO), the Housing Development Finance Corporation Ltd. (HDFC), State Housing Boards and Co-operative Housing Finance Societies. They provide finances, either directly to individuals to acquire their own house or to institutions which implement a housing programme.

The HUDCO finances housing and infrastructure development activity at the institutional level, undertaken by the state development authorities, state housing boards, and co-operative housing societies. The HUDCO does not give home loans directly to individuals. The

State housing boards primarily provide built-up houses and sites on various terms of payment but a few also provide direct home loans to individuals. Development authorities and housing boards which construct and make available houses on a hire-purchase basis, implicitly perform the functions of a specialised housing finance institution at the individual level. The co-operative housing and building societies and the HDFC are, however, the only organised and specialised institutions that directly provide housing finance at the individual level. While the co-operative societies provide housing finance mainly to low-income and middle-income groups, the HDFC finances largely middle-income and high-income groups.11/

b. Resource mobilisation. The HUDCO mobilises its resources mainly from the LIC and the GIC and through its debentures, subscribed by the State-level housing finance institutions on the guarantee of government; it also gets some international assistance. The State housing boards get most of their finances from state budgets, the LIC and the HUDCO and co-operative societies from the LIC, the HUDCO and their own members (in form of membership fees). Little effort is made to tap household savings other than membership fees collected by co-operative societies. One reason is that the housing sector needs low-cost funds and household savings are difficult to mobilise, unless an attractive and competitive rate of return is offered. Therefore, due to resources constraints also, the services of the SHFI institutions cannot be easily extended, quantitatively as well as qualitatively, to the conventionally non-credit-worthy segments of the population.

11/ The HDFC assistance to corporate housing programmes is, however intended for low-income employee housing in industrially backward areas.

The HDFC has made some attempt to tap household savings through its equity shares, loan-linked deposit scheme and certificate of deposit scheme but its efforts mobilise only a negligible proportion of available household savings.12/

c. Capital market and the housing sector. There is little interaction between the national capital market and the housing sector, primarily because there does not exist any institutional framework to link housing with the capital markets, and banks are not allowed to lend money to individuals for housing (except to a limited extent). The low return on the debentures and bonds of the HUDCO and the State housing boards, restrict their subscription to institutional agencies, including financial institutions, commercial banks and provident fund organisations. The debentures and equity shares of the HDFC are also mainly taken up by institutions, and only to some extent the equity shares are purchased by individuals. The national credit market, therefore, makes a small contribution to the financing of housing, unlike in the case of financing of industrial, agricultural, internal and external trade activities.

12/ The HDFC has mobilised, as on June 30, 1983, Rs 9.98 crore as equity share capital (about 16 per cent or Rs 1.60 crore subscribed by individuals), Rs 66.60 crore through its Certificate of Deposit Scheme of which about 25 per cent (or Rs 16.65 crore) is contributed by individuals and Rs 0.47 crore through its Loan-Linked Deposit Scheme (wholly contributed by individuals). Thus, direct mobilisation of household sector savings stands at Rs 18.72 crore, or 0.1 per cent of the estimated household sector savings of Rs 19,813 crore.

Adequate data are not available on the proportion of national resources mobilised by the housing sector from the domestic capital market. Amongst the major financial institutional agencies in the country, the commercial banks, the LIC, the GIC, the UTI and the IDBI, for example, directed about one per cent of their annual investments in 1982-83 into housing. The flow of funds through the domestic stock market into housing is negligible. These financial flows compare very poorly with those in countries like the USA, where about one-third of the national credit flows into the housing sector. While it may not be a feasible and practical proposition to expect such a large proportion of domestic credit flows into the housing sector in India over the next decade, an attempt should be made to gradually increase the proportion to around 15 per cent.

The main factors which may explain the low level of interaction between the domestic capital market and the housing sector are:

(i) There is no mass level institutional framework for mobilising savings at fairly competitive rates of interest;

(ii) Commercial banks are not allowed to invest in housing as a normal business operation;

(iii) The capital market may supply mainly short-term funds but the housing sector needs basically long-term credit;

(iv) The supply of saleable financial assets like equity shares, bonds and debentures which offer an attractive rate of return is negligible;

(v) Due to the unattractive rate of return offered on the investible assets by housing sector institutions, there is a negligible demand for them from individuals and only institutional investors who can include such investment for meeting the statutory requirement ratio or who have official relation with them, tend to invest; and

(vi) Investment in the housing sector is generally considered to be a high-risk prone activity, in view of non-availability of support facilities commonly available in developed housing finance systems all over the world. These support facilities include schemes for mortgage insurance to provide security against default, adequate land management system and a mechanism to refinance mortgage originating institutions so as to increase the liquidity.

It has to be realised that, by and large, the housing sector in the country will have to obtain its funds from the capital market at more or less competitive rates of interest. The major purpose of any housing finance system would be to bring this about. A separate scheme would have to be worked out to provide for low-interest loans to the EWS category of home owners. The LIC, GIC, banks, etc., should be induced to make a small contribution. Concessional interest rate loans cannot be made the backbone or basis for any viable housing finance system.

4. Builder's Finance

There are two phases of housing activity, firstly, the acquisition and development of land and the construction of the house, and secondly, its sale to the home owner. A developed housing finance system should meet the financial needs of both these programmes. Generally, countries with a developed housing finance system have a two-tier institutional structure under which short-term "construction finance" is provided to the builder to complete the house and long-term "home finance" is provided to the home owner to meet his financial needs. The under-developed organised sector housing finance market in India is presently geared to meet, and that too only partially, the home ownership finance.

a. Stages of housing finance requirements. On the basis of discussions with leading land developers and builders in the private sector in different parts of the country, the following scenario has emerged on the method of financing resorted to by the building sector.

The first stage, in the series of activities which leads to the construction of the house, is the acquisition of land. About 15 to 20 per cent of the final cost of the property is generally invested at this stage.[13] The land developer/builder has no access to finance at this stage. He has to depend only on his own funds and that of his extended family, and on borrowings from indigenous money lenders and bankers. The second stage involves the development of plans for the building and obtaining of the relevant approvals from respective local bodies. It is estimated that 2 per cent to 5 per cent of the final cost has to be incurred at this stage, again financed by the

13/ The proportion may be higher in the case of lands sold through public auctions, characterised by severe competition to acquire valuable urban land.

land developer and the indigenous banking sector. The third stage involves the development of basic infrastructure on the land (levelling of land, building of approach roads, boundaries, temporary water and electricity connections, etc.) which involve an expenditure of about 10 per cent of the total cost. After the completion of stage 3, the land developer makes an announcement of the housing scheme. At this stage, he receives an initial advance from the buyer, generally 15 per cent to 30 per cent of the estimated total cost. From the amounts so received from the prospective home owner, the builder may repay the loans obtained from the informal money market and from others and also replenish his own resources, which had been used during stage 1 to stage 3.

At stage 4, the builder attempts to sell as many of the proposed residential units as would enable him not only to repay fully his short-term outstandings, but also to meet the estimated total cost of construction. Generally, he reserves a specific proportion of the proposed residential units as stock-in-trade, to be released in the market at later points of time to earn higher profits through price escalation. Discussions with several builders have shown that if all the residential units are sold out at stage 4, the profit margin on the overall operation would be between 25 per cent and 40 per cent. However, if the builder is able to maintain a stock-in-trade of about 40 per cent to 60 per cent of the total proposed residential units, for subsequent sale, he may earn on overall profit of 70 per cent to 80 per cent. When the stock-in-trade is a relatively highe proportion of total residential units, the builders very often mortgage them to indigenous money lenders and bankers for short-term construction credit, if necessary, and such indigenous suppliers of short-term credit are also given the option to buy the mortgaged property subsequently at a premium which is lower by Rs 5 to 10 per sq.ft. than the prevailing market price.

The actual construction (stage 5) commences only after the 'houses' have been sold and initial advance obtained from the potential home owners. The developer first procures the building materials for the first phase of construction, which in the case of a medium-sized residential group housing unit, is completed in about a month. At the same time, letters are sent to the home owners for the second instalment. The second phase of the construction commences more or less after some of the second instalments have been received from the home owners and the same process of procurement of building materials and actual construction activity is repeated over the subsequent phases of the construction programme. Depending on the availability of finances from the home owners and of basic building materials, the construction programme is phased out over 4 to 5 construction cycles.

The potential home owners, thus, pay instalments towards the construction of the house, as called upon by the builder. The amount of the instalment and its timing is related to the phasing of the construction programme. The final instalment, which is generally 10 per cent or less of the total cost, has to be paid by the home owner at the time of taking possession of the house.

It has been estimated that during the construction programme, the builder requires about 30 days' working capital. In effect, the working capital would cover 1 to $1\frac{1}{2}$ cycles of the construction programme, assuming that the home owners pay their instalments in proper time, building materials are available and the required number of residential units have been sold.

b. Financial stake of builders. The foregoing analysis based on discussions with leading builders in the private sector and with others who are knowledgeable about such activities, has revealed that there is very little financial involvement of the builder, except at the initial stage of acquiring land, developing it, obtaining the necessary permissions and making the announcement of the housing programme to the prospective buyers. All these activities account for about 30 per cent of the total cost of the house. Adequate finance to the builder at reasonable cost would be desirable because, in the absence of such finance, the high cost of financial accommodation from the informal money market is invariably pushed forward to the ultimate home owner. Therefore, appropriate provision of institutional finance may lead to a substantial reduction in the final cost of the house and, to that extent, reduce the burden of resource mobilisation at the home owner's level. The provision of short-term construction finance or 'bridge finance' to undertake the actual construction work would allow for greater flexibility in housing construction and, at the same time, reduce the total cost to the home owner. A housing finance system may, therefore, function on a two-tier basis: a short-term bridge finance at the construction stage and a long-term home-loan finance, thereafter.

The debt to personal capital ratio of the builder is estimated to be 4:1, i.e., for every rupee of the builder's capital, borrowings are Rs 4. At the prevailing high cost of borrowings from the indigenous money market, it has been estimated by builders that the overall interest cost of the capital to the land developer/builder may be in the region of 25 per cent to 30 per cent.

c. Emerging public sector pattern. Over the last five to six years, the private sector model of self-financing of housing by the home owner is being increasingly adopted by public sector agencies. The scheme was initiated by the Delhi Development Authority and the practice is being followed by development authorities in other parts of the country. The initial registration deposit ranges from Rs 5,000 to Rs 15,000 for different categories of houses (LIG, MIG, HIG) followed by 25 per cent instalment (including the initial deposit) at the time of allotment of the residential unit on paper and before the construction actually commences.

After the required 25 per cent of the estimated project cost is collected by the development authority, the development of land and the first phase of construction commences. Subsequent instalments collected from the home owner are phased out according to the construction programme, one instalment generally collected every six months. The final instalment, which is usually less than 10 per cent of the estimated total cost and any subsequent amount due to revision in the estimated project cost because of escalation in the construction cost, is collected at the time of actual delivery of the house.

In the case of the hire purchase schemes of State housing boards, an initial amount, generally 15 to 20 per cent of total cost, has to be paid at the time of allotment and the balance has to be paid in equal monthly instalments over a period of 10 to 15 years.

5. Major Inadequacies and Operational Constraints

The analysis in Chapter III, based on data and the experiences of a sample of home owners, brought out some of the weaknesses in the existing system of housing finance. It was also seen that institutional financial intermediation played a minor role in the resource mobilisation efforts of individuals. Some of the major inadequacios in the existing institutional system of housing finance are now examined.

The major inadequacies can be classified broadly under two categories:

(i) Institutional inadequacies, inherent in any conventional financing system; and

(ii) Operational inadequacies, specifically relevant to an under-developed housing finance system.

(i). Conventional financing system. A conventional financing system, even if it is well-developed, cannot ensure a free flow of finances to all finance-seeking applicants. The restrictive access to a conventional finance system is a direct result of its approach, practices and norms that effectively 'disqualify' a large proportion of potential borrowers. The disqualifications are linked to one or more of several eligibility criteria that form the basis of a home loan appraisal.

a. Adequate income level. In several countries, a minimum income level is considered an 'eligibility' criterion.[14] In India, there is no specific mandatory income level to disqualify a home-loan aspirant (individual or household), but other eligibility criteria implicitly take into account the minimum income factor.

b. Regular and verifiable flow of income. Evidence of a regular and verifiable flow of income in the past, and which is expected to continue in the future (at least during the amortisation period) is the first eligibility criterion. Such an approach makes the salary/wage-earning sector and the high-business income sector the prime target group. In the process, small traders and others, especially engaged in informal sector activities, with irregular and unverifiable income flows, become ineligible.

In the Indian context, a large segment of the population derives income from informal sector activities. Very often, income accrues in periodic and irregular flows, and the employment may also be seasonal and/or highly mobile in nature. Such income earners are also not able to provide any verifiable evidence of their income pattern or on its stability. Even within the formal sector of economic activities, a large proportion of income-earning individuals/households have irregular and unverifiable income flows. The conventional approach to

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14/ In the Latin American countries, for example, the level is $ 4,000 per annum and in the Philippines $ 2,288; a large proportion of the population does not qualify for institutional finances on this ground alone.

housing finance intermediation overlooks the needs of these people.

The housing finance system, as it operates today, thus, becomes highly inequitable as the majority of the people who get disqualified from availing of its services on the ground of irregular and/or unverifiable income belong to the economically weaker sections.

c. Acceptable collateral. Even if a potential home owner has a regular flow of income, with verifiable and acceptable evidence of it, a major constraint arises in providing a collateral when the property is jointly owned or is under construction and the land itself (in case of a flat unit) does not belong to the borrower. The conventional practice is to then accept as collateral, until the property can be properly pledged, some alternative assets, which are easily and conventionally marketable and acceptable. These collateral assets include shares and stocks and life insurance policies. However, only a small proportion of Indian population/households own shares and stocks or subscribe to life insurance policies.

In the absence of acceptable monetary assets, the conventional financial institutions may accept a guarantee from an individual with acceptable collateral assets or with substantial regular and dependable income, or from an 'acceptable' employer in the organised sector. Such guarantors are, however, not easily available even to the relatively high-income potential borrower in major metropolises, with an annual income say, of above Rs 25,000. They may be available to an even lesser extent to low income and middle income individuals/households, especially in smaller towns and semi-urban areas. Hence, the need to examine appropriate forms of interim collateral becomes crucial.[15/]

(ii) Operational inadequacies of an under-developed housing finance system. The operational inadequacies in an under-developed housing finance system put further constraints on its accessibility to potential borrowers. These are related to the size of the loan, the initial contribution of the borrower, the low loan-to-home value ratio, fixed and regular amortisation repayment schedule, specific period of amortisation, high loan-servicing costs and complex loan terms and conditions, which are difficult to understand and/or comply with.

d. Loan amount. In many developed and developing countries, a minimum loan amount is often prescribed in order to make the processing and servicing of the loan an economically viable proposition to the financial institution. In India, some minimum loan norms have been laid down (in the case of HDFC, for example, it is Rs 7,000) but the major problem relates to the monetary

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15/ It may be mentioned here that Indian households, generally possess assets like basic trade tools/ equipments, inventory in shop/stores, transport equipments (cycle, scooter, taxi, truck), jewellery, and household goods like sewing machines, expensive clothes, antiques, utensils, television, fans, etc., which may be relatively portable, but are valuable and marketable assets and, cumulatively, their value may be quite substantial. While these assets are acceptable as collateral by the indigenous money lenders, the conventional financial institutions do not consider them as proper collateral assets. While the intention is not to suggest that financial institutions act as petty pawn-brokers and collect and store household goods in return for a home loan, it may be considered whether on the basis of such assets, a system of group guarantee in closely-knit communities, as is prevalent in some developing countries, could be developed.

ceiling on the size of the loan. Various restrictive conditions increase the margin between the size of the home loan that may be desired and the size of the home loan that is actually granted. These restrictive conditions are related to one or more of the following determinants of loan amount:

i. Total cost of the house;
ii. Minimum self-generated component of total cost;
iii. Income level of the potential borrower (the EMI is fixed at a specified proportion of income, generally around 25 per cent); and
iv. Monetary ceiling on home loan to any single individual.

As a result of these restrictive norms on amount of home loan, the self-mobilised resources finance a larger part of the total cost of the house than institutional finances. Evidence on this situation, relating to the experience of 272 HDFC borrowers, has been presented elsewhere (Lall, 1982), the HDFC contributing 41.5 per cent of the total cost of the house and the self-mobilised resources providing roughly three-fifth of the total finances. Further, the proportion of self-generated funds seems to be inversely related to the level of the individual's income.

e. Initial payment. In the Indian context, the housing finance support at the institutional level is available only after some proportionate amount is paid by the individual towards the total cost of the house. The proportion is generally around 25 per cent. Further, as a general practice, the housing finance institutions provide their assistance only after the full targeted contribution of the borrower has been made. While there may be some merit in such a policy, that is, it ensures the full financing of the house when the financial institution may make its contribution, it places undue strains on the home owner and substantially restricts his accessibility to institutional finance. A small down payment or initial investment by the individual does not necessarily suggest that, subsequently the individual may not bring in his remaining contribution, as agreed upon. A low initial contribution by the individual based on his current savings, is likely to encourage him to decide to buy a house at an earlier stage of his earning life, than at present, provided he can be sure of receiving financial support from a specialised housing finance institution to meet a substantial part of the cost of the house, and if his own total contribution can be staggered over a period of time.

f. Loan to cost ratio. A closely related constraint is the explicit or implicit condition of a home-loan to home cost ratio. The HDFC expects a minimum contribution of 30 per cent, but in practice, as was seen in Section 4(ii)(a) of this chapter, the proportion works out to about 60 per cent. In the case of co-operative housing societies, the proportion varies from State to State and the range of contribution of the co-operative societies is from 55 per cent to 60 per cent of the cost of the house. In the case of HUDCO-financed housing schemes, the institutional contribution may range from 40 per cent to 50 per cent of the cost of the home, except in case of low-income housing, where it is 100 per cent for houses costing upto Rs 5,000 (For details, see Table A.IV.1).

g. Amortisation schedule. The period of amortisation is generally between 10 years and 20 years, or the age of retirement, whichever is earlier. In some countries, the maturity of home-loan mortgages goes upto 30 years. But short-term maturity mortgage is also available if the individual is not ready to pay a high interest liability for a long maturity period loan.

Another issue relating to the amortisation schedule is the stipulation of a regular and fixed EMI, which does not take into account fluctuations and changes that are likely to take place in income levels over a period of years. This system places an unduly high burden during the initial years, when income levels are lower. A graduated payment mortgage (GPM), by taking into account the increases in income levels over the loan period in computation of the EMI, would resolve this problem by reducing the burden in the initial years.

Thirdly, the computation of the EMI is largely based on norms followed in developed countries, where it is felt that an average household can save about 25 per cent of its gross monthly income. In the case of the HDFC, for example, the EMI is generally around 25 per cent of gross income. It would be desirable to study the income and expenditure patterns of Indian households and then frame some norms on the proportion of income to constitute the EMI at different income levels. Available data of the National Sample Surveys show that the proportion of income that is used by Indian households to purchase basic consumption items like food, essential services and non-durable goods is inversely related to the level of income. In the very low income groups, these expenditure items account for 70 per cent to 80 per cent of the total household budget, whereas at higher income levels, they may account for not more than 25 per cent to 30 per cent. Hence, the availability of income to be diverted towards the EMI may be as low as 5 per cent to 10 per cent in the case of the low income households but may be even as high as 35 per cent to 40 per cent at the other end of the scale.16/

A fourth issue relates to EMI payment centres. The experience of many owners of residential units provided by State housing boards on a hire-purchase basis, for example, has not been too happy. The centres are generally located at a considerable distance and there are also difficulties presented by haphazardly-maintained records, etc. The problems are accentuated in the case of individuals with transferable employment or who are engaged in highly mobile occupations.

h. Rate of interest. In India, the rate of interest that a borrowerfhas to pay to a housing finance institution is generally lower than what he may have to pay to a

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16/ Data presented by the National Sample Survey (28th Round) show that in 1973-74, the expenditure in the family budget on a basic consumption item, like food goes down progressively with increase in income of the household, both in the urban and the rural areas. Thus, for example in the urban areas, food items alone accounted for around three-fourth to four-fifth of the monthly household expenditure upto an income level of Rs 350 but less than one-half of the monthly household expenditure at an income level exceeding Rs 950. In the rural areas, the respective share of food item exceeded four-fifth of the monthly household expenditure for income levels upto Rs 350 and less than one-half for income level exceeding Rs 950. It is likely that the proportions are even lower at very high income levels (For details, see Tables A.IV.2 and A.IV.3).

commercial bank and substantially lower than that to be paid to an indigenous money lender or banker. Further, a preferential interest rate policy has become a special feature of the interest-rate structure. The preferential rate of interest is linked either to the income of the borrower and/or to the amount of the loan. In either case, no cognisance is made of the income potential of the individual in the future. As such, the burden of interest payment, even on a preferential basis, is more in the initial years than later. Some weightage to the age of the individual in the computation of the rate of interest may facilitate a more realistic spread over of the interest and repayment burden on the individual over the life of the loan, as under a GPM system.[17/]

This does not suggest that interest rates should be subsidised for the younger borrower, for subsidy in interest rates may be granted, on a very restrictive basis, only to the EWS. With the inflation rate being around 8 per cent to 10 per cent, a nominal rate of interest of around 14 per cent for home loans does not seem unreasonable; only for the EWS, the rate of interest should be lower.

i. Complicated procedures. The conventional approach is based on complicated procedures, requiring substantial data and information on the home owner's family, occupation, income, savings potential and house property, apart from references, guarantees, and compliance with several

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17/ For an exhaustive analysis of this issue, see Lall (1982).

legal documentation processes. Potential borrowers, even those who are well-educated and resident in major metropolises, find the processing and documentation formalities a time-consuming and incomprehensible experience. The capability of merely literate and semi-literate borrowers and those resident in distant locations, with relatively little access to advice and guidance to understand the procedures and meet the stringent terms and conditions (references and guarantees, in particular), is still lower. In effect, a large segment of such people cannot avail of institutional finance, even when they may be aware about its availability and may be considered as 'eligible' by the financial institution.

j. Affordable housing for the poor. Public housing programmes are, in particular, mainly directed towards the economically weaker sections of the population. Financial assistance by the HUDCO through State housing boards and co-operative societies is earmarked largely for individuals in the EWS and LIG groups. In the case of the EWS, the sites and services projects are formulated on the basis of self-help principle, with traditional or rationalised methods of construction, so that the total cost of housing can be considerably brought down to levels which are affordable to the beneficiaries.

Political demands, however, lead to provision of high standards for public housing, regardless of the cost, and this leads to construction of residential units whose costs are far above the affordability of the target groups. There are also administrative problems in implementing the programmes because, very often self-help programmes are administered by technically-oriented personnel, who may be skilled in construction activity but who may not be capable of organising, motivating, training and managing people in self-help and construction activities. This problem is not special to India alone, and a United Nations' study has presented examples of self-help programmes "whose benefits never reached the lower-income groups" and where "the stories of successful targeting are almost always exceptions to the general rule" (United Nations, 1978, p. 17).[18/]

A practical way to reduce home costs is through lowering of standards. While maintaining necessary norms in house construction, the high conventional life-span of houses (say, 80 to 100 years) needs to be realistically reduced, so that homes are not only affordable in terms of current levels of incomes of the beneficiaries, but also allow for future upgradation in standards, in line with improvements in income levels. What is more relevant is the provision of a suitable residential unit at an affordable price and not the provision of a 'permanent' structure which is not affordable at current levels of income.

The present practice of providing 'high-cost' houses, relative to the affordability of the target group, therefore, needs to be re-examined so that the effective beneficiaries of public housing programmes for the poor are really the target groups.

18/ United Nations (1978). Non-conventional financing of housing for low-income households. This document contains an informative discussion on major limitations inherent in conventional financing systems.

Another problem concerning the availability of public housing finance to low income households arises from the policy of applying financial standards and norms to people who cannot meet them. As a result, the category of people who require public housing support the most get disqualified in practice and even though they may get the benefits on paper, the real beneficiaries are often the non-target groups.

It is pertinent to emphasise that the antiquated definitions of income groups developed in 1974 have contributed towards the disqualification of a large segment of people from being eligible for houses which they can afford. In the absence of any revision of the norms, for example, even the lowest category of salary-income recipients (e.g., sweepers, messengers, semi-skilled workers) in the organised sector get disqualified for an EWS or LIG house as their monthly emoluments exceed Rs 600 and they find that a MIG house to which they are "eligible" is not really affordable. It has also been pointed out during discussions in several States, that a uniform "national" norm on eligible income level, cost ceiling, size of house, etc., becomes irrelevant at individual town and district levels, with varying degrees of development, income generation capacity, land prices and cost of living, among the socio-economic factors that have a bearing on affordability of a shelter.

The norms for public housing should be formulated under three or four broad categories, taking into account urban, semi-urban and rural/tribal nature of locations. Norms should also take into account the level of development of the location and of basic infrastructural and other facilities. Therefore, innovative adaptations are needed to support conventional financing approach and norms and a new institutional set-up has to be created which would, in particular, support the low income housing finance programme in a realistic way. To quote the United Nations study (1978): "The mismatch between conventional solutions to the urban problem and non-conventional needs must, therefore, be addressed by creating new approaches for dealing with the modern consequences of rapid urbanisation" (p. 6).

The limitations examined in the foregoing analysis, which are inherent in any conventional financing system and, in particular, in an under-developed housing finance system, are related to the desire to protect the system from undertaking undue risks and incurring high administrative costs of servicing small loans, loans to low income home owners and to other home owners who are not considered credit-worthy by conventional norms. These limitations could be removed through a package programme which would, inter-alia:

i. Develop, strengthen and extend housing finance systems through provision of support services to spread risk and increase liquidity;

ii. Develop innovative and non-conventional approaches, operational norms and delivery mechanisms to provide housing finance services to hitherto "non-eligible" segments of home-loan-seeking population; and

iii. Develop savings and resource mobilisation instruments and mechanisms to channelise a growing proportion of national savings into housing sector activities, and yet minimise the risks of lenders and depositors.

In short, therefore, what is required is the creation of new institutions that will mobilise savings for housing and give home loans to individuals, as well as spread risk of home loan originators. The development of a specialised institutional framework would also help in bringing about a closer interaction between the capital market and the housing sector. The major policy measures in this regard are examined in Chapter V.

6. Annual Investment Flows

a. Some estimates and pattern. The proportion of plan outlay in housing, as was seen in Chapter I, has fallen significantly since the First Plan. This fall is reflected in the declining share of the housing sector in the gross domestic capital formation (GDCF), as can be seen from Table A.IV.4. The annual growth of the housing sector has been lower than that of the national economy, except during the sixties (because of industrial recession) and in the first few years of the eighties. The proportion of annual contribution of housing to the GDCF has, therefore, fallen from 18.8 per cent in the fifties to 10.8 per cent in the eighties.

The estimation of the contribution of housing and allied activities to the GDCF effort is subject to methodological inadequacies.[19] Data are also not available on investment actually taking place in housing through the housing finance market.

19/ Thus, for example, the data include, on the one hand, commercial real estate and business services, but exclude, on the other hand, many components of housing (constructions, for example, by public sector undertakings and by the government in rural areas). Several types of final consumption expenditure are also included in the GDCF estimates, such as expenditure on internal and external painting, installation of permanent fixtures like air conditioners, lighting, water supply facilities and other equipments.

Some estimates can be made of the flow of institutional finances into housing from the formal housing finance market, on the basis of sectoral investment data presented by individual institutions in their respective annual reports. But no direct estimates can be made of the resources mobilised for housing by the informal finance market, including those by individual home owners, his extended family, relatives, associates and the indigenous money lenders and bankers. These estimates can only be made indirectly through netting out the estimated contribution of the formal housing finance market from the estimated GDCF, on the assumption that the balance is mobilised through informal credit sources.

Some estimates on the annual flow of funds into the housing sector, based on this methodology, were presented in an earlier Report (Lall, 1982). These estimates have now been updated and presented in Table IV.2.

In 1982-83, the GDCF in the housing and related sector was of the order of Rs 4179 crore and 22.6 per cent of this was estimated to be financed through identifiable sources from the formal housing finance market. The proportionate contribution of the formal housing finance market was, on the one hand, over-estimated due to some overlapping of resources shown among the different institutional agencies and, on the other hand, it was under-estimated as estimates of GDCF also include some non-housing activities. What is clear, however, is that the informal housing finance market supplied almost four-fifth of the total annual resources in the housing sector.

TABLE IV.2

Annual Investment Flows into the Housing Sector

(Rs crore)

Year ending March 31	1970-71	1975-76	1980-81	1981-82	1982-83
1. Formal Housing Finance	535.77 (55.35)	267.15 (18.10)	625.50 (19.99)	764.03 (20.66)	944.01 (22.59)
a. Budgetary allocation 1/	464.48 (47.98)	101.66 (6.89)	216.03 (6.90)	288.27 (7.79)	332.88 (7.97)
i. Centre	103.94 (10.74)	33.31 (2.26)	82.61 (2.64)	104.71 (2.83)	129.19 (3.09)
ii. State and Union Territories	360.54 (37.25)	68.35 (4.63)	133.42 (4.26)	183.56 (4.96)	203.69 (4.87)
b. General financial institutions/ organisations	39.18 (4.05)	77.03 (5.22)	178.03 (5.69)	210.31 (5.69)	288.93 (6.91)
i. LIC	39.18 (4.05)	74.01 (5.01)	93.49 (2.99)	129.85 (3.51)	145.66 (3.49)
ii. GIC	-	0.13 5/ (0.01)	7.18 (0.23)	9,44 (0.26)	10.08 (0.24)
iii. Commercial banks 2/	-	-	11.19 (0.36)	7.82 (0.21)	6.82 (0.16)
iv. Provident funds	-	2.89 6/ (0.20)	66.17 (2.11)	63.20 (1.71)	126.37 (3.02)
c. Specialised housing finance institutions	32.10 (3.32)	88.46 (5.99)	231.44 (7.40)	265.45 (7.18)	322.20 (7.71)
i. HUDCO	0.50 (0.05)	35.83 (2.43)	89.97 (2.88)	105.24 (2.85)	131.78 (3.15)
ii. Apex co-operative societies 3/	0.23 (0.02)	6.49 (0.44)	48.14 (1.54)	54.49 (1.47)	61.68 (1.48)
iii. Primary co-operative societies 4/	31.38 (3.24)	46.14 (3.13)	72.34 (2.31)	79.15 (2.14)	86.60 (2.07)
iv. HDFC	-	-	20.99 (0.67)	26.57 (0.72)	42.14 (1.01)
2. Total Informal Housing Finance (3 - 1)	432.23 (44.65)	1208.85 (81.90)	2503.50 (80.01)	2934.41 (79.34)	3235.22 (77.41)
3. TOTAL 7/	968.00 (100.00)	1476.00 (100.00)	3129.00 (100.00)	3698.44 (100.00)	4179.23 (100.00)

Contd....

TABLE IV.2 (Contd.)

Notes:

1/ Includes capital and revenue expenditure on housing

2/ Relates to calendar years 1980, 1981 and 1982

3/ Estimated for 1980-81, 1981-82 and 1982-83 on the basis of actual growth between 1977-78 and 1978-79, the last two years for which data have beeen published. In 1977-78 the amount was Rs 33.19 crore and in 1978-79 the amount was Rs 37.57 crore.

4/ Estimated for 1980-81, 1981-82 and 1982-83 on the basis of actual growth between 1970-71 and 1975-76. The published amount for 1970-71 is Rs 31.38 crore and the amount for 1975-76 is Rs 46.14 crore.

5/ Data from Finance for Housing Schemes - Report of the Working Group on the Role of the Banking System, RBI, p. 65.

6/ Gross domestic capital formation in housing and related sectors, including commercial, real estate and business sectors.

7/ Figures in parentheses are per cent of total.

8/ Data for State housing boards have not been presented separately as they take loansfrom State governments, LIC, GIC and HUDCO.

Sources:

1. Annual Reports of concerned institutions.
2. Government of India, <u>Public Finance Statistics</u>.
3. Reserve Bank of India
4. CSO National Income Accounts

significantly more at about 5 per cent of the total annual investment. General financial institutions, including the LIC, the GIC, commercial banks and provident fund organisations provide for about 7 per cent of the annual investment and specialised housing finance institutions for about 8 per cent. In each case, the proportionate share has been rising over the years. In the years to come, resource mobilisation activity has to be directed towards the primary source of national savings, namely, the household sector, and a suitable institutional framework would have to be developed for this purpose. During the Seventh Plan, the improvement in the share of the formal housing finance market should be accelerated.

This evidence on the respective roles of the formal and the informal housing finance markets is affirmed by our overview (Chapter III) of the housing finance pattern in five representative towns in the country. These results are also corroborated by the evidence presented in other studies on the relative role of the informal housing finance market in India as well as in several developing countries.

Over the last eight years, with the development of housing finance institutions (HUDCO and HDFC), there has been an increase in the proportionate contribution of institutional financing (Table IV.2). The proportionate contribution of the informal housing finance market in the annual total GDCF in housing has, therefore, fallen from 82 per cent in 1975-76 to 77.4 per cent in 1982-83. The annual rate of growth of the formal housing finance market during 1975-76 to 1982-83 works out to 36.2 per cent as compared to the GDCF's annual rate of growth of 26.2 per cent in housing and allied activities; during the same period, the annual rate of growth of the informal housing finance market was 23.9 per cent.

It may be pointed out that as housing is a State subject under the Indian Constitution, the Central government, through its budgetary allocations, can provide for only a small proportion of the total annual investment. Over the last few years, the share of Central government has been about 3 per cent of the total GDCF in housing. In absolute amounts, the Central government annual budgetary allocation during the three years, 1980-81 to 1982-83, has been Rs 104 crore. The budgetary allocations of the State and Union Territories are

V. REFORMS IN THE SYSTEM OF HOUSING FINANCE INTERMEDIATION

1. Objectives of a Housing Finance System

The basic objectives of a housing finance system should be to mobilise the requisite investible resources for housing and to make it accessible to hitherto overlooked locations and income categories of prospective home owners. In addition to meeting the financial needs of the ultimate beneficiary, namely, the individual home owner, the housing finance system would also have to extend adequate financial assistance to land developers and the construction sector, and to intermediatory agencies like business corporations, trusts and associations of persons who may build, or otherwise acquire, houses for their staff and associates.

An important feature of the Indian housing finance scenario, as was seen in Chapter III, is its dual sector composition: a formal conventional sector and a large informal sector which has no access to any support from the former. A closer interaction between the two sectors is crucial in any scheme to strengthen housing finance intermediation in the country.

A national housing finance system should, therefore, have the following functions:

(i) To mobilise, on an institutional basis, an increasing volume of household savings (through provision of attractive savings schemes), so that a larger proportion of national income, than at present, is directed towards the national savings efforts, and a growing proportion of the increased volume of savings flows' as investments into the housing sector;

(ii) To mobilise national resources through the national capital market (the private corporate sector and the public sector) and from domestic contractual savings organisations and the international capital market;

(iii) To attain a more efficient allocation of funds and, in particular, reallocation of funds from relatively surplus areas to relatively deficit areas;

(iv) To attain closer interaction between the formal and the informal housing finance markets;

(v) To develop and strengthen the primary mortgage-originating market so that its services may spread to hitherto underserviced/unserviced sectors, and yet maintain its viability; and

(vi) To attain a greater velocity of circulation of available financial resources within the housing sector, through refinancing operations.

2. <u>The Approach to Financial Intermediation</u>

Two major issues which are relevant to the development of a healthy housing finance system revolve around the principle of centralisation of power and authority and the relative role of the public and the private sectors. In a federal set-up of the dimensions of India, it is desirable to have appropriate Centre-State norms and relationships in any viable and growth-oriented financing system. It would be equally crucial to develop healthy norms for the relative role of the public and the private sectors and for interactions between them. Such specification of norms and of the relative roles is particularly important in housing, because unlike many other areas of development activities in the country, housing is one area where the public sector operates on a low key. The national policy also envisages that the private sector should provide the major thrust in housing programmes in the years to come. But, the savings in the form of financial assets of households have been largely pre-empted by the public sector and hence, the availability of financial resources for private sector housing programmes has become a major constraint.

a. Centralisation vis-a-vis decentralisation.

(i) Implications. Two distinct but contrasting approaches can be visualised: a highly centralised approach (HCA) and a highly decentralised approach (HDCA). Under the HCA, an apex body can be visualised to control, supervise, monitor and develop all housing and housing finance activities in the country, covering both the public sector and the private sector operations. The main advantage of a HCA, *a priori*, is that the pattern of housing finance operations all over the country would be developed according to some uniform policy and guidelines, enabling a free flow of resources within the country, inclusive of financial, physical and manpower resources. A HCA also facilitates the development of a systematic monitoring programme and provides for economies in operations, particularly in regard to mobilisation of resources.

However, in practice, any programme of extreme centralisation leads to delays, generates monopoly power and vested interests, adds to the overhead and operational costs and thereby results in higher effective burden on the ultimate beneficiary. Further, while an uniform operational approach has its own advantages, it tends to overlook the specific regional and local needs and problems. A uniform solution may often also deviate far from the realities and needs of specific regions. On the other hand, a HDCA which, a priori allows for adoption of policies, procedures and instruments as per the specific needs of the target people, would restrict the resource mobilisation efforts to a limited radius, resulting in creation of areas of surplus funds and inadequate demand on the one hand, and areas of inadequate funds but insatiable demand, on the other. National and regional resources would tend to be misallocated and/or inadequately utilised. The influence and dominance of local political intervention and patronage may be more difficult to countervene in a regional or local set-up, than in a national-level institution, in the absence of any distinct, regulatory or monitoring agency.

Between the two extremes of a HCA and a HDCA, various combinations are possible. An appropriate HCA-HDCA mix should be made, keeping in view the needs of the home owners' population, the resources constraints and national policy objectives.

(ii) Operational issues. Four main areas of operations of a housing finance system may be examined, wherein relevant and useful features of a HCA and a HDCA may be drawn upon.

The first issue relates to mobilisation of resources. A viable housing finance system should be able to mobilise the requisite resources on its own, and should not depend on budgetary allocations alone for a long time. It would be desirable to incorporate in the proposed housing finance system, the advantages of economies of scale in mobilisation of financial resources from the national and the international capital markets. As such, a national resource mobilisation agency may be required to tap such funds. In fact, many of the decentralised units may not have the necessary expertise and/or status and public image to mobilise funds from these avenues, or for that matter, to make continuous study of alternative sources of funds, their terms and conditions, and strike a bargain when interest rates and other terms are most favourable. This would be especially true when the international capital market has to be tapped: large-scale mobilisation might allow for negotiation of soft credit terms, i.e., low interest rates, longer repayment period, etc. The benefits of large-scale resource mobilisation could be passed on to the ultimate beneficiary. The per unit operational cost of resource mobilisation would also be lower than when several institutions mobilise small amounts of resources independently.

Mobilisation of households savings should, however, be left to decentralised institutions, which would be familiar with regional and local economic conditions, living patterns, consumption and savings habits and other aspects of local life, which have to be taken into account when formulating appropriate and realistic savings instruments. Mobilisation of local savings through local institutions would also be a more feasible and economical operational proposition. Most importantly, local institutions should be given the main responsibility for it is better, as a matter of principle, to encourage private initiative, acumen and local effort.

Two different approaches are identifiable for the mobilisation of resources on the basis of the experiences of decentralised housing finance systems in the developed economies. The first is the Anglo-American model based on the principle of direct mobilisation of deposits from the household sector. The second is the European model based on the principle of indirect mobilisation of household savings and direct mobilisation of non-household savings through sale of bonds and debentures of varying maturities in the capital market, subscribed to mainly by institutions.

The direct individual-level resource mobilisation approach makes use of the fiscal system to improve the yield on mobilised resources, while the institutional-level resource mobilisation approach basically offers a competitive rate of interest on open market borrowings.

The main weakness of the Anglo-American model arises from its policy of borrowing-short and lending-long in a single economic activity. The system becomes highly sensitive to inflation and during the early eighties, the system almost collapsed in the USA, as the yield on home loans became substantially lower than the cost of freshly-mobilised resources. In the European countries, the higher cost of corporate public borrowings through the capital market in terms of inflation can be passed on to the home owner but the housing finance institution would also be affected to an extent. The investors in the capital market are also able to influence the terms of the mortgage instruments. Further, the scope for public borrowings through the capital market is limited in low-income countries, with an under-developed capital market.

In the Indian context, it would be desirable to have a judicious blend of both the resource mobilisation approaches for the housing finance system. While the Anglo-American approach to reach household savings directly may be the strategy at the HDCA-level, the European approach via the capital market may be the nucleus of the resource mobilisation strategy at the HCA-level.

A second major area of operations of the proposed housing finance system would relate to policy formulation. There are advantages in this function being performed under a centralised agency. A uniform national housing and housing finance plan and policy can be developed which would keep both national and local requirements in proper perspective. Such a policy will offer an opportunity to reduce inter-regional and inter-spatial differences in housing constructions and resources availability. However, the national-level policy formulation activity has to be based on a continuous flow of data and information from the decentralised areas of operations.

The third major aspect of operations relates to home loan operations including appraisal, sanctions, disbursement and recovery. While a centralised agency may draw broad guidelines, it would be desirable to leave the regional operational approach to the decentralised regional institutions. Full autonomy must be provided to them to formulate their own assessment procedures, policies, credit norms and recovery measures, among other things, so as to serve the needs of the ultimate beneficiary, keeping in perspective the institutional viability also.

Finally, the fourth major area of operations relates to monitoring of the activities of the ultimate beneficiaries, and this should also be performed at the grass-root level. Guidance and directions on plans of action may be formulated, however, at a centralised level, based on feedback from the grass-roots level institutions.

c. Role of the public and the private sectors. At present, about four-fifth of the activities in housing in the country, including home financing, is in the private sector. In the formal housing finance market, the public sector plays, however, the dominant role. The predominant overall role of the private sector is because of the large informal housing finance market. However, little data or organised information are available on activities in the informal housing finance market or, for that matter, even on the extent to which the private sector plan investment targets are being realised. Some quantitative evidence on the predominant role of the informal housing finance market has been presented in Chapter III.

In the private sector, only the HDFC provides housing finance, but it supplies about four per cent of the annual finances in the formal housing finance market and an even lower proportion (about one per cent) of the finances in the total housing finance market. Even if HDFC's operations were to increase three-fold over the next five years, its relative share of a growing housing finance market would remain small. The co-operative housing finance societies play a more important role, but they function more as intermediaries of other institutions (like the LIC and the HUDCO) and make little systematic effort to mobilise household sector savings directly. There, thus, is a need for a multi-fold growth of housing finance agencies if the private sector targets for housing have to be realised in the Seventh and the subsequent Plans.

Public housing finance operations may not appear spectacular or efficient in the Indian context. The important reasons are that, in the first place, such operations are exposed to more public scrutiny and judgment than the operations of the private sector and, secondly, they are directed largely towards conventionally "non-credit-worthy" sectors, i.e., socially and economically weaker sections of the population. The financing of such sectors is done at highly subsidised rates of interest and the effective cost burden becomes even higher in view of greater likelihood of defaults. Hence, it may not be wholly proper to emphasise only the weaknesses of the public housing finance system, without keeping these issues in perspective. In spite of several inadequacies in their operations(see Lall, 1982), public housing finance intermediation through the HUDCO and other agencies has encouraged low-cost housing and pioneered some rural housing activities. The major problems of public housing programmes emanate from resources constraint, lack of initiative and innovative approaches, especially to mobilise resources, poor monitoring and delivery systems, political intervention and bureaucratic practices. As a result, in spite of low-cost funds being made available, the public sector institutions are, by and large, not able to operate in an optimal manner.

One thing is clear nevertheless: the housing sector gets adequate feedback on public housing finance activities but negligible feedback is available on the unorganised informal housing finance activities. Therefore, the policy for the Seventh Plan and the subsequent Plans should be directed towards, in the first place, raising the public sector investment outlay in housing; secondly, providing the facilities, particularly finances, to enable the private sector to undertake the target Plan activities; and, thirdly, adequately monitoring the private sector activities, so that Plan targets are attained, and bottlenecks, if any, are resolved sufficiently in time.

It may be desirable, therefore, to raise the share of the public sector in housing to, say, 25 per cent of the national housing activity. It would also be desirable to raise the share of the private sector in the formal housing finance market to the level of 25-35 per cent so that the formal housing finance market would gradually constitute, over the next decade, about one-half of the national housing finance market. Such a development would be desirable in the national interest and particularly in the context of attaining Plan targets, because housing activities financed through the organised housing finance market would be more amenable to effective monitoring. The increased role for the public sector, as has been proposed here, should be evaluated in the perspective of attainment of Plan targets. At a later stage, when the housing finance system would have developed sufficiently and a good and effective information system for monitoring of activities in housing, both in the public and the private sectors, has been built up, a gradual reduction in the role of the public sector is proposed.

3. Components of a New Housing Finance System

a. Perspective and approach. The analysis of the housing finance market in five towns in Chapter III, and in other studies, has shown that only a small proportion of new housing investment benefits from institutional financing. The major advantages of organised housing finance intermediation in an economy are the induction of financial discipline, efficiency in resources use, responsiveness to national priorities and targets and net accretion to national development activities. As far as the specific sector, namely, housing, is concerned, institutional financing allows for a more systematic development and regulation of activities, as per the policies of the government and the norms of local bodies. The first need then is to create and extend the institutional framework for housing finance.

The analysis in Chapter III, based on experiences of home owners in five selected towns, also revealed the need to meet the housing finance needs of low-income households, on the one hand, and middle income and relatively affluent households, on the other. The approach and terms of financial intermediation for the two distinct income groups have to be necessarily different. There does not seem to be a need to develop any special financial intermediation for very affluent households at high income levels.[20/]

A prerequisite for a viable housing finance system is the development of an institutional structure spanning the entire country. As public resources through existing financial institutions are limited, it is necessary that the system should be built through an expanding number of institutions at the regional level that mobilise resources specifically for housing directly from households. An institutional set-up which depends unduly on government allocations tends to rapidly lose its dynamism and flexibility.

Thus, in the first place, a national-level institution should be established to promote and build independent regional institutions. The local institutions would gradually have to develop the delivery system of housing finance to all groups of people in the country and spread their operations progressively to low-income and other less credit-worthy beneficiaries. The process of institutional development, therefore, has to have a long-term perspective. However, a short-term perspective in the context of the impending Seventh Plan would be of immediate importance also.

20/ No system of housing finance, with the requisite monetary ceilings on loans, would be able to meet any significant proportion of housing finance needs of very high income groups. Available evidence also suggests that they are not really interested in institutional intermediation.

The viability of any housing finance system has to be ensured and will depend not only on its capacity to mobilise household savings at regional levels and to provide home loans, but also on the availability of support facilities to home loan originators to spread their risk and to have an access to some form of refinancing. At the same time, it is essential to establish a forum which would contribute towards developing appropriate housing and housing finance policies.

b. Proposed housing finance system. A three-tier system is proposed, apart from some support facilities, to develop a healthy and viable housing finance system.

(i) Housing Advisory Board (HAB). The HAB will form the top tier of the proposed housing finance system. It will be basically an advisory body to provide political guidance and also help in evolving appropriate housing policies, suggest annual housing sector allocations and promote broad guidelines relevant to development of the housing sector.

The HAB will be constituted of the Council of Central and State Housing Ministers, under the Chairmanship of the Union Minister of Works and Housing. It will comprise both official and non-official members.

(ii) National Housing Finance Corporation (NHFC). The second tier of the proposed housing finance system would be a national level specialised housing finance institution, to be called the National Housing Finance Corporation (NHFC). The NHFC may be set up under the Indian Companies Act, 1956. It will be desirable not to designate the national level institution as an 'authority' or a 'bank', as the former nomenclature generally suggests a bureaucratic non-financial function, and the latter may be misconstrued by the banking authorities and misunderstood by the people.

The NHFC should represent all interests that are concerned with the development of a healthy housing finance system. Its Board of Directors should, therefore, include representatives of the Central government (e.g., Ministry of Works and Housing, Planning Commission and Ministry of Finance), State governments, national and regional institutions engaged in housing finance activities and individual experts. The size of the Board should be restricted to a manageable number, say, 10 to 12 members, so that it does not develop into a debating society' but operates as an effective policy making body. While the Board should be responsive to national policies formulated by the government, care should be taken to ensure that it is not unduly exposed to political intervention and to bureaucratic practices. The members of the Board should be professionals, with a good knowledge and/or experience of the intricacies of national and international finances, capital markets, housing problems, housing economics, housing policy, etc. It would be desirable to also ensure that neither the nominees of the public sector institutions nor the private sector institutions have a direct majority on the Board.

It would be desirable to have as the Chairman of the Board of Directors of the NHFC, a distinguished person of proven merit, integrity and professional competence. The position may not necessarily be a full-time one. Some of the Directors may be full-time members.

The main functions of the NHFC should be:

(a) to promote and develop independent, autonomous and financially viable housing finance corporations, serving regional housing markets;

(b) to mobilise resources;

(c) to develop manpower development programmes;

(d) to build a management information system, monitoring and evaluatory system, data bank, etc.; and

(e) to assist the HAB in formulating housing policy.

In its promotional and developmental role, the NHFC should help the regional housing finance institutions in designing the right borrowing and lending instruments and providing in the initial years, at the request of the regional institutions, technical, financial and administrative support to bring to life regional institutions which local initiative and local investors might want to create. However, the NHFC should examine thoroughly the necessity, potential and viability of the proposed regional institutions which may seek its support. The NHFC should not get directly involved in any loan processing and disbursement activity at the regional level. It may however, have, to monitor the activities of the regional institutions as they would be the depository of household savings and public funds which they may have been able to mobilise, partly or mainly, through the direct and indirect support provided to them by the NHFC.

The resource mobilisation function should be restricted to large-scale mobilisation from the national and international capital markets. A national level institution, a priori, can negotiate the flow of resources on competitive basis and on soft terms as regards interest rate, repayment period, etc., and the benefits that flow from these economies could then go to the beneficiary. In fact, it is felt that many of the regional institutions may not have the expertise and standing to raise resources on their own from the national and international capital markets and their resource mobilisation efforts would have to be restricted to the regional level. In view of the phenomenon of resource-surplus and resource-deficit regions in a large country like India, it would be desirable to provide a channel for transfer of resources from surplus areas to deficit areas.

In order to promote the growth and development of a regional housing finance delivery system, the financial support of NHFC to the regional institutions may be in the form of equity capital, and in the initial years, some financial support in the form of loans and subscriptions to debentures that may be floated by the regional institutions. The investment of the NHFC in the regional institutions may be for a limited period and the loan assistance should be gradually phased out so that the regional institutions are able, over a period of time, to mobilise resources largely through their own efforts and from institutions and the capital market within the region. The real test of the potential growth of the national housing finance system is how fast the local regional institutions can mobilise resources themselves.

The NHFC should not become merely an agency to raise resources and provide them to the regional institutions, as such a practice will discourage local initiative and enterprise and would develop into a scheme similar to government credit allocations. The support of the NHFC to the regional institutions should be purely promotional and, in case of need, as a lender of the last resort.

The NHFC should provide some assistance on special terms to regional home loan institutions in order to undertake financing of conventionally less-favoured schemes in the economy, including social housing, rural housing, slum upgradation, etc. But such activities should not become the main area of operations of the NHFC.

The NHFC should develop a strong research expertise in projection of demand and supply of housing stock, housing finance needs of different sectors of the society and a continuous assessment of short-term and long-term needs of the housing finance sector. It should continuously monitor the trends in interest rates, credit terms, etc., in the important capital markets all over the world, study the trends in the flow of funds within the economy, build up a strong data bank and management information system and be a repository and dissemination agency of information and data on the latest developments (including technical developments) in the housing sector.

Finally, the NHFC should strengthen the manpower base of the regional institutions by developing and conducting appropriate manpower development programmes at the national and regional levels. These programmes should not only impart knowledge and skills to officials in the housing finance institutions but should also familiarise them with the national perspective, regional specialities and at the national level, the formulation of appropriate housing and housing finance policies.

The proposed sources of funds of the NHFC are:

(i) Equity capital to be contributed by the Central government, the Reserve Bank of India, and banking and financial institutions;

(ii) Resources to be mobilised from contractual savings institutions; and

(iii) Loans.

The NHFC may also develop special saving instruments like housing bonds and housing bearer bonds to mobilise household savings on a national basis, to be used exclusively by the housing sector. Such savings instruments are examined in section 6 of this chapter.

(iii) Housing savings and loan banks(HSLB). The third tier of the proposed housing finance system is constituted of the regional-level housing finance institutions, which may be called Housing and Savings Loan Bank (HSLB). The HSLBs would be the operational window of the national housing finance system, for they would basically mobilise household savings and provide home loans to individuals within their jurisdiction. The initiative to set up HSLBs should normally come from individuals and institutions at the regional level. In only very special cases, when for example, the national policy would like to develop housing finance intermediation in specific areas, the initiative to set up HSLBs in specific locations may be taken up by the NHFC. However, the NHFC-sponsored HSLBs should be limited in number.

The main functions of the HSLBs should be:

(i) to mobilise household savings at the local levels;

(ii) to develop and float savings schemes, keeping in perspective local conditions and habits; and

(iii) to provide home loans at the local level.

The HSLBs would, thus, be primary-level mobilisers of household savings and primary mortgage-originating institutions.

The suggested sources of funds of the HSLBs are:

(i) equity capital to be contributed by the promoters, members, NHFC and others who may be interested;

(ii) savings to be mobilised from the household sector;

(iii) resources to be mobilised from the capital market; and

(iv) assistance from the NHFC.

The assistance from the NHFC may be matched to the resource mobilisation efforts of the HSLB and its group of target beneficiaries (by income groups and areas). Special assistance on soft terms may be provided to encourage the flow of home loans to social housing schemes, low income groups, rural housing, etc. The NHFC may also provide guarantee to the debentures that may be floated by the HSLB.

It should be the endeavour of the housing finance system to ensure that the HSLBs do not depend unduly on the NHFC for financial assistance, for the success of the national housing finance system will ultimately depend on the capability and success of the HSLBs to mobilise resources through their own efforts.

It may be mentioned that the three-tier housing finance system that has been proposed in this report is, in its structural form, similar to that which was proposed by the Mukharjee Group.

In view of the difficulties that are likely to arise when regional institutions have to maintain a continuous relationship with a national-level institution, it would be desirable to have a State-level co-ordinating agency, which will represent the interests of local institutions within the State. In the case of Union Territories, a single co-ordinating agency may be set up. A fear is, however, expressed in some quarters, that a State-level institution may introduce bureaucratic practices, which may hamper the development of independent housing finance institutions at the grass-roots level. The two contrasting views have to be considered, before deciding the exact form of co-ordination between the local institutions and the national institution at the State level.

4. Support Institutions and Instruments

The viability of a housing finance system cannot be ensured only by the development of institutions and instruments to mobilise regional and national savings and international resources, and by making available institutional finances to individuals all over the country. In order to develop the housing finance system into a wide-based reality, certain measures are needed to be taken up simultaneously to maintain the economic and financial viability and independence of the regional housing finance institutions. Several possibilities have been suggested from time to time regarding mortgage insurance and a secondary mortgage market in the housing finance sector.21/ The desirability of setting up such institutions is now examined.

21/ For example, see the Reports of several official Committees, chaired by, namely, D'Souza, (1977) Shah, (1978) and Mukharji, (1981). Also, see Lall, (1982).

a. Mortgage insurance. The primary function of mortgage insurance is to spread risk so that mortgage-originating institutions are encouraged to take risk against default and extend their operations to small, under-developed and, hitherto, unserviced areas, and to low-income individuals who may not be eligible to receive institutional support in terms of conventional norms. Mortgage insurance provides a protective umbrella to maintain the viability of the mortgage-originating institutions when they attempt to widen the scope of their operations.

The crucial issues which have to be examined in the Indian context are:

i. Extent of insurance cover;

ii. Incidence of insurance premium; and

iii. Linkage between premium amount and outstanding loan.

In countries where mortgage insurance has become a composite feature of the housing finance system, the insurance cover is never for the full amount of the loan. In the USA, for example, mortgage insurance covers about 20 per cent of the home loan. Full coverage is not considered necessary as the financial institution has assessed the borrower to be "credit-worthy" to a substantial extent. Further, the extent of cover may be, *a priori*, related to the income or location of the borrower, The two issues that would, therefore, arise in any examination of the feasibility and need of a mortgage insurance system are, the extent of cover and the criteria that determine the cover. In some countries like the

Philippines, mortgage insurance has been confused with life insurance; such an anomaly needs to be eschewed.

International experience on mortgage insurance reveals that the incidence of the premium is always on the ultimate beneficiary, the home owner. A priori, this seems logical as financial institutions can shift forward the burden.

On grounds of equity, however, all beneficiaries should bear a part of the burden of the mortgage insurance premium. The financial institution, on the one hand, can extend its operations, have a larger turnover and earn larger profits, and on the other hand, the home owner gets access to institutional finance, which ordinarily may not have been forthcoming. The mortgage insurance system would also help to raise the home-loan to home-value ratio and extend the amortisation period, if required, so that the EMI can be fixed at a level which a home owner might find appropriate at his current level of income.

In India, potential home-loan aspirants can be classified into three categories:

A: High-income individuals, who can provide adequate collateral;

B: Middle-income individuals, with fixed income, mainly from salary and investment, who cannot provide adequate collateral; and

C: Low-income individuals, who would ordinarily not be considered eligible for institutional finance and who, at best, can provide only marginal collateral.

The experience of institutions providing home loans in India has shown that Category B individuals are keen to repay their debts at the earliest, as there is some stigma attached to debt. A simple way to facilitate recovery of debt, in case of default, especially in the case of the salary income class, may be to intimate to the referees or to the employer. Alternatively, in the case of employees in the organised sector, the EMI may be deducted directly at source by the employer and forwarded to the financial institution in the same way as provident fund contribution, LIC premium, staff loan repayment, income-tax, etc., is deducted at source and placed/forwarded appropriately. As such, it may be undesirable to burden such category of potential home owners with an insurance premium.

Category A borrowers would be able to provide adequate security of fixed assets and, ordinarily, a mortgage insurance cover may be superfluous, though the burden may not be heavy for this category of potential home owners. It is in the case of Category C borrowers that institutional risk may be the maximum, and mortgage insurance may make an otherwise unviable home owner, a viable proposition. However, this is the category which is most unfavourably placed to bear any additional cost on a home loan.

One possibility might be to introduce a differential premium rate, linked to amount of loan and/or income of the beneficiary. The rate would be maximum for Category A(who can afford to pay) and lowest for Category B (who may find it difficult to bear but whose repayment can be institutionalised to reduce the cost of collection, and the benefit thereof passed on to the borrower). The premium has to be moderate for Category C (who will find it a large burden in any case, but without such an additional burden, the access to institutional finance may not be forthcoming). Some element of subsidisation may be considered for Category C home-loan aspirants.

The objective of mortgage insurance in India would be to spread the risk of mortgage-originating institutions by passing a part or whole of it to others, so that in case of default, they could recoup their investment. This purpose can also be served by facilitating the sale of mortgaged property. At present, foreclosure of mortgages under the Indian legal system is time-consuming and complicated, often involving legal tangles extending upto ten years. Simplification of foreclosure procedures and quick judicial decisions may be a more practical approach than a system of mortgage insurance. Further, if the threat of foreclosure is large, then even mortgage insurance may become an unworkable proposition for, at a reasonable cost to the beneficiary, it would be viable only when the level and possibility of foreclosure is low. Finally, in a country, where eviction of unauthorised squatters can become a hot political issue and that of tenants almost impossible, it is feared that eviction of legal home owners from their own houses, in case of default, may not be a practical proposition even if the foreclosure system is rationalised.

In case a decision is taken in favour of introducing mortgage insurance into the housing finance system, the main issue would be, whether the function should be undertaken by a new institution or by an existing institution. In order to restrict operational cost and to enable the services to be immediately available, there is some merit in not setting up a new mortgage insurance institution. The GIC, with its proven expertise, capability and operational network all over the country, can be entrusted with the task of providing an insurance cover to mortgage-originating institutions.

Alternative schemes may be formulated, taking into account the differential implicit risk of category A, B and C home loan aspirants, their ability to bear the premium burden, the institutional share of the premium cost, etc. In this connection, it may be desirable to examine also the feasibility of extending the services of the Deposit and Credit Guarantee Corporation into the area of mortgage insurance of home loans.

b. Secondary mortgage market institution. While mortgage insurance would spread risk of the mortgage-originating institutions, there would still remain the problem of increasing the liquidity of the mortgage-originating sector. The liquidity problem becomes crucial as no resource mobilisation scheme would provide all the resources required for the full loan-amortization period. The need for some form of refinancing mechanism to strengthen a viable housing finance system becomes clear.

The main function of a secondary mortgage market institution is to increase the liquidity of the primary mortgage-originating institutions. The primary institutions would sell off their mortgages, partially or wholly, in the secondary mortgage market. International experience, however, shows that in many countries with an organised housing finance system and also a developed mortgage insurance system, a secondary mortgage market institution has not been introduced, mainly because the refinancing function for the primary mortgage-originating sector is performed by existing financial institutions. Hence, two issues should be examined when contemplating the introduction of a secondary mortgage market system:

(i) The state of the primary mortgage market, that is whether it is large enough to support a special secondary mortgage market; and

(ii) Whether institutions do not exist which can refinance the primary mortgage sector.

The secondary mortgage market earns its income through spread between the prices for buying and selling of the mortgages, and in the process it contributes to the liquidity of the mortgage-originating institutions. The viability of the secondary mortgage market and the extent of the services that it can offer would, therefore, directly depend upon the size of the primary mortgage-originating sector. The secondary mortgage market can serve a useful purpose only if it can generate long-term lending, but if the problem is to mobilise household savings only, then there is no a priori case for a secondary mortgage market institution.

In India, the state of the primary mortgage market suggests that it is too early to introduce a specialised secondary mortgage institution. The following reasons may be ascribed:

(i) The annual activity of organised primary mortgage-originating sector is estimated at around Rs 100 crore;

(ii) Substantial funds are available with many existing institutions for possible investment in the primary mortgage sector, e.g., LIC, GIC, Provident Funds, UTI, etc.;

(iii) Once housing is given the status of an industry, the IDBI may refinance housing loans in the urban sector and the NABARD may refinance housing loans in the rural sector; and

(iv) With the setting up of the NHFC, some degree of refinancing support would be available.

An important issue that has to be considered in the context of a secondary mortgage market and a refinancing mechanism to the primary mortgage market, is the treatment of mortgage paper. In order to give to the mortgage paper a degree of liquidity, it may be desirable to accord to it the same legal status as is presently granted to shares, debentures and bonds. Such a practice would allow for contractual savings to be diverted into the refinancing of the primary mortgage sector. Two points need to be indicated. In the first place, it may be desirable for primary mortgage-originating institutions to maintain the mortgage paper for at least a specified proportion of the amortization period (say, one-fourth or one-third). Secondly, contractual savings institutions like the provident fund and gratuity fund may be permitted to buy the mortgage paper in the same way as government securities.

c. Second mortgage on property. The analysis in Chapter III has shown that a home owner has to tap multiple sources to mobilise the requisite volume of finances for his house. Very often, he also has to borrow from more than one financial institution. Such a recourse is limited in the absence of adequate collateral assets, other than the house. It would, therefore, be desirable to develop a system that will facilitate multiple mortgages, that is, a home owner can mortgage the same property to two or three organised-sector financial institutions. As each institution would desire to have the first claim on the mortgaged property in case of default, the mortgage insurance mechanism would have to be adapted to insure the property-linked loan amount to fully cover equally the risk of each of the institutional lenders. Alternatevely, the consortium approach to house loan operations may be considered.

5. Major Stimulants to Mobilise Resources

Even if long-term institutional finances are made available to a potential home owner at a reasonable and affordable rate of interest, some supplementary measures are desirable to induce him to approach financial institutions, take a home loan and acquire a house. At the same time, given the resources constraint in a developing economy and the large potential demand for housing loans, it would be necessary to have some contribution by the home owner in the financing of his house. Household savings have to be generated also to provide resources to the housing finance system.

The bulk of household savings in the country today is mobilised in non-financial forms. The prospect of home ownership could stimulate the transfer of non-financial savings assets into financial savings assets. To activate this transfer process and to allow also for some reallocation of the existing level of financial savings, special financial savings instruments would have to be developed.

a. Fiscal measures. In several countries, the tax system has been effectively used to provide a stimulus to investment in the housing sector by accelerating the rate of flow of household savings. This has been done principally in two ways:

(i) Deductions in computation of personal income tax base and income tax liability; and

(ii) preferential tax treatment of investment income.

The deductions from the personal income tax base are allowed for interest paid on home loans, local taxes like property tax, local charges like ground rent and depreciation on rental property. Preferential tax treatment is granted to rental income, interest income on deposits kept with housing finance institutions, dividends on equity shares and interest on debentures of housing finance institutions.

(i) Existing provisions. Under the Indian Income-tax law, the major fiscal reliefs that are provided to the housing sector are:

a. Section 80L of the Income Tax Act, 1961, permits dividend income on investment in equity share capital of the HDFC and interest income on deposits with housing finance institutions to be exempted, subject to an overall monetary ceiling of Rs 7,000, available to income from specified monetary assets.

b. Section 24 allows for full deduction of interest paid on home loans in the case of both self-occupied property (SOP) and rented property. The deduction was allowed, upto the assessment year 1983-84, only for a house already constructed and not for a house under construction. The scope of Section 24 was extended through the Finance Act 1983, effective from the assessment year 1984-85. Now the full interest paid on home loans during construction period is allowed to be deducted in five equated annual instalments, commencing from the year of occupation.

c. Section 24 also permits deduction of several other items of expenditure in computing the personal income tax base. A two-tier system is followed under which, in the first place, the net annual value (NAV) is computed for a newly-constructed house by deduction of all municipal taxes borne by the owner from his rental income. The NAV upto Rs 3600 per annum per residential unit is exempt from personal income tax in case the construction of the house was completed after March 31, 1982. The monetary ceiling is Rs 2400 for a house costructed between April 1, 1978 and March 31, 1982, and it is Rs 1200 for a house constructed between April 1, 1970 and March 31, 1978.

In the case of self-occupied property, one-half of the NAV (i.e., rent notionally receivable, less municipal taxes borne by the owner) or Rs 3600, whichever is lower is deductible, subject to the condition that such notional income will not in any case exceed 10 per cent of the income from all sources other than SOP. In other words, under no circumstances can income from SOP exceed one-tenth of the income from all other sources.

The Bonafide Annual Value (BAV) for purposes of further deductions under the income tax law is NAV less exempt rental income.

The following deductions are then permissible from the BAV for purposes of computing the tax base:

(i)	Insurance premium	100 per cent
(ii)	Annual charges	100 per cent
(iii)	Ground rent	100 per cent
(iv)	Vacancy allowance	100 per cent
(v)	Land revenue	100 per cent
(vi)	Interest on borrowed capital	100 per cent
(vii)	Repairs	1/6th of BAV
(viii)	Collection charges	6 per cent of BAV
(ix)	Unrealised rent in respect of earlier years	Limited to income from property otherwise computed

No evidence has to be provided for deduction for repairs, but evidence would have to be provided for deductions under other heads.

Thus, the tax base for rental income is:

Rental income less municipal taxes less exempt rental income less specified deductions.

d. Section 54 allows exemption from capital gains tax for long-term gains that accrue from sale of a house if these gains are invested in another house within a year, irrespective of whether the house is self-occupied or let out. However, upto 31st March 1983, the exemption was available only if the house was self-occupied.

e. Section 197(A) allows small-income individual/household not subject to personal income tax, to claim exemption from deduction of tax at source on the savings with housing finance institutions.

f. Depreciation at the rate of 5 per cent per annum is permitted for residential units which are rented out, but this deduction is not permitted for a self-occupied house.

g. The Wealth-tax Act (section 5) provides for exemption to an owner-occupied house upto a value of Rs 2 lakh (the monetary ceiling was Rs 1 lakh prior to the Finance Act, 1984).

h. Section 80 CC relief was available for investments in equity shares of HDFC until it was withdrawn through the Finance Act 1984. This section provided for deduction of investment in equity shares of priority companies from the personal income-tax base, subject to a specified monetary ceiling.

It may be desirable to restrict the number of fiscal incentives for housing as also for other sectors in the economy. One or two major fiscal incentives should be adequate, but they need to be so designed that their effect on mobilisation of savings and in stimulating housing sector investments would be substantial without adding to the already voluminous tax laws.

(ii) Proposed fiscal incentives at home owner's level.

a. Housing investment allowance. In the industrial sector, a major fiscal incentive which accounts for over one-half of the total fiscal incentives availed of by corporate assessees (Lall, 1983a) and which has been found to be easy to implement, is the investment allowance (Section 32A). A corporate assessee is allowed to deduct 25 per cent or 35 per cent of the investment in new plant and machinery (the higher rate, if the plant machinery is developed with indigenous technical know-how) over the first eight assessment years. The advantage of this incentive is that an assessee with otherwise substantial taxable income, can claim the full relief in the very first year and thereby the value of the fiscal relief in real terms is substantially higher than if its availability is spread over a period of years. The cash-flow of the assessee improves and there is a definite improvement in the rate of return. As this incentive has a priority over all other incentives, it has become the most successful and popular fiscal incentive used by corporate assessees.

There is no reason why a similar relief may not be granted for investment in housing. On grounds of equity, such an incentive would be desirable for it would eliminate the discrimination against housing sector investment as compared to investment in the industry and services sectors, the latter including hotels, transport, etc. It is recommended, therefore, that a Housing Investment Allowance (HIA) may be incorporated into the income tax law, under which a specified proportion of the investment in a house is deductible from the personal income-tax base of the assessee over the first eight assessment years. A monetary ceiling may be prescribed on the total deductions so that the scheme does not discriminate substantially in favour of higher income-tax assessees, for example, those whose annual income exceeds Rs 1 lakh. Further, a monetary ceiling may be placed on deductions in each assessment year, so that revenue loss in any particular year may not be too high. In case the national housing policy is to encourage owner-occupied housing, a preferential rate of deduction may be granted for investment in owner-occupied houses or, alternatively, a lower rate may be allowed on investment in rental houses.

The case for a HIA will be further reinforced once 'housing' is classified as an 'industry' and given a priority status for purposes of resource allocation.

A special advantage of a HIA is that the full value of the house property would have to be declared to claim the maximum HIA, and to that extent, the practice of under-valuation of house property and of the role of black money will be restricted.

b. Depreciation allowance. Till the time a HIA becomes a part of the income-tax system, depreciation should be permitted at the rate of 10 per cent per annum (i.e., the value of the house should be fully depreciated in 10 years), irrespective of whether the house is self-occupied or rented out. At present, depreciation is restricted to rental property at the rate of 5 per cent.

c. Existing incentives. The deduction of interest on home loans (Section 24) should be continued, but some monetary ceiling may be imposed. Also, the tax benefit should be restricted to interest deduction on home loans for the first house owned by the assessee. The other permitted deductions under Section 24 should be continued in their present form.

(iii) Fiscal incentives at institutional level. The ultimate success of a housing finance system would depend on the capacity of regional institutions to mobilise households savings. In this light, it would be desirable to extend the scope of relief under Section 80L which grants a preferential tax treatment to income from investment in housing finance institutions subject to the monetary ceiling of Rs 7,000. A separate monetary ceiling of Rs 2,000 may be specifically granted for income from investment in housing finance institutions for an initial period of five years. The matter may be reviewed thereafter. The scope of Section 54 should be extended to permit capital gains from the sale of a house to be exempt from the capital gains tax if they are invested with a housing finance institution as a fixed deposit for a minimum specified period, say five years.

(iv) Fiscal policy at corporate level. At present, the contribution of the corporate sector to the national housing effort is minimal. A few large corporate units build houses for their employees to a limited extent in major towns and to a larger extent in areas which are under-developed and which do not have adequate housing facilities for potential staff. Some of the major corporate units also provide home loans to their staff to purchase or build their own house. Data are not available on the total contribution of the corporate sector, both public and private, to investment in housing.

In the housing strategy for the Seventh Plan, it would be desirable to utilise the full potential of the corporate sector to provide finances for housing. This may be possible through providing to it suitable fiscal incentives to undertake housing investment, at least for their own staff. Expenditure on house construction for staff should be entitled to the proposed HIA relief in the same way as the existing investment allowance In the case of home loans given to staff members by corporate units, 40 per cent of the loan amount is presently deductible as an expenditure item in the year of disbursement, under Section 32(1)(iv), effective from April 1, 1979. The extent of deduction may be raised to 60 per cent.

The fiscal incentives suggested above would stimulate corporate sector financing of housing programmes. However, as the housing problem, especially in urban areas, is also accentuated by the growth in corporate sector operations, it seems reasonable that the sector should also contribute mandatory to the national resource mobilisation efforts for housing. Some scheme should be developed for this purpose.

b. Government regulatory measures. Two regulatory measures at the State level are major constraints on new housing activities. They are the rent control legislation and the urban land ceiling legislation. It would be desirable to rationalise these legislations to stimulate investment in the housing sector. Apart from such rationalisation, it is also desirable to simplify the procedures for foreclosures of mortgages and the development of home mortgages into a convenient marketable and legal instrument.

(i) Rent control regulation. In a situation of rising rentals and uncertainty of tenure of tenants, State governments have introduced rent control legislations to provide protection to tenants so that they have security of tenure and are able to obtain residential accommodation at a reasonable cost. The inherent merits of both these objectives are still relevant.

Most of the rent control legislations were enacted by State governments during the sixties (Andhra Pradesh, Assam, Goa, Daman & Diu, Jammu & Kashmir, Karnataka, Kerala, Orissa, Pondicherry and Tamil Nadu) or the seventies (Punjab, Haryana, Himachal Pradesh, Meghalaya, and Uttar Pradesh). An important structural change has, however, occurred during the last decade in the relative composition of tenants and landlords. An increasing proportion of tenants is now constituted of corporate bodies and individuals belonging to high income groups and an increasing proportion of landlords belong to the middle-income group, including retired individuals and others who have a need for their own accommodation after retirement and/or for a reasonable return on their housing investment. Very often, in the case of such landlords, the investment in their house property might have exhausted the bulk of their life-time savings. The existing rent control legislations have become inequitable in the case of such 'weaker' tenants and landlords.

Another consequence of the present rent control legislation is that while it protects the tenants of the past, it is inequitable to future tenants who will, because of the legislation, be deprived of reasonable rental accommodation. The restrictions on rentals and difficulties in evicting the tenants under the existing rent control acts have contributed to the depression in the investment climate for rental housing activity. With limited rental income and increasing statutory liabilities (e.g., property tax, water tax, scavenging tax, fire tax, education cess, income tax on rental income, etc.), the net rate of return on rental housing investment has become uneconomic.

A relaxation in the rent control laws would certainly serve as a stimulus to house construction for rental purposes. While the interests of the tenant should be protected, consistent with that objective, some flexibility could be introduced in the rent control laws. This is the view shared by several official committees. The Task Force on Financing of Urban Development (1983) appointed by the Planning Commission has discussed this issue in detail. Action broadly on the lines suggested by the Task Force may be considered.

(ii) Urban land ceiling regulation. As regards the urban land ceiling regulation, namely, the Urban Land Ceiling Act, 1976 (ULCA), the primary purpose is to achieve a more equitable distribution of land to subserve the common good. In effect, the scarce urban land was to be frozen and made available for public use, particularly to public housing for economically weaker sections of the population. The ULCA has, however, achieved very little. As the Task Force on Shelter for the Urban Poor and Slum Improvement, Planning Commission (1983) points out, "The Act ran into a lot of difficulties. Out of the 3.50 lakh hectares of land declared surplus, hardly 500 hectares have been taken over. The number of housing units constructed on surplus land is insignificant" (p. xxi).

In effect, new land is practically not available for private sector housing programmes. The release of urban land for housing is very irregular. At times, the frozen urban land is released by public sector agencies at exorbitant rates, often through public auctions. These public auctions have led to spiralling urban land prices all over.[22/] As a result, private sector housing activity is now possible only on very high-cost, periodically-released new land, reclaimed land and land available through demolition of existing structures.

It needs to be stressed that acquisition of land is the first step in the series of inter-related economic activities which ultimately provide a home to the individual. It is essential, therefore, to make available land on a more liberal basis. Safeguards would have to be made to ensure that the bulk of the land is not cornered by a few to construct residential units for exclusive groups of individuals.

22/ The Task Force on Shelter for the Urban Poor and Slum Improvement, Planning Commission (1983), has presented an interesting illustration of the situation in Delhi. While the DDA acquired land at a rate between Rs 5 and Rs 10 per sq.yd., it sold it to housing allottees on a gross area basis at Rs 62 per sq. metre and the pre-determined rate for residential land (land cost + development cost) was between Rs 260 and Rs 418 per sq. metre. The DDA auction rate for land for commercial purposes in 1980 and 1981 worked out to as high as Rs 5000 to Rs 6000 per sq. metre in some cases. Therefore, the Task Force recommended "A very careful evaluation will have to be done of Delhi experience in large scale land acquisition and disposal as an instrument of planned urban growth with particular reference to the needs of the urban poor before we can reach any definite conclusions" (p. xxi).

In a land development and distribution programme, it would be desirable to develop within the master plan appropriate zonal housing plans and depending on the composition of population, land space should be allocated with a long-term perspective. While an element of subsidy in land prices may be offered to the economically weaker sections, moderately priced land should be made available for the MIG group. A high price, with appropriate margin (for cross-subsidisation of the lower-priced land), could be charged from high-income individuals and large institutional and corporate units for their group housing programmes.

6. Resource Mobilisation and Savings Instruments.

While fiscal incentives may contribute to improving the rate of return on investments in housing and with housing finance institutions, appropriate savings and resource mobilisation instruments would have to be developed to make available alternative financial assets for mobilisation of households savings. Some of such instruments are now examined.

a. Contractual loan-linked savings scheme. A loan-linked savings scheme has become a popular instrument to mobilise household savings in several countries. The HDFC is experimenting with two schemes, namely, the Loan-linked Deposit Scheme (LLD Scheme), and the Certificate Deposit Scheme (CDS). The CDS is not linked to a home loan, but preference is given to such depositors in grant of a home loan.

Under a contractual savings scheme, a home loan aspirant enters into a savings contract with a housing finance institution to save a specified amount as a fixed deposit in the housing finance institution, either on a periodic basis or in a lump sum. In return, the housing finance institution undertakes to provide, at the end of the specified saving period, a loan which will be a multiple of the amount saved. The multiple may vary from 1:3 to 1.:6. In the case of the HDFC scheme. the multiple is 1:4. Very often, a monetary ceiling and other restrictive conditions operate in such schemes. In the case of the HDFC scheme, the maximum acceptable deposit is Rs 30,000 and the maximum deposit-linked home loan is Rs 1,20,000, granted after a minimum savings period of 18 months.

While a loan-linked savings scheme would ensure financial assistance to the depositor after a specified period, it has several limitations:

(i) The scheme is rigid, the monthly savings deposit has to be uniform over the "savings period". There is no flexibility in the amount of the monthly deposit in accordance with variations in the depositor's income over the savings period;

(ii) No withdrawal, even of a temporary nature is permitted, unlike in the savings scheme of a post office or a commercial bank; and

(iii) Very often, the multiple loan may be inadequate, if the cost of the house has escalated substantially during the savings period.

While the above limitations of a contractual savings scheme may make it relatively restrictive in nature, the restrictive elements can be somewhat liberalised to take into account the material variations in income of the depositor. Some partial temporary withdrawal arrangements may also be incorporated into the scheme on payment of a predetermined rate of interest. A more significant problem is, however, likely to arise at the institutional level. As was shown in Chapter IV, the contractual savings-linked loan scheme may result in a liquidity problem at the institutional level as the flow of savings is only a temporary flow of resources and would be followed up by a demand for loan which would be a multiple amount of the savings deposited. Thus a medium-term deposit gives rise to a long-term loan, and on a multiple basis. In such a situation, unless the rate of growth of saving deposits is higher than the rate of growth of home-loan demand, there would be a net out-flow of funds on saving deposit home-loan account. Unless the housing finance institution has other resources too, including savings deposits of individuals/households who would not want a home-loan, the resources constraints may make a contractual savings-linked home loan scheme unworkable.

It, thus, follows that the housing finance institutions have to attract the deposits of individuals/households who would invest for the sake of investment <u>per se</u>. This has been made possible in several building societies in countries like the UK and Australia by providing a rate of interest on deposits maintained with them, which is higher than what is available in commercial banks, post-office accounts and other alternative investment outlets. The effective rate of return is further increased by preferential tax treatment of income from such investments. Finally, limited withdrawal facility is also provided to the depositor so that there is no long-term blocking of savings.

b. Informal sector small-savings schemes. In most of the developing world, especially in low-income countries, a popular savings scheme operates for a specific purpose (e.g., to acquire a consumer durable, or to provide for a forthcoming expenditure, foreseen or unforeseen). Under such a scheme, a group of people who are closely associated with each other through occupation, blood or class ties, regularly save a pre-stipulated amount and each of them receives a lump-sum amount, the timing of the receipt being decided by lottery or by rotation. In India, such a scheme is known as a "chit fund". An adaptation of such an informal savings scheme could form the nucleus of a savings system that might be developed at the level of the local housing finance institutions.

c. Indexation of savings/income. In any savings scheme, whether of a mandatory or a voluntary nature, it is desirable to maintain the real value of the investment and the return on such investments. This objective can be attained through suitable indexation instruments which will preserve the real value of the loan.

d. Housing bearer bonds. It is well-known that in India a large proportion of housing finance comes from the parallel economy. Various measures have been introduced from time to time to bring out the money that is generated through unrecorded activities in the economy. The bearer bonds and capital investment bonds have been introduced in recent years to mobilise such unrecorded funds and bring them into the mainstream of economic activities. It is proposed that, as the parallel economy plays a major role in the housing sector, a housing bearer bond or a housing investment bond may be floated and the proceeds may be deposited with the NHFC. As in the case of the bearer bond scheme, no questions should be asked of the depositor as to the source of his deposited funds. There should be no monetary ceiling on the purchase of bonds and, as in the case of capital investment bonds, the full investment should be exempted from wealth tax and the income from it should be exempt from the personal income-tax, without any limit.

e. Housing lottery scheme. Finally, the highly successful lottery schemes of the State governments and selected recognised organisations, could provide a model for a new housing lottery scheme. The lottery ticket may be of three denominations, say Rs 5, Rs 20 and Rs 100. Appropriate prize money and number of prizes may be fixed after working out the operational logistics. The amount of prize money should be adequate to meet a large proportion of the cost of a moderate house (say, 60 per cent to 70 per cent).

In order to ensure that the total amount of the prize is invested in a house, it should be fully exempt from income-tax if invested in a house within one year of receipt of the prize. The prize money should, however, be subject to the same tax treatment as applicable to prize money in existing lottery schemes, if it is not invested in a house within the stipulated time period.

On operational grounds, it would be advisable to operate the housing lottery scheme at the State level. The proceeds should be then channelised to the regional housing finance institutions operating within the State. There should, however, be no condition governing the location of a house acquird through the lottery prize.

VI. POTENTIAL FOR ADDITIONAL RESOURCE MOBILISATION IN HOUSING

1. Introduction

The financial flows into the housing sector can be increased through both additional flows of existing savings in the economy and through mobilisation of fresh savings. Thus, a reallocation of the existing level of mobilised savings can be effected, with the possibility of its increased efficiency. It is felt that many financial institutions such as the LIC, the GIC, the UTI and the provident fund organisations, among others have surplus funds, especially at certain periods, and they could be induced to direct an increasing proportion of their investible resources into housing on a short-term or medium-term basis. Fresh savings, which would be more important, would have to be mobilised from the primary source, namely, the household sector and fiscal instruments can play an important role in stimulating this flow of savings. Preferential tax treatment of investment in housing and of income from housing would improve the net rate of return, and these factors, together with the prospect of owning one's own home, may provide the necessary impetus to saving and investment in housing. While some suggestions have been made on the appropriate fiscal incentives that may be developed for this purpose in Chapter V, the present chapter examines the resource mobilisation potential of the housing sector, and identifies some of the presently under-exploited avenues for resource mobilisation and also some new sources.

2. Institutional Resources

a. The insurance sector. The insurance sector, comprising the Life Insurance Corporation of India (LIC) and the General Insurance Corporation (GIC), makes investment in housing not primarily for the purpose of housing *per se*. The LIC is directed to invest 25 per cent of the annual accretion to its central funds in socially-oriented sectors like housing, electrification and water supply schemes of municipalities and other local bodies, and the GIC is expected to statutorily invest 35 per cent of its incremental funds in housing and development of fire fighting services.

Discussion with officials in the LIC and the GIC have revealed that they do not intend to increase, in any big way, their investment in housing, because on the one hand, the return on such investment is not attractive and on the other hand they have to keep primarily the interests of the main beneficiaries/ investors in mind.23/

23/ There are two important reasons for the disinclination of general financial institutions like insurance companies and commercial banks to invest large amounts in housing. In the first place, the potential rate of return in housing is not considered attractive as the housing sector is conventionally believed to require low-cost funds on long-term basis, whereas these institutions can provide mainly short-term funds on a relatively higher rate of interest than what the housing sector is supposed to be able to afford. Secondly, the investment risk in housing is considered to be on the high side for encouraging any large-scale operations in view of the absence of any facility to spread the investment risk. It is relevant here to point out the observation of the Reserve Bank of India Working Group on "Role of the Banking Sector in Providing Finance for the Housing Schemes" (1978). What it has noted in respect of the LIC is equally applicable to the GIC and the commercial banks (p.44): the "foremost accountability is to its policy-holders, whose interests need not necessarily coincide with the requirements of the solution to the housing problem in India". Further, the Working Group had stated that LIC's "investment in housing is incidental to its overall investment policy and its interest rate policy is attuned towards obtaining a fair return on its investment and subserving the interests of its policy holders, which do not necessarily coincide with those of housing sector. Also, it can raise its share of housing investment only by depriving funds to other socially-oriented schemes." It needs to be, however, pointed out that except for financing social housing schemes, the housing sector need not necessarily be provided funds at 'uneconomic' rates of interest. There are two distinct groups of potential borrowers, the EWS (who may need some subsidy in interest rates) and the non-EWS, who should be provided home loan at a rate of interest consistent with its cost to the financial institution.

However, in case housing could be granted an 'industry status', it was felt that both the LIC and the GIC group could legitimately increase their contributions in line with their policy of financing 'priority' sectors.

At present, the annual contribution of the LIC to housing is about 15 per cent to 16 per cent of its total investments (Table A.VI.1). If a new thrust can be generated by giving appropriate priority to housing and by developing institutions to reduce the risk in housing sector investment, a larger proportion of LIC's annual investment can be directed towards the housing sector. On the assumption that the annual rate of growth of the LIC's investment, in line with the past trend, would be at least 12 per cent and further if 25 per cent of the LIC's annual investment would be made in housing, the annual resources that the housing sector will obtain from the LIC would be in the region of Rs 2,900 crore. If, however, a lower proportionate allocation of the LIC's annual investment, say 20 per cent, were made in housing, the investment would amount to about Rs 2,300 crore (Table VI.1).

The GIC has invested, as on December 31, 1982, an amount of Rs 35.7 crore in housing, which is 11.9 per cent of its outstanding investment of Rs 301.10 crore. During the last two years, the annual investment in housing has increased from Rs 9.43 crore in 1981-82 to Rs 10.08 crore in 1982-83, the latter being 24.1 per cent of the total GIC annual investment in that year. Assuming that the GIC invests 35 per cent of its incremental funds in housing, which it is statutorily expected to do, the annual

TABLE VI.1

Projected Flow of Insurance Sector Investment into Housing

(Rs crore)

	1982-83 (actuals)	1983-84	1984-85	1985-86
1. LIC				
a. Total investment 1/	9102	10194	11417	12787
b. Housing investment 2/	1417	2039	2283	2557
c. Housing investment	-	2549	2854	3197
2. GIC				
a. Total investment 3/	41.74	48.42	56.17	65.16
b. Housing investment 4/	10.08	16.95	19.66	22.81

Notes:

1/ Projections at an annual rate of growth of 12 per cent.

2/ Actual share in total investment is 15.6 per cent, and projections are made at a share of 20 per cent under 'b' and of 25 per cent under 'c'.

3/ Projections at an annual rate of growth of 16 per cent.

4/ Actual share in 1982-83 is 24.1 per cent of total incremental investment and this proportion is taken at 35 per cent in the projections for the subsequent years.

investment at the present level of operations would be Rs 15 crore. However, assuming that the annual rate of growth of its operations would be 16 per cent (as it was between 1981-82 and 1982-83) and also assuming that 35 per cent of the accretion to the investible funds would be invested in housing, the GIC's annual flow of funds into housing would be about Rs 20 crore (Tables VI.1 and A.VI.2). Further, the range of investible securities in which the GIC is statutorily expected to invest 30 per cent of the accretion of its investible funds may be expanded to include shares, debentures and deposits of housing finance companies. If this is done, it can then be expected that the total annual investment of the GIC in housing may be about Rs 30 crore.

b. UTI, IDBI and banks. The UTI does not invest in housing as housing is not stipulated as an area of operation for the UTI and also because housing is not considered as an industry. If appropriate changes are made in the status of housing and in the charter of activities for the UTI, a substantial proportion of its large investible funds, estimated at Rs 1,000 crore in 1983-84, could be directed towards this sector. Even if 15 per cent of the UTI's investible resources can be earmarked for housing, the housing sector would receive annually about Rs 150 crore. Similarly, if housing is given 'industry' status, the IDBI might provide direct financing to housing schemes of industrial projects to which it may provide long-term industry loans, or finance indirectly such schemes through refinancing other institutions that might provide housing finance to the projects, undertaken either by the company or its employees as a co-operative housing society. The burden of providing institutional finance by specialised

...sing finance institutions would be reduced to that extent. As at the end of June 30, 1983, the IDBI had provided refinance assistance to the extent of Rs 4,356.5 crore, the annual amount of refinance being Rs 772 crore in 1981-82 and Rs 1,084 crore in 1982-83 (an increase of 40.3 per cent). Even if 10 per cent of IDBI's annual refinancing is earmarked for the housing component of industrial projects, about Rs 110 crore would be available annually for housing. Similarly, the NABARD may finance directly, or indirectly through refinancing housing programmes in the rural sector. An initial annual investment of Rs 50 crore is suggested for this purpose.

The commercial banking sector has been directed by the Reserve Bank of India (RBI) in November, 1982, to raise its annual allocation to housing from Rs 100 crore (fixed in 1981) to Rs 150 crore which is, "about 0.5 per cent of total bank credit" and this target was to be achieved by the end of 1983. The RBI directive to the commercial banks stipulated that Rs 65 crore should be in the nature of direct finance and granted to scheduled castes, scheduled tribes and the EWS individuals and groups (Rs 30 crore), the LIC (Rs 20 crore) and others (Rs 15 crore). Indirect finance, to the extent of Rs 85 crore, should be provided through the banking sector investment in guaranteed bonds and debentures of the HUDCO, State housing boards, etc. (Rs 75 crore) and loan to the HDFC (Rs 10 crore). The RBI policy has stipulated a monetary ceiling of Rs 50,000 per borrower to be imposed by the HDFC on home loans through the funds that are allocated to it, and further that the home loan shall not exceed 50 per cent of the cost of the house.

The actual amount sanctioned during the years 1981 to 1983, as can be seen from the RBI data (Table A.VI.3), are, however, much lower than the targeted allocations. It is desirable not only to step up actual sanctions but, in the context of the Seventh Plan, to also allocate a larger bank finance to housing. The inclusion of housing in the 'industry' category and a stipulation that at least four per cent of commercial bank credit may be allocated to the housing sector, either through direct or indirect finance, would raise the annual resources from the banking sector to about Rs 1,200 crore.

Thus, it is estimated that the UTI, IDBI, NABARD and the commercial banks can annually provide about Rs 1500 crore to the housing sector, as against only Rs 150 crore provided at present by the commercial banks and no finance being provided by the IDBI, NABARD and the UTI.

3. Household Savings

a. Mandatory savings. Apart from budgetary transfers, household savings can be mobilised to finance developmental activities through mandatory and voluntary savings schemes. While government transfers through the fiscal system need not necessarily benefit individuals/households who have to forgo a part of their income, mandatory and voluntary savings schemes are expected to benefit them. In India, there are three major kinds of mandatory savings schemes: compulsory deposit scheme (CDS), provident fund scheme (PFS) and superannuation and gratuity fund scheme (SGFS). While the CDS is restricted to individuals liable to pay the personal income tax, the PFS and SGFS are applicable to employees in the organised sector and they are basically welfare oriented schemes to provide security to the individual after the end of the normal "earning-life".

In view of the objective of the PFS and SGFS to provide social security to the individual, it is felt that possibly the most relevant activity in which these savings can be invested may be housing. In terms of security to the individual, an investment in housing is universally recognised as having the highest priority because it provides a secured home when the income-generating capacity is limited and there may be no access to "employer-supplied" accommodation. Further, in times of inflation, the real value of investment in financial assets tends to be eroded in the absence of any indexation scheme, but the real value of investment in home property tends to rise.

The annual accretion to all provident funds (State provident fund, public provident fund and non-government provident funds) is estimated at Rs 1,298 crore in 1983-84 and it is expected to be Rs 1,453 crore in 1984-85[24/] (Table A.VI.4). If the PFS investment policy is amended to permit investment of a specified proportion of the net annual accretion in deposits/bonds with housing finance institutions, not only will the yield to the PFS members improve, but the resource mobilisation efforts for housing will receive substantial support. If 30 per cent of the annual PFS accumulations is so invested, the annual investible resources in housing would be about Rs 435 crore as compared to about Rs 125 crore at present.

24/ The Task Force on Financing of Urban Development, Planning Commission (1983) has under-estimated the annual accumulation of provident fund organisations at Rs 700 crore and its investible surplus at Rs 600 crore.

The withdrawal of PFS funds for housing has been recently liberalised to some extent so that provident fund members are able to withdraw their PFS accumulation at an early stage in their career and invest them in housing.[25/] The economic and financial benefits that such investment will provide to PFS members will be many times what can be derived at a subsequent point of time on receipt of accumulated PFS savings. The process of liberalisation needs to be further extended.

Another major source of contractual savings that can be mobilised for housing is savings in superannuation and gratuity funds. At present, the income tax rules governing investment of recognised superannuation and gratuity funds do not permit investment in housing. It is desirable, in order to improve the rate of return on these funds and also to serve one of their basic purposes, that is, to provide social security to the members, to include deposits/bonds with housing finance institutions as an eligible outlet for investment under Rules 85 and 101 of the Income Tax Rules, 1962.

Under the existing Payment of Gratuity Act, 1972 no special fund has to be separately created to meet the commitment, as under the provident fund laws. However, it has been estimated that 4 per cent of the wages bill

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25/ Under the Employees Provident Fund Scheme, notified under the Employees Provident Fund Act, 1952 (Para 68BB), a member is now permitted to withdraw from his contribution to repay home loans even if he has not completed the minimum qualifying period to avail of this benefit. Further, such withdrawl can be used to repay home loans to the employer, the LIC, banks, State housing boards, housing finance societies and since recently, the HDFC also.

may be set aside to meet the likely liability under the Act. If 25 per cent of the annual accretion to a future gratuity fund can be placed with housing finance institutions on a long-term basis, the net accretion of resources for housing could be quite substantial.

b. Voluntary savings. While accumulated household savings in provident funds and superannuation and gratuity funds might be readily available, subject to changes in investment policy of the respective funds, a still larger volume of savings can be mobilised directly from the primary source of all savings, namely, the household sector. The mobilisation of such savings has to be on a voluntary basis. A two-pronged approach may be developed to tap such savings: the offer of the prospect of home ownership and an attractive rate of return, the latter by raising the present level of interest rates and also by providing fiscal incentives which would further increase the effective yield on savings.

The annual gross savings of the household sector in financial assets is estimated to be Rs 11,470 crore in 1982-83, including savings in the form of currency, bank deposits, investments in corporate sector and in the UTI, claims on the government and in other miscellaneous forms (Tables A.VI.5 and A.VI.6). If the object is to reallocate into housing only a small proportion (say, 5 per cent) of the savings held in the form of currency and bank deposits, (which added upto Rs 8,666 crore in 1982-83), the annual investment flow in housing would be about Rs 430 crore and, if we assume that 20 per cent of such savings are already being ultimately invested in housing, the net accretion to housing sector resources would be about Rs 350 crore. In addition, the number of depositors can be expected to increase substantially as more people reach the earnings threshold.

A second issue relates to mobilisation of savings in non-financial forms, such as, property, jewellery, etc. Even if 3 per cent of non-financial or physical assets (total estimated at Rs 8,304 crore in 1982-83) are converted into financial savings, earmarked for housing, it is estimated that an additional Rs 250 crore can be generated. Thus, the potential to reallocate for housing the existing level of household savings held in the form of financial and physical assets, is estimated to be about Rs 600 crore (Table A.VI.6). These savings could be expected to flow into housing over a period of time, say five years, at a rate of Rs 120 crore per annum.

A third issue relates to the savings potential of households having an irregular and unverifiable income flow. In the absence of any suitable saving instruments to tap such income flows, these incomes are largely dissipated in consumption and a small proportion may be invested in non-financial assets. The housing finance institutions, by offering the prospect of home ownership under a savings home-loan scheme, can successfully motivate a large flow of such periodically-generated savings into the organised financial assets sector. As a recent World Bank study (Renaud 1982) has pointed out, individuals with irregular earnings "tend to have high marginal savings rates which are not capitalized upon by financial institutions" (p. 53).

The above observation seems to be relevant in India as in other developing, low-income countries. The analysis in Chapter III, which indicated a high proportion of self-generated funds employed in housing, provided implicit evidence on this possibility. Several surveys undertaken by the HUDCO on its project beneficiaries have also provided evidence that when proper savings schemes are available and the incentive of home ownership is provided, then even low-income households are able to make substantial savings efforts. The policy implications of such evidence are that the housing finance system should develop proper instruments which can fit in with the income/savings flow of individuals/households having irregular and unverifiable income flows, particularly through economic activities in the informal sector.

The development of such savings instruments, together with the prospect of home ownership in the future, would stimulate the flow of savings into housing, and which would have been otherwise lost to the economy. The mobilisation of such potential, but otherwise untappable, savings, is another reason why there is a need to strengthen the organised housing finance market. It would be desirable, as a first step, to make an estimate of such untapped and untappable potential savings in the economy that are being largely consumed at present.

4. The Corporate Sector

The corporate sector also generates substantial annual savings, estimated at Rs 879 crore in 1982-83 (Table A.VI.6). In view of the demand for housing generated by individuals employed and/or associated with corporate sector operations, it is desirable that the corporate sector is encouraged to divert a proportion of its savings into housing. However, in view of the general feeling that the corporate sector savings are not adequate to meet its own growth needs, it may be desirable to provide for 5 per cent of the annual corporate sector savings to be directed towards housing. The annual accretion to investible resources for housing will be about Rs 50 crore.

The corporate sector can also invest in housing through its own housing programme for staff, through giving home loans to staff and through investing in bonds and in fixed deposit schemes of housing finance institutions. Appropriate fiscal incentives would stimulate the voluntary flow of corporate funds into housing.

Finally, it would be desirable to examine ways and means to use a part of the large resources of public and private charitable trusts for housing. It has been recently estimated (Srinivasan, 1983) that private charitable trusts have accumulated funds of Rs 500 crore and that public charitable trusts and religious trusts may also have accumulated fund of at least Rs 1,000 crore.

5. Some Estimates on Resource Mobilisation Potential

The foregoing analysis has identified some sources of additional finances for housing and estimates on the annual additional resource mobilisation potential of these sources are presented in Table VI.2.

TABLE VI 2

Additional Resource Mobilisation Potential for Housing

		(Rs crore)
.	LIC	1,200
2.	GIC	20
3.	UTI	150
4.	IDBI	110
5.	NABRD	50
6.	Banks	1,050
7.	Provident fund organisations	310
8.	Household savings	
	a. Financial assets	70
	b. Physical assets	50
9.	Corporate sector 1/	50
	TOTAL 2/	3,060

Notes: 1/ Additional resources can be mobilised through taxation and stimulation of expenditure in housing through provision of fiscal incentives.

2/ In addition to these, there is a possibility household savings that are now being consumed or are untappable, and of savings kept in charitable trusts and superannuation and gratuity funds. The mobilisation of these savings would have to be undertaken through existing and new saving instruments.

It has been estimated that the LIC, the GIC, the [illegible]T, the IDBI, NABARD and the commercial banks can provide annually an additional amount of Rs 2,580 crore to housing, the provident fund organisations Rs 310 crore, the corporate sector Rs 50 crore and the household sector Rs 120 crore. Thus, it has been estimated that additional annual resource mobilisation for housing from identified sources would be about Rs 3,060 crore. Apart from this identified potential for additional resources for housing, the HUDCO and the HDFC would be able to mobilise funds from the international capital market, the domestic capital market and the household sector directly. Provision has not been made for the resources that can be mobilised for housing from charitable trusts and superannuation and gratuity funds and the new savings from the household sector that are presently largely consumed and/or unaccounted in the national accounts.

The total annual flow of institutional finances, in housing, given the appropriate institutional development, would thus increase from around Rs 600 crore to around Rs 3,500 crore, i.e., more than a five-fold increase.

VII. CONCLUSIONS

1. Introduction

The national plan programmes in India have focussed attention on the removal of poverty by attempting to raise the proportion of population above some specified 'poverty line', through employment-generating activities. Partly for this reason, the flow of funds into the social consumption sector has not been to the extent that amy have been desirable. The total investment in housing, for example, during the first six five year plans adds upto Rs 11,400 crore, or 14.3 per cent of the total plan investment. As a proportion of total plan investment, the investment in housing is targeted at 7.5 per cent in the Sixth Plan as against 34.2 per cent in the First Plan. The annual investment in housing is estimated to be around 1.5 per cent of the GDP, as against the UN target of 5 per cent.

The lack of financial resources has become a crucial constraint on housing activity in the country. The Working Group on Private Housing (Mukharjee Group, 1981), Government of India, had therefore, emphasised the need to strengthen the organised housing finance system in the country. From the point of view of the ordinary individual, the major constraint, in fact, is the non-availability of adequate finances. Other constraints, like the scarcity of land and building materials, are no less severe, whether the prospective house-owner builds his own house or acquires one in a co-operative society or from a public or private sector builder/ agency.

It is, however, not just the lack of financial resources that is the real problem but the absence of any grass-roots-level institutional system that would mobilise the existing household savings in the economy for investment in housing, stimulate a shift from consumption to savings for investment in housing, provide institutional financial intermediation on a mass basis, and encourage individuals to invest in housing at an early stage in their earning life. It is significant to note that a few years ago there hardly existed any semblance of an organised housing finance system in the country and, even today, it is felt that the institutionally-mobilised financial flows into housing make only a token contribution. The approach of the Seventh Plan to the housing sector would, therefore, have to be directed towards the development of an appropriate housing finance system and aim at mass-scale mobilisation of financial resources for housing.

The Mukharjee Group had recommended several measures to promote housing activity in the country, including the grant of fiscal incentives to mobilise savings for investment in housing and the strengthening and/or creation of new institutions. The Central Council of State Ministers for Housing subsequently urged the Central government to adopt the major recommendations of the Mukharjee Group, but for a considerable period of time, no progress was made in this direction. Subsequently, "In pursuance of the recommendations (of the Mukharjee Group) the Ministry has entrusted a study of housing finance to the National Institute of Public Finance and Policy" (Ministry of Works and Housing, Annual Report 1982-83, page 5-6.) The present Report has been prepared in pursuance of the assignment given by the Ministry of Works and Housing (MWH).

The MWH had specified the following objectives for the study.

i. Examination of the lacunae in the existing system of financing of housing;

ii. Analysis of the existing capital market in housing;

iii. Recommendation of methods for improving the flow of resources into the housing sector;

iv. Examination of the modalities for setting up a specialised financial institution;

v. Study of the scope for setting up decentralised financial intermediaries, such as savings and loans associations, to promote additional savings; and

vi. Examination of the possibility of introducing mortgage insurance in the housing sector.

The empirical work on the resource mobilisation efforts of home owners is restricted to the urban housing sector as per discussions between the officials of the MWH and the NIPFP. It was felt that the financial needs of the rural sector, the methods of assessment for financial assistance, and of the disbursement and monitoring mechanism for rural housing finance would have to be different from those for urban housing and cannot be dealt with in this study, given the constraints of time and resources.

2. Resource Mobilisation Efforts of Home Owners

In order to obtain first-hand information on the pattern of resource mobilisation of home owners in the country and of the major problems they encounter in mobilising resources, a housing finance survey of home owners was conducted in five urban agglomerates, namely, Delhi, Lucknow, Cuttack, Ambala and Quilon. The surveys covered 720 houses having a total covered area of 5.89 lakh sq.ft., and built at an estimated cost of Rs 477 lakh. About one-sixth of the surveyed houses were constructed in the informal housing sector and included slum and squatter settlements, unauthorised permanent structures and constructions on non-residential and public lands. The average covered area of a house varies from town to town and there are differences within a town in the size of a house in the formal and the informal housing sectors. In Delhi, a formal sector house is four times larger than an informal sector house and in Lucknow it is 2.6 times larger but in relatively poor and less urbanised places, the differences are not substantial. One reason for this situation may be that the respective differences in the incomes of households in the formal and the informal housing sectors. is less glaring in the towns than in cities and metropolises.

The occupancy ratio for the survey towns works out to 5.9 persons per unit in the formal housing sector and 5.7 persons per unit in the informal housing sector, almost identical to the all-India ratio of 5.7 persons, as per the 1981 Census. From the point of view of housing policy, an even more important aspect is the average living space per resident. The survey data show that in the formal housing sector a resident has over three times the living space than a resident in the informal sector. This is generally true in the cities but in a town like Cuttack, perhaps representative of housing in a low-income underdeveloped town, the differences are, however, marginal.

The data that were obtained on the age pattern of new home owners in the survey towns bring out clearly that home ownership commences at a fairly late age, the average age of the new home owner surveyed being around 40 years. Less than 1 per cent of the home owners who were surveyed were below the age of 25 years, about two-fifth were in the age bracket 26-40 years and three-fifth of the home owners were above 40 years of age.

The average cost of a house is substantially higher in the formal housing sector (Rs 77,610?) than in the informal housing sector (Rs 11,100). More important than the total cost of a house is the cost per sq.ft.: in the formal housing sector, the cost varies substantially from Rs 69 per sq.ft. in Delhi to Rs 63 in some of the smaller towns and in the informal sector it ranges from Rs 63 in Delhi to as low as Rs 18 in Cuttack and Quilon.

The empirical evidence on the pattern of resource mobilisation of home owners in the selected towns brings out clearly the significant role of the informal housing finance market, both in the formal housing sector and the informal housing sector, providing four-fifth and nine-tenth of the total resources, respectively, required for acquiring a house. The role of the extended famililies is very crucial in the resource mobilisation efforts of home owners. Among the other suppliers of housing finance in the informal housing finance market are friends and indigenous money-lenders. The formal housing finance market makes a small contribution, especially in the informal housing sector and in small and relatively less urban locations. The access to specialised housing finance institution is negligible and the main financial intermediation comes from the insurance companies and employment-linked suppliers of funds, such as provident fund organisations and the employers of the home owners. The employer provides mainly short-term and medium-term loans and the support from the employer depends largely on individual employee-employer relationship. Financial support from the insurance companies is obtained on the basis of life insurance policies and from the commercial banks mainly in the form of general-purpose loans. The provident fund organisations provide loans for housing and often, a part of withdrawals for general purposes are also used to finance a house acquisition activity. This scenario is, thus, similar to that found in many developing countries. The specialised housing finance institutions like the HDFC and the co-operative housing finance societies which provide home loans, do not make a substantial impact on the housing finance market in the survey towns.

The empirical evidence, thus, brings out the highly underdeveloped state of the housing finance system in the country. In fact, it is seen from the disaggregated data that individuals and households in the lower income brackets and also relatively young in age and resident in small and less urban towns, face greater hardships in mobilising resources for housing than those who have some access to institutional support. The data also show that such people undertake housing activity at a later stage of their career than those in the higher income groups and city dwellers who have access to some form of institutional support.

The need for a developed system of institutional financing for housing is also strengthened by the empirical finding that a home owner requires about three times his gross annual income to acquire a house. If we assume that a home owner is able to save about 20 per cent of his annual income to be subsequently invested in a house, the period of savings would have to extend to at least 15 years for the accumulation of the requisite resources, assuming that there is no cost escalation during the period of savings. Disaggregated data on the level of household income and the investment needs of home owners further highlight the seriousness of the problem because the period of savings would be longer at the lower income levels due to the lower marginal propensity to save.

The survey on housing finance also brought out some of the reasons for the unddevdeveloped nature of the housing finance system and its inaccessibility to the masses. In the first place, adequate information about the availability of financial intermediation is not available, especially in the small towns. Secondly, many of the home owners are unable to fulfil the stringent eligibility norms required by conventionally-oriented financial intermediation. Thirdly, the complexity and time-consuming procedures involved in obtaining institutional financial support deter many home owners. The higher income individuals often feel it not worth their time and effort to go in for institutional assistance in view of the monetary ceilings imposed on amount of home loan, while the low income individual is often found ineligible to get a loan. In some cases, it was felt that the rate of interest was on the high side. Finally, problems of providing appropriate securities and guarantees make it operationally difficult for a large proportion of the home owners to seek institutional financial support.

3. The Indian Housing Finance Market

The Indian housing finance market has two distinct, and quite unconnected sectors, namely, the formal housing finance market and the informal housing finance market. The formal sector includes organised institutional financial agencies and the informal sector covers all unorganised and non-institutional suppliers of finance. The latter, in the absence of a well-developed institutional set up, has become the main catalyst of housing sector activities.

Indigenous money lenders and bankers (i.e., who deal in hundis) are an important component of the informal finance market in India. They supply mainly short-term and medium-term credit, which may often develop, in effect, into a long-term involvement. The salient operational characteristics of this credit market are: easy accessibility, quick processing, flexible collateral, unequal bargaining power, high rate of interest, excellent monitoring system and good recovery record. The notional rate of interest may range from 15 per cent to 36 per cent, but the effective rate may be higher, depending on the period of amortisation, in view of the practice of deducting the full interest charges at the time of disbursement. Apart from the indigenous money lenders and bankers, the informal housing finance market includes extended family members, relatives, business associates and employers.

The formal housing finance market includes general financial institutions/organisations (GFI) like the LIC, the GIC and the provident fund organisations and specialised housing finance institutions (SHFI) like the HUDCO, the HDFC, State housing boards and co-operative housing finance societies.

The GFI participate in housing finance activities either because some proportion of their funds have to be invested in specific priority sectors, which include housing, or to partly meet the housing finance needs of their employees, members, beneficiaries and associates. The main objective of their investment policy is to safeguard the savings of their members and to earn a reasonable rate of return on these savings. The SHFI, however, provide finances for housing either directly to home owners or to institutions which implement a housing programme or provide home loans to individuals.

As institutional intermediation in housing has several advantages, including stimulation of household savings, there is a need to strengthen the institutional framework for housing finance. It is, however, desirable to understand the major inadequacies and weaknesses in the existing system of financial intermediation in housing. These inadequacies can be classified broadly under two categories:

1. Institutional inadequacies, stemming from the terms of credit, which are inherent in any conventional financing system:
   a. Adequate income level for eligibility for loan;
   b. Regular and verifiable flow of income; and
   c. Acceptable collateral.
2. Operational inadequacies of an under-developed housing finance system, which can be traced to the following factors:
   a. Loan amount linked to income of home owner and minimum contribution of home owner subject to monetary ceiling on loan amount;
   b. Large initial contribution of home owner;
   c. Home-loan to home-cost ratio;
   d. Low standard amortisation schedule;
   e. Computation of EMI without taking into account potential income levels of the borrower;
   f. High rate of interest;
   g. Complicated procedures; and
   h. Irrational affordability criteria for low-income housing programme.

The limitations identified above could be removed through a package programme which would, inter-alia:

i. Develop, strengthen and extend the housing finance system through provision of support services to spread risk and increase liquidity;

ii. Develop innovative and non-conventional approaches, operational norms and delivery mechanisms to provide housing finance services to hitherto "non-eligible" segments of home-loan-seeking population; and

iii. Develop savings and resource mobilisation instruments and mechanisms to channelise a growing proportion of national savings into housing sector activities, and yet minimise the risks of lenders and depositors.

In short, therefore, what is required is the creation of new institutions that will mobilise savings for housing and give home loans to individuals, as well as spread risk of home-loan originators. The development of a specialised institutional framework would also help in bringing about a closer interaction between the capital market and the housing sector.

4. A National Housing Finance System

A national housing finance system should, therefore, have the following functions:

i. To mobilise, on an institutional basis, an increasing volume of household savings (through provision of attractive savings schemes), so that a larger proportion of national income, than at present, is directed towards the national savings efforts, and a growing proportion of the increased volume of savings flows as investments into the housing sector;

ii. To mobilise national resources through the national capital market (the private corporate sector and the public sector) and from domestic contractual savings organisations and the international capital market;

iii. To attain a more efficient allocation of funds and, in particular, a reallocation of funds from surplus areas to deficit areas;

iv. To attain a closer interaction between the formal and the informal housing finance markets;

v. To develop and strengthen the primary mortgage-originating market so that its services may spread to hitherto under-serviced/unserviced sectors, and yet it may maintain its viability; and

vi. To attain a greater velocity of circulation of available financial resources within the housing sector, through refinancing operations.

A pre-requisite for a viable housing finance system is the development of an institutional structure spanning the entire country. As public resources through existing financial institutions are limited, it is necessary that the system should be built through an expanding number of institutions at the regional and local level that mobilise resources specifically for housing, directly from households. An institutional set-up which depends unduly on government allocations tends to rapidly lose its dynamism and flexibility.

In the first place, a national-level institution should be established to promote and build independent local institutions. The local institutions would gradually have to develop the delivery system of housing finance to all groups of people in the country and spread their operations progressively to low-income and other less credit-worthy beneficiaries. The process of institutional development, therefore, has necessarily to have a long-term perspective. However, a short-term perspective in the context of the impending Seventh Plan would be of immediate importance.

The viability of any housing finance system has to be ensured and will depend not only on its capacity to mobilise household savings at regional levels and to provide home loans, but also on the availability of support facilities to home loan originators to spread their risk and to have an access to some form of refinancing. At the same time, it is essential to establish a forum which would contribute towards developing appropriate housing and housing finance policies.

A three-tier system is proposed, apart from some support facilities, to develop a healthy and viable housing finance system.

i. Housing Advisory Board (HAB)
ii. National Housing Finance Corporation (NHFC)
iii. Housing Savings and Loan Banks (HSLB).

In view of the difficulties that are likely to arise when regional institutions have to maintain a continuous relationship with a national-level institution, it would be desirable to have a State-level co-ordinating agency, which will represent the interests of local institutions within the State. In the case of Union Territories, a single co-ordinating agency may be set-up. However, a fear is expressed in some quarters that a State-level institution may introduce bureaucratic practices, which may hamper the development of independent housing finance institutions at the local level. The exact form of co-ordination between the local institutions and the national institution is a detail which would have to be worked out carefully.

5. Support Institutions

In order to develop the housing finance system into a wide-based reality, certain measures are needed to be taken up simultaneously to maintain the economic and financial viability and independence of the local housing finance institutions. Several suggestions have been made from time to time regarding mortgage insurance and a secondary mortgage market in the housing finance sector.

The primary function of mortgage insurance is to spread risk so that mortgage-originating institutions are encouraged to take risk against default and extend their operations to small,under-developed, and, hitherto, unserviced areas, and to low-income individuals who may not be eligible to receive institutional support in terms of conventional norms. Mortgage insurance provides a protective umbrella to maintain the viability of the mortgage-originating institutions when they attempt to widen the scope of their operations.

An alternative to mortgage insurance can be a system which facilitates the sale of mortgaged property. At present, foreclosure of mortgages under the Indian legal system is time-consuming and complicated, often involving legal tangles extending upto ten years. Simplification of foreclosure procedures and quick judicial decisions may be a more practical approach than a system of mortgage insurance. However, in a country where eviction of unauthorised squatters can become a hot political issue and that of tenants almost impossible, it is feared that eviction of 'legal' home owners from their own houses, in case of default, may not be a practical proposition even if the foreclosure system is rationalised. It, therefore, seems that introduction of mortgage insurance into the housing finance system is important. The main issue that arises is whether the function should be undertaken by a new institution or by an existing institution. In order to restrict operational cost and to enable the services to be immediately available, there is some merit in not setting up a new mortgage insurance institution. The GIC, with its proven expertise, capability and operational network all over the country, can be entrusted with the task of providing an insurance cover to mortgage-originating institutions.

While mortgage insurance would spread risk of the mortgage-originating institutions, there would still remain the problem of increasing their liquidity, as no resource mobilisation scheme would provide all the resources required for the full loan-amortization period. The need for some form of refinancing mechanism to strengthen a viable housing finance system is clear.

The main function of a secondary mortgage market institution is to increase the liquidity of the primary mortgage-originating institutions. The primary institutions would sell their mortgages, partially or wholly, in the secondary mortgage market. International experience, however, shows that in many countries with an organised housing finance system and also a developed mortgage insurance system, a secondary mortgage market institution has not been introduced, mainly because the refinancing function for the primary mortgage-originating sector is performed by existing financial institutions.

In India, it is too early to introduce a specialised secondary mortgage institution for the following reasons:

(i) The annual activity of organised primary mortgage-originating sector is small, presently estimated at around Rs 100 crore;

(ii) Substantial funds are available with many existing institutions for possible investment in the primary mortgage originating sector, e.g., LIC, GIC, Provident Funds, UTI, etc.;

(iii) Once housing is given the status of an industry, the IDBI may refinance housing loans in the urban sector and the NABARD may refinance housing loans in the rural sector; and

(iv) With the setting up of a NHFC, some degree of refinancing support would be available.

An important issue that has to be considered in the context of a secondary mortgage market and a refinancing mechanism to the primary mortgage market, is the treatment of mortgage paper. In order to give to the mortgage paper a degree of liquidity, it may be desirable to accord to it the same legal status as is presently granted to shares, debentures and bonds. Such a practice would allow for contractual savings to be diverted into the refinancing of the primary mortgage-originating sector. Two points need to be indicated. In the first place, it may be desirable for primary mortgage-originating institutions to maintain the mortgage paper for at least a specified proportion of the amortization period (say, one-fourth or one-third). Secondary, contractual savings institutions like the provident fund and gratuity fund may be permitted to buy the mortgage paper in the same way as government securities.

It would be desirable to also develop a system that will facilitate multiple mortgages, that is, a home owner can mortgage the same property to two or three organised-sector financial institutions. As each institution would desire to have the first claim on the mortgaged property in case of default, the mortgage insurance mechanism would have to be adopted to insure the property-linked loan amount to fully cover equally the risk of each of the institutional agencies. Alternatively, the consortium approach to home loan operations may be considered.

7. Major Stimulants to Mobilise Resources for Housing

Even if long-term institutional finances are made available to a potential home owner at a reasonable and affordable rate of interest, some supplementary measures may be needed to induce him to approach financial institutions, take a home loan and acquire a house. At the same time, given the resources constraint in a developing economy and the large potential demand for housing loans, it would be necessary to have some contribution by the home owner in the financing of his house. Household savings have to be generated also to provide resources to the housing finance system.

The bulk of household savings in the country today is mobilised in non-financial forms. The prospect of home ownership might stimulate the transfer of non-financial savings assets into financial savings assets. To activate this transfer process and to allow also for some reallocation of the existing level of financial savings, special financial savings instruments would have to be developed.

The tax system can play an important role in stimulating investment in housing, principally by permitting deductions in computation of personal income tax base and income tax liability, and granting preferential tax treatment to income from investment in housing. Thus, interest paid on home loans, local taxes like property tax, charges like ground rent and depreciation on rental property are deductible, while rental income, interest income from deposits, and debentures and dividend income on equity share investment in housing finance institutions get preferential tax treatment.

The following fiscal incentives are proposed at the home owners' and institutional level:

i. Housing investment allowance for home owners;
ii. Depreciation allowance on non-rental property for home owners; and
iii. Scope of Section 80L of Income Tax Act, 1961, to be extended by providing a separate monetary ceiling of Rs 2,000 for income from investments in housing finance institutions over and above the Rs 7,000 now available for income from investments in specified monetary assets.

In addition to providing fiscal stimulants, it is necessary to rationalise rent control and urban land ceiling legislations to stimulate investment in housing.

While fiscal incentives may contribute to improving the rate of return on investments in housing and with housing finance institutions, appropriate savings and resource mobilisation instruments would have to be developed to make available financial assets for mobilisation of household savings.

The following savings instruments and schemes are proposed:

i. Contractual loan-linked savings schemes;
ii. Informal sector small-savings schemes;
iii. Indexation of savings and income schemes;
iv. Housing bearer bonds; and
v. Housing lottery scheme.

8. Potential for Additional Resource Mobilisation for Housing

It has been estimated that about Rs 3,060 crore of additional resources can be mobilised annually from existing financial institutions and the household and corporate savings in the economy for investment in housing. Thus, the LIC, the GIC, the UTI, the IDBI, the NABARD and the commercial banks can provide annually an additional amount of Rs 2,580 crore to housing, the provident fund organisations Rs 310 crore, the corporate sector Rs 50 crore and the household sector Rs 120 crore. Apart from these identified potential for additional resources for housing, the HUDCO and the HDFC would be able to mobilise funds from the international capital market, the domestic capital market and the household sector directly. Provision has not been made for the resources that can be mobilised for housing from charitable trusts and superannuation and gratuity funds and the new savings from the household sector that are now largely consumed and/or unaccounted in the national accounts. The total annual flow of institutional finances in housing, given the appropriate institutional development, would thus increase more than five times, from around Rs 600 crore to around Rs 3,500 crore.

Annexure I

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A N N E X U R E III

S T A T I S T I C A L T A B L E S

TABLE A-III.1

Period of Restriction on Resale of Leasehold Land

Resale restriction period (Number of years)	Town		
	Delhi (1)	Lucknow (2)	Total (3)
2	1	-	1
5	10	-	10
6	4	-	4
7	11	-	11
10	78	76	154
15	-	19	19
TOTAL	104	95	199

TABLE A-III.4

Major Reasons for Renting Out Houses in Selected Towns

Town	Reasons									
	Additional income		Repayment of loan		Recovery of investment		Payment of taxes		Others	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Delhi	19	-	13	-	7	-	7	-	3	-
2. Lucknow	4	-	16	-	5	-	5	-	-	-
3. Cuttack	1	-	2	-	3	-	3	-	1	-
4. Quilon	1	-	1	-	-	-	-	-	-	-
5. Ambala	-	-	2	-	1	-	-	-	-	-
TOTAL	25	-	34	-	16	-	15	-	4	-

Note: The number of respondents giving the various answers are more than that the number of those owners who rented out their houses (72) because of multiple reasons given by respondents.

TABLE A-III.5

Major Reasons for Renting Out in Spite of Rent Control Legislations

(Number of respondents)

	Delhi (1)	Lucknow (2)	Ambala (3)	Total (4)
1. Capital appreciation	9 (11.39)	6 (12.24)	-	15 (11.63)
2. Safe investment	25 (31.65)	15 (30.61)	1 (100.00)	41 (31.78)
3. Status value	36 (45.57)	9 (18.37)	-	45 (34.88)
4. Unofficial rental income	-	-	-	-
5. Pugri/advance	-	-	-	-
6. Any other reason	9 (11.39)	19 (38.78)	-	28 (21.71)
TOTAL	79 (100.00)	49 (100.00)	1 (100.00)	129 (100.00)

Note: Figures in parentheses are the per cent to total.

TABLE A-III.8

Type of New Housing Stock of Home Owners in Different Income Groups in Selected Towns

(Number)

Type of construction	Income groups (Rs)																		
	0-5000									5001-15000									
	Delhi		Lucknow		Cuttack		Quilon		Ambala	Delhi		Lucknow		Cuttack		Quilon		Ambala
	Formal sector	Informal sector	Formal sector	Informal sector	Formal sector	Informal sector	Formal sector	Informal sector	Formal sector	Formal sector	Informal sector	Formal sector	Informal sector	Formal sector	Informal sector	Formal sector	Informal sector	Formal sector
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(19)
1. Pucca	7 (1.23)	1 (2.56)	7 (1.23)	1 (2.56)	11 (1.93)	5 (12.82)	21 (3.68)	7 (17.95)	3 (0.53)	52 (9.12)	13 (33.33)	62 (10.88)	3 (7.70)	69 (12.10)	3 (7.70)	27 (4.74)	-	26 (4.[illegible])
2. Semi-pucca	4 (15.38)	2 (6.25)	1 (3.85)	5 (15.63)	2 (7.69)	5 (15.62)	1 (3.85)	1 (3.12)	3 (11.54)	2 (7.69)	8 (25.00)	3 (11.54)	6 (18.75)	7 (26.92)	5 (15.63)	1 (3.85)	- -	1 (3.85)
3. Kutcha	- -	12 (22.64)	- -	12 (22.64)	- -	8 (15.10)	- -	6 (11.32)	- -	- -	9 (16.98)	- -	3 (5.66)	- -	2 (3.77)	- -	1 (1.[illegible]9)	- -
4. Hut	- -	12 (24.49)	- -	10 (20.41)	- -	6 (12.24)	1 (50.00)	6 (12.24)	- -	- -	11 (22.45)	- -	2 (4.09)	1 (50.00)	1 (2.04)	- -	1 (2.04)	- -
5. Semi-permanent structure	1 (9.09)	- -	- -	8 (22.85)	- -	6 (17.14)	1 (9.09)	1 (2.86)	4 (36.36)	- -	6 (17.14)	- -	8 (22.86)	- -	6 (17.15)	1 (9.09)	- -	4 (36.37)
6. Flats	7 (4.93)	- -	8 (5.63)	- -	2 (1.41)	3 (50.00)	- -	- -	- -	21 (14.79)	3 (50.00)	54 (38.03)	- -	3 (2.11)	- -	- -	- -	- -
7. Bungalow	3 (0.68)	3 (8.82)	- -	- -	11 (2.50)	3 (8.82)	20 (4.54)	7 (20.59)	2 (0.45)	33 (7.48)	10 (29.41)	11 (2.49)	2 (5.88)	72 (16.34)	3 (8.82)	27 (6.12)	- -	23 (5.22)
Total (sum of 1 to 3 or 4 to 7)	11 (1.84)	15 (12.10)	8 (1.34)	18 (14.51)	13 (2.18)	18 (14.52)	22 (3.69)	14 (11.29)	6 (1.01)	54 (9.06)	30 (24.19)	65 (10.90)	12 (9.68)	76 (12.75)	10 (8.06)	28 (4.70)	1 (0.81)	27 (4.53)

Note: Figures in parenthesis are percent to total.

(Contd...)

TABLE A-III.8 Contd.

(Number)

Income groups (Rs)

	15001-35000							35001-50000		
	Delhi		Lucknow	Cuttack		Quilon	Ambala	Delhi	Lucknow	Cuttack
	Formal sector	Informal sector	Formal sector	Formal sector	Informal sector	Formal sector	Formal sector	Formal sector	Formal sector	Formal sector
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
1. Pucca	84 (14.74)	4 (10.25)	47 (8.24)	60 (10.53)	2 (5.12)	9 (1.58)	16 (2.80)	32 (5.61)	10 (1.75)	3 (0.53)
2. Semi-pucca	-	-	-	1 (3.85)	-	-	-	-	-	-
3. Kutcha	-	-	-	-	-	-	-	-	-	-
4. Hut	-	-	-	-	-	-	-	-	-	-
5. Semi-permanent structure	-	-	-	-	-	-	-	-	-	-
6. Flats	1[illegible] (9.[illegible])	-	27 (19.01)	-	-	-	-	1 (0.70)	4 (2.82)	-
7. Bungalow	71 (16.[illegible])	4 (11.[illegible])	20 (4.54)	61 (13.83)	2 (5.88)	9 (2.04)	16 (3.63)	31 (7.03)	6 (1.36)	3 (0.68)
Total (sum of 1 to 3 or 4 to 7)	84 ([illegible]4.10)	4 (3.23)	47 (7.89)	61 (10.24)	2 (1.61)	9 (1.51)	16 (2.68)	32 (5.37)	10 (1.68)	3 (0.50)

	50001-100000			Above 100000			All Towns	
	Delhi	Lucknow	Ambala	Delhi	Lucknow	Cuttack		
	Formal sector	Formal sector	Formal sector	Formal sector	Formal sector	Formal sector	Formal sector	Informal sector
	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
1. Pucca	19 (3.33)	1 (0.18)	1 (0.17)	1 (0.18)	1 (0.18)	1 (0.17)	570 (100.00)	39 (100.00)
2. Semi-pucca	-	-	-	-	-	-	26 (100.00)	32 (100.00)
3. Kutcha	-	-	-	-	-	-	-	53 (100.00)
4. Hut	-	-	-	-	-	-	2 (100.00)	49 (100.00)
5. Semi-permanent structure	-	-	-	-	-	-	11 (100.00)	35 (100.00)
6. Flats	-	1 (0.70)	-	-	1 (0.70)	-	142 (100.00)	6 (100.00)
7. Bungalow	19 (4.31)	-	1 (0.22)	1 (0.22)	-	1 (0.22)	441 (100.00)	34 (100.00)
Total (sum of 1 to 3 or 4 to 7)	19 (3.19)	1 (0.17)	1 (0.17)	1 (0.17)	1 (0.17)	1 (0.17)	596 (100.00)	124 (100.00)

TABLE A-III.9

Annual Expenditure on Servicing of Housing Loan and Housing Stock

(Rs '000)

Town	Sample[1/] size	Respondents	Annual expenditure: Servicing of loans	Physical maintenance of house	Taxes	Lease charges	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Delhi	250	179	314.97	291.25	193.05	16.64	815.91
2. Lucknow	162	131	378.25	109.09	34.51	2.22	524.07
3. Cuttack	184	183	51.95	57.36	18.59	0.07	127.97
4. Quilon	74	70	32.36	0.25	8.90	-	41.51
5. Ambala	50	33	105.96	28.30	20.59	-	154.85
TOTAL	720	596	883.49	486.25	275.64	18.93	1664.31

Note: 1/ Excludes slum and squattered settlement components in informal housing sector.

TABLE A-III-10

Pattern and Structure of Housing Finance of Home Owners in the Formal and Informal Housing Sector in Delhi

(Rs lakh)

	Formal sector (201)	Percent	Informal sector(A) (25)	Percent	Informal sector(B) (24)	Percent	Total (250)	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Formal Housing Finance Market	49.20	19.06	1.38	14.30	0.01	4.00	50.59	18.87
a. Specialised housing finance institutions	4.15	1.61	0.51	5.28	-	-	4.66	1.74
1. HDFC	0.35	0.14	-	-	-	-	0.35	0.13
2. State housing board	1.32	0.51	-	-	-	-	1.32	0.49
3. Cooperative housing finance/building societies	2.48	0.96	0.51	5.28	-	-	2.99	1.12
b. Other financial institutions	15.59	6.04	0.16	1.66	-	-	15.75	5.87
1. LIC	7.95	3.08	0.04	0.41	-	-	7.99	2.98
2. Banks	7.64	2.96	0.12	1.24	-	-	7.76	2.89
c. Others	29.46	11.41	0.71	7.36	0.01	4.00	30.18	11.26
1. Provident fund	10.02	3.88	0.49	5.08	-	-	10.51	3.92
2. Employer	12.90	5.00	0.15	1.55	0.01	4.00	13.06	4.87
3. Others	6.54	2.53	0.07	0.73	-	-	6.61	2.47
II. Informal Housing Finance Market	208.98	80.94	8.27	85.70	0.24	96.00	217.49	81.13
a. Self-generated	154.86	59.98	4.53	46.95	0.16	64.00	159.55	59.52
1. Cash	47.77	18.50	0.76	7.88	0.10	40.00	48.63	18.14
2. Bank deposits	99.52	38.55	1.70	17.62	0.05	20.00	101.27	37.77
3. Savings during construction	1.59	0.61	-	-	-	-	1.59	0.59
4. Others	5.98	2.32	2.07	21.45	0.01	4.00	8.06	3.01
b. Disposal of assets	14.57	5.64	1.14	11.82	0.01	4.00	15.72	5.86
1. Shares	0.64	0.25	-	-	0.01	4.00	0.65	0.24
2. Jewellery	3.24	1.25	0.41	4.25	-	-	3.65	1.36
3. Land and building	7.52	2.91	0.38	3.94	-	-	7.90	2.95
4. Agriculture property	2.60	1.01	0.25	2.59	-	-	2.85	1.06
5. Others	0.57	0.22	0.10	1.04	-	-	0.67	0.25
c. External sources	39.55	15.32	2.60	26.93	0.07	28.00	42.22	15.75
1. Relatives	24.54	9.50	1.66	17.20	0.03	12.00	26.23	9.78
2. Friends	11.91	4.61	0.59	6.11	0.03	12.00	12.53	4.68
3. Indigenous bankers	0.50	0.19	0.26	2.69	-	-	0.76	0.28
4. Others	2.60	1.01	0.09	0.93	0.01	4.00	2.70	1.01
Total	258.18	100.00	9.65	100.00	0.25	100.00	268.08	100.00

Notes: 1. Figures in parenthesis are number of home owners in each category.

2. 'A' includes permanent but unauthorised housing units and 'B' includes slum and squattered settlements.

TABLE A-III.11

Pattern and Structure of Housing Finance of Home Owners in Different Income Groups in Delhi

(Rs lakh)

	Income (Rs) 0-5000 (26)	Percent	5001-15000 (84)	Percent	15001-35000 (88)	Percent	35001-50000 (32)	Percent	50001-100000 (19)	Percent	Above 100000 (1)	Percent	Total (250)	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
I. Formal Housing Finance Market	0.74	17.78	9.98	21.57	28.68	34.09	7.36	9.59	3.83	7.22	-	-	50.59	118.87
a. Specialised housing finance institutions	-	-	0.74	1.60	3.55	4.22	0.22	0.29	0.15	0.28	-	-	4.66	1.74
1. HDFC	-	-	-	-	0.20	0.24	-	-	0.15	0.28	-	-	0.35	0.13
2. State housing board	-	-	0.24	0.52	1.08	1.28	-	-	-	-	-	-	1.32	0.49
3. Cooperative housing finance/building societies	-	-	0.50	1.08	2.27	2.70	0.22	0.29	-	-	-	-	2.99	1.12
b. Other financial institutions	-	-	2.78	6.01	8.79	10.45	1.60	2.09	2.58	4.86	-	-	15.75	5.87
1. LIC	-	-	1.88	4.06	4.81	5.72	0.20	0.26	1.10	2.07	-	-	7.99	2.98
2. Banks	-	-	0.90	1.95	3.98	4.73	1.40	1.83	1.48	2.79	-	-	7.76	2.89
c. Others	0.74	17.78	6.46	13.96	16.34	19.42	5.54	7.22	1.10	2.07	-	-	30.18	11.26
1. Provident fund	0.13	3.13	3.67	7.93	3.92	4.66	1.79	2.33	1.00	1.88	-	-	10.51	3.92
2. Employer	0.34	8.17	1.31	2.83	9.16	10.89	2.15	2.80	0.10	0.19	-	-	13.06	4.87
3. Others	0.27	6.48	1.48	3.20	3.26	3.87	1.60	2.09	-	-	-	-	6.61	2.47
II. Informal Housing Finance Market	3.42	82.22	36.29	78.43	55.44	65.91	69.36	90.41	49.25	92.78	3.73	100.00	217.49	81.13
a. Self-generated	2.40	57.69	20.93	45.25	40.35	47.97	52.16	67.99	39.98	75.32	3.73	100.00	159.55	59.52
1. Cash	1.19	28.60	8.15	17.61	12.22	14.53	19.23	25.07	7.61	14.34	0.23	6.17	48.63	18.14
2. Bank deposits	0.92	22.11	9.00	19.45	25.91	30.80	32.57	42.45	29.37	55.33	3.50	93.83	101.27	37.77
3. Savings during construction	-	-	0.19	0.41	0.54	0.64	0.36	0.47	0.50	0.94	-	-	1.59	0.59
4. Others	0.29	6.98	3.59	7.76	1.68	2.00	-	-	2.50	4.71	-	-	8.06	3.01
b. Disposal of assets	0.32	7.69	4.33	9.36	2.19	2.60	5.44	7.09	3.44	6.48	-	-	15.72	5.86
1. Shares	-	-	0.01	0.02	0.15	0.18	0.49	0.64	-	-	-	-	0.65	0.24
2. Jewellery	0.12	2.88	1.48	3.20	0.75	0.89	1.05	1.37	0.25	0.47	-	-	3.65	1.36
3. Land and building	-	-	2.59	5.60	1.12	1.33	3.90	5.08	0.29	0.55	-	-	7.90	2.95
4. Agriculture property	-	-	0.25	0.54	-	-	-	-	2.60	4.90	-	-	2.85	1.06
5. Others	0.20	4.81	-	-	0.17	0.20	-	-	0.30	0.56	-	-	0.67	0.25
c. External sources	0.70	16.84	11.03	23.83	12.90	15.33	11.76	15.33	5.83	10.98	-	-	42.22	15.75
1. Relatives	0.43	10.35	6.64	14.35	10.40	12.36	5.83	7.60	2.93	5.52	-	-	26.23	9.78
2. Friends	0.27	6.49	2.53	5.47	2.40	2.85	4.58	5.97	2.75	5.18	-	-	12.53	4.68
3. Indigenous bankers	-	-	0.26	0.56	-	-	0.35	0.46	0.15	0.28	-	-	0.76	0.28
4. Others	-	-	1.60	3.45	0.10	0.12	1.00	1.30	-	-	-	-	2.70	1.01
Total	4.16	100.00	46.27	100.00	84.12	100.00	76.72	100.00	53.08	100.00	3.73	100.00	268.08	100.00

Note: Figures in parenthesis are number of home owners in each category.

TABLE A.III-12

Pattern and Structure of Housing Finance of Home Owners Acquiring Different-sized Houses in Delhi

(Rs lakh)

	Size of house (sq.ft.)											
	0-250 (35)		251-500 (38)		501-1000 (56)		1001-5000 (116)		Above 5000 (5)		Total (250)	
		Percent		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
I. Formal Housing Finance Market	0.58	19.14	2.38	19.69	12.99	36.06	34.14	17.80	0.50	1.99	50.59	18.87
a) Specialised housing finance institutions	-	-	1.59	13.15	0.90	2.50	2.17	1.14	-	-	4.66	1.74
1. HDFC	-	-	-	-	-	-	0.35	0.18	-	-	0.35	0.13
2. State housing board	-	-	0.28	2.32	0.55	1.53	0.49	0.26	-	-	1.32	0.49
3. Cooperative housing finance	-	-	1.31	10.84	0.35	0.97	1.33	0.70	-	-	2.99	1.12
b) Other financial institutions	-	-	0.05	0.41	2.84	7.88	12.36	6.44	0.50	1.99	15.75	5.87
1. LIC	-	-	-	-	0.39	1.08	7.60	3.96	-	-	7.99	2.98
2. Banks	-	-	0.05	0.41	2.45	6.80	4.76	2.48	0.50	1.99	7.76	2.89
c) Others	0.58	19.14	0.74	6.12	9.25	25.68	19.61	10.22	-	-	30.18	11.26
1. Provident fund	0.50	16.50	0.26	2.15	1.61	4.47	8.14	4.24	-	-	10.51	3.92
2. Employer	0.08	2.64	0.16	1.32	4.56	12.66	8.26	4.31	-	-	13.06	4.87
3. Others	-	-	0.32	2.65	3.08	8.55	3.21	1.67	-	-	6.61	2.47
II. Informal Housing Finance Market	2.45	80.86	9.71	80.31	23.03	63.94	157.66	82.20	24.64	98.01	217.49	81.13
a) Self-generated	1.10	36.30	6.55	54.18	16.21	45.00	115.39	60.17	20.30	80.75	159.56	59.52
1. Cash	0.43	14.19	2.62	21.67	6.11	16.96	35.73	18.63	3.74	14.88	48.63	18.14
2. Bank deposit	0.65	21.45	2.81	23.24	7.22	20.04	74.03	38.60	16.56	65.87	101.27	37.77
3. Savings during construction	-	-	-	-	0.44	1.22	1.15	2.34	-	-	1.59	0.59
4. Others	0.01	0.66	1.12	9.26	2.44	6.77	4.48	0.60	-	-	8.06	3.01
b) Disposal of assets	0.51	16.83	1.20	9.93	1.31	3.64	11.90	6.20	0.80	3.18	15.72	5.86
1. Shares	0.01	0.33	-	-	0.20	0.56	0.44	0.23	-	-	0.65	0.24
2. Jewellery	0.30	9.90	0.63	5.21	0.45	1.25	1.47	0.77	0.80	3.18	3.65	1.36
3. Land and building	-	-	0.32	2.65	0.62	1.72	6.96	3.63	-	-	7.90	2.95
4. Agriculture property	-	-	0.25	2.07	-	-	2.60	1.36	-	-	2.85	1.06
5. Others	0.20	6.60	-	-	0.04	0.11	0.43	0.22	-	-	0.67	0.25
c) External sources	0.84	27.72	1.96	16.21	5.51	15.30	30.37	15.83	3.54	14.08	42.22	15.75
1. Relatives	0.40	13.20	1.59	13.15	4.15	11.52	19.08	9.95	1.01	4.02	26.23	9.78
2. Friends	0.16	5.28	0.29	2.40	1.06	2.94	8.49	4.43	2.53	10.06	12.53	4.68
3. Indigenous bankers	0.18	5.94	0.08	0.66	0.30	0.83	0.20	0.10	-	-	0.76	0.28
4. Others	0.10	3.30	-	-	-	-	2.60	1.36	-	-	2.70	1.01
Total	3.03	100.00	12.09	100.00	36.02	100.00	191.80	100.00	25.14	100.00	268.08	100.00

Note: Figures in parenthesis are number of home owners in each category.

TABLE A-III.13

Pattern and Structure of Housing Finance of Home Owners in Different Age Groups in Delhi

(Rs lakh)

	Age group (yrs) 0-25 (6)		26-40 (95)		41-55 (96)		Above 55 (53)		Total (250)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	0.50	15.67	13.28	15.91	26.57	19.31	10.24	23.37	50.59	18.87
a. Specialised housing finance institutions	-	-	2.17	2.60	1.90	1.38	0.59	1.35	4.66	1.74
1. HDFC	-	-	0.20	0.24	0.15	0.11	-	-	0.35	0.13
2. State housing board	-	-	-	-	1.08	0.78	0.24	0.55	1.32	0.49
3. Cooperative housing finance/building societies	-	-	1.97	2.36	0.67	0.49	0.35	0.80	2.99	1.12
b. Other financial institutions	0.50	15.67	3.98	4.77	9.32	6.77	1.95	4.45	15.75	5.87
1. LIC	-	-	1.18	1.41	5.86	4.26	0.95	2.17	7.99	2.98
2. Banks	0.50	15.67	2.80	3.36	3.46	2.51	1.00	2.28	7.76	2.89
c. Others	-	-	7.13	8.54	15.35	11.15	7.70	17.57	30.18	11.26
1. Provident fund	-	-	2.18	2.61	4.21	3.06	4.12	9.40	10.51	3.92
2. Employer	-	-	3.59	4.30	6.98	5.07	2.49	5.68	13.06	4.87
3. Others	-	-	1.36	1.63	4.16	3.02	1.09	2.49	6.61	2.47
II. Informal Housing Finance Market	2.69	84.33	70.17	84.09	111.05	80.69	33.58	76.63	217.49	81.13
a. Self-generated	2.32	72.73	46.13	55.28	84.93	61.71	26.17	59.72	159.55	59.52
1. Cash	1.01	31.66	19.27	23.09	22.58	16.41	5.77	13.17	48.63	18.14
2. Bank deposits	1.30	40.75	26.49	31.74	60.12	43.68	13.36	30.49	101.27	37.77
3. Savings during construction	-	-	0.21	0.25	1.14	0.83	0.24	0.55	1.59	0.59
4. Others	0.01	0.31	0.16	0.19	1.09	0.79	6.80	15.51	8.06	3.01
b. Disposal of assets	0.10	3.13	5.72	6.85	8.21	5.97	1.69	3.85	15.72	5.86
1. Shares	-	-	0.16	0.19	0.39	0.28	0.10	0.23	0.65	0.24
2. Jewellery	0.10	3.13	1.29	1.55	1.57	1.14	0.69	1.57	3.65	1.36
3. Land and building	-	-	3.49	4.18	3.51	2.55	0.90	2.05	7.90	2.95
4. Agriculture property	-	-	0.25	0.30	2.60	1.89	-	-	2.85	1.06
5. Others	-	-	0.53	0.63	0.14	0.10	-	-	0.67	0.25
c. External sources	0.27	8.46	18.32	21.95	17.91	13.01	5.72	13.05	42.22	15.75
1. Relatives	0.02	0.63	12.34	14.79	9.97	7.24	3.90	8.90	26.23	9.78
2. Friends	0.25	7.83	4.75	5.69	6.61	4.80	0.92	2.10	12.53	4.68
3. Indigenous bankers	-	-	0.13	0.16	0.23	0.17	0.40	0.91	0.76	0.28
4. Others	-	-	1.10	1.32	1.10	0.80	0.50	1.14	2.70	1.01
Total	3.19	100.00	83.45	100.00	137.62	100.00	43.82	100.00	268.08	100.00

Note: 1. Figures in parenthesis are number of home owners in each category

TABLE A-III.14

Pattern and Structure of Housing Finance of Home Owners of Different Types of House in Delhi

(Rs lakh)

	Type of house									
	Hut (23)		S.P. Structure (7)		Flats (45)		Bungalow (175)		Total (250)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	0.01	4.76	0.08	7.27	7.13	34.49	43.37	17.62	50.59	18.87
a. Specialised housing finance institutions	-	-	-	-	1.20	5.81	3.46	1.41	4.66	1.74
1. HDFC	-	-	-	-	0.20	0.97	0.15	0.06	0.35	0.13
2. State housing board	-	-	-	-	-	-	1.32	0.54	1.32	0.49
3. Cooperative housing finance/building societies	-	-	-	-	1.00	4.84	1.99	0.81	2.99	1.12
b. Other financial institutions	-	-	-	-	0.53	2.56	15.22	6.18	15.75	5.87
1. LIC	-	-	-	-	0.53	2.56	7.46	3.03	7.99	2.98
2. Banks	-	-	-	-	-	-	7.76	3.15	7.76	2.89
c. Others	0.01	4.76	0.08	7.27	5.40	26.12	24.69	10.03	30.18	11.26
1. Provident fund	-	-	0.08	7.27	1.52	7.35	8.91	3.62	10.51	3.92
2. Employer	0.01	4.76	-	-	1.13	5.47	11.92	4.84	13.06	4.87
3. Others	-	-	-	-	2.75	13.30	3.86	1.57	6.61	2.47
II. Informal Housing Finance Market	0.20	95.24	1.02	92.73	13.54	65.51	202.73	82.38	217.49	81.13
a. Self-generated	0.14	66.67	0.36	32.72	9.89	47.85	149.16	60.61	159.55	59.52
1. Cash	0.10	47.62	0.11	10.00	2.88	13.93	45.54	18.50	48.63	18.14
2. Bank deposit	0.04	19.05	0.24	21.82	4.35	21.04	96.64	39.27	101.27	37.77
3. Savings during construction	-	-	-	-	-	-	1.59	0.65	1.59	0.59
4. Others	-	-	0.01	0.90	2.66	12.87	5.39	2.19	8.06	3.01
b. Disposal of assets	0.01	4.76	0.09	8.18	1.95	9.43	13.67	5.55	15.72	5.86
1. Shares	0.01	4.76	-	-	0.15	0.73	0.49	0.20	0.65	0.24
2. Jewellery	-	-	0.09	8.18	0.81	3.92	2.75	1.12	3.65	1.36
3. Land and building	-	-	-	-	0.75	3.63	7.15	2.91	7.90	2.95
4. Agriculture property	-	-	-	-	-	-	2.85	1.16	2.85	1.06
5. Others	-	-	-	-	0.24	1.16	0.43	0.17	0.67	0.25
c. External sources	0.05	23.81	0.57	51.83	1.70	8.22	39.90	16.21	42.22	15.75
1. Relatives	0.02	9.52	0.25	22.73	1.53	7.40	24.43	9.93	26.23	9.78
2. Friends	0.03	14.29	0.06	5.45	0.12	0.58	12.32	5.01	12.53	4.68
3. Indigenous bankers	-	-	0.21	19.10	0.05	0.24	0.50	0.20	0.76	0.28
4. Others	-	-	0.05	4.55	-	-	2.65	1.08	2.70	1.01
Total	0.21	100.00	1.10	100.00	20.67	100.00	246.10	100.00	268.08	100.00

Note: 1. Figures in parenthesis are number of home owners in each category.

TABLE A-III.15

Pattern and Structure of Housing Finance of Home Owners in the Formal and Informal Housing Sectors in Lucknow

(Rs. lakh)

	Formal sector (132)		Informal sector (A) (15)		Informal sector (B) (15)		Total (162)	
		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Formal Housing Finance Market	24.80	27.40	-	-	-	-	24.80	26.72
a. Specialised housing finance institutions	2.46	2.72	-	-	-	-	2.46	2.65
1. HFC	0.07	0.08	-	-	-	-	0.07	0.07
2. State housing board	0.60	0.66	-	-	-	-	0.60	0.65
3. Cooperative housing finance/building societies	1.79	1.98	-	-	-	-	1.79	1.93
b. Other financial institutions	[illegible]	[illegible]		-	-	-	10.10	10.88
1. LIC	5.47	6.04	-	-	-	-	5.47	5.89
2. Banks	4.63	5.12	-	-	-	-	4.63	4.99
c. Others	12.24	13.52	-	-	-	-	12.24	13.19
1. Provident fund	5.92	6.54	-	-	-	-	5.92	6.38
2. Employer	4.69	5.18	-	-	-	-	4.69	5.05
3. Others	1.63	1.80	-	-	-	-	1.63	1.76
II. Informal Housing Finance Market	65.70	72.60	2.23	100.00	0.09	100.00	68.02	73.28
a. Self-generated	38.20	42.21	0.80	35.87	0.07	77.78	39.07	42.09
1. Cash	8.40	9.28	0.24	10.75	0.03	33.33	8.67	9.34
2. Bank deposit	17.83	19.70	0.42	18.63	-	-	18.25	19.66
3. Savings during construction	2.23	2.46	-	-	0.01	11.11	2.24	2.41
4. Others	9.74	10.76	0.14	6.28	0.03	33.33	9.91	10.68
b. Disposal of assets	11.35	12.54	0.24	10.76	-	-	[illegible]	12.49
1. Shares	0.06	0.07	-	-	-	-	0.06	0.06
2. Jewellery	1.05	1.16	0.16	7.17	-	-	1.21	1.30
3. Land and building	4.07	4.50	0.03	1.35	-	-	4.10	4.42
4. Agriculture property	5.73	6.33	0.05	2.24	-	-	5.78	6.23
5. Others	0.44	0.49	-	-	-	-	0.44	0.47
c. External sources	16.15	17.85	1.19	53.36	0.02	22.22	17.36	18.70
1. Relatives	12.75	14.09	0.81	36.32	0.01	11.11	13.57	14.62
2. Friends	3.05	3.37	0.05	2.24	-	-	3.10	3.34
3. Indigenous bankers	0.10	0.11	0.33	14.80	0.01	11.11	0.44	0.47
4. Others	0.25	0.28	-	-	-	-	0.25	0.27
Total	90.50	100.00	2.23	100.00	0.09	100.00	[illegible]	100.00

Note: 1. Figures in parenthesis are the number of home owners in each category.

2. 'A' includes permanent but unauthorised housing units.
'B' includes slum and squatter settlements.

TABLE A.III.16

Pattern and Structure of Housing Finance of Home Owners in Different Income Groups in Lucknow

(Rs lakh)

	Income (Rs)													
	0-5000 (26)		5001-15000 (77)		15001-35000 (47)		35001-50000 (10)		50001-100000 (1)		Above 100000 (1)		Total (162)	
		Percent		Percent		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. Formal Housing Finance Market	0.09	3.95	8.05	29.37	11.51	26.28	3.72	22.28	0.63	50.00	0.80	58.39	24.80	26.72
a. Specialised housing finance institutions	-	-	1.28	4.67	1.01	2.31	0.17	1.02	-	-	-	-	2.46	2.65
1. HDFC	-	-	-	-	-	-	0.07	0.42	-	-	-	-	0.07	0.07
2. State housing board	-	-	0.15	0.55	0.35	0.80	0.10	0.60	-	-	-	-	0.60	0.65
3. Cooperative housing finance/ building societies	-	-	1.13	4.12	0.66	1.51	-	-	-	-	-	-	1.79	1.93
b. Other financial institutions	0.05	2.19	1.41	5.14	5.21	11.89	2.47	14.79	0.16	12.70	0.80	58.39	10.10	10.88
1. LIC	0.05	2.19	0.73	2.66	3.16	7.21	1.37	8.20	0.16	12.70	-	-	5.47	5.89
2. Banks	-	-	0.68	2.48	2.05	4.68	1.10	6.59	-	-	0.80	58.39	4.63	4.99
c. Others	0.04	1.76	5.36	19.55	5.29	12.08	1.08	6.47	0.47	37.30	-	-	12.24	13.19
1. Provident fund	-	-	3.31	12.08	2.23	5.09	0.38	2.28	-	-	-	-	5.92	6.38
2. Employer	0.02	0.88	1.39	5.07	2.28	5.21	0.70	4.19	0.30	23.81	-	-	4.69	5.05
3. Others	0.02	0.88	0.66	2.41	0.78	1.78	-	-	0.17	13.49	-	-	1.63	1.76
2. Informal Housing Finance Market	2.19	96.05	19.36	70.63	32.29	73.72	12.98	77.72	0.63	50.00	0.57	41.61	68.02	73.28
a. Self-generated	1.47	64.47	12.10	44.14	14.55	33.22	10.07	60.30	0.53	42.06	0.35	25.55	39.07	42.09
1. Cash	0.20	8.81	1.79	6.53	4.91	11.21	1.45	8.68	0.12	9.52	0.20	14.60	8.67	9.34
2. Bank deposit	0.35	15.42	5.79	21.12	5.22	11.92	6.74	40.36	0.15	11.90	-	-	18.25	19.66
3. Savings during construction	0.04	1.75	0.85	3.10	0.49	1.12	0.86	5.15	-	-	-	-	2.24	2.41
4. Others	0.88	38.77	3.67	13.39	3.93	8.97	1.02	6.11	0.26	20.63	0.15	10.95	9.91	10.68
b. Disposal of assets	0.10	4.39	2.63	9.60	7.64	17.44	1.10	6.59	-	-	0.12	8.76	11.59	12.49
1. Shares	-	-	-	-	0.06	0.14	-	-	-	-	-	-	0.06	0.06
2. Jewellery	0.07	3.08	0.67	2.44	0.35	0.80	-	-	-	-	0.12	8.76	1.21	1.30
3. Land and building	0.03	1.32	1.82	6.64	1.75	4.00	0.50	2.99	-	-	-	-	4.10	4.42
4. Agriculture property	-	-	0.14	0.51	5.04	11.51	0.60	3.59	-	-	-	-	5.78	6.23
5. Others	-	-	-	-	0.44	1.00	-	-	-	-	-	-	0.44	0.47
c. External sources	0.62	27.19	4.63	16.89	10.10	23.06	1.81	10.84	0.10	7.94	0.10	7.30	17.36	18.70
1. Relatives	0.56	24.67	4.01	14.61	7.15	16.32	1.65	9.88	0.10	7.94	0.10	7.30	13.57	14.62
2. Friends	0.02	0.88	0.24	0.88	2.68	6.12	0.16	0.96	-	-	-	-	3.10	3.34
3. Indigenous bankers	0.04	1.76	0.38	1.39	0.02	0.05	-	-	-	-	-	-	0.44	0.47
4. Others	-	-	-	-	0.25	0.57	-	-	-	-	-	-	0.25	0.27
Total	2.28	100.00	27.41	100.00	43.80	100.00	16.70	100.00	1.26	100.00	1.37	100.00	92.82	100.00

Note: Figures in parenthesis are number of home owners in each category.

TABLE A-III.17

Pattern and Structure of Housing Finance of Home Owners Acquiring Different-sized Houses in Lucknow

(Rs lakh)

	Size of house: sq. ft									
	0-250 (49)		251-500 (39)		501-1000 (32)		1001-5000 (42)		Total (162)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	0.92	17.76	1.19	17.02	6.32	37.66	16.37	25.63	24.80	26.72
a. Specialised housing finance institutions	-	-	0.11	1.57	0.88	5.24	1.47	2.30	2.46	2.65
1. HDFC	-	-	-	-	-	-	0.07	0.12	0.07	0.07
2. State housing board	-	-	-	-	0.05	0.30	0.55	0.86	0.60	0.65
3. Cooperative housing finance/building societies	-	-	0.11	1.57	0.83	4.95	0.85	1.33	1.79	1.93
b. Other financial institutions	0.28	5.41	0.05	0.72	3.31	19.71	6.46	10.11	10.10	10.88
1. LIC	0.05	0.97	-	-	2.91	17.34	2.51	3.93	5.47	5.89
2. Banks	0.23	4.44	0.05	0.72	0.40	2.38	3.95	6.18	4.63	4.99
c. Others	0.64	12.35	1.03	14.74	2.13	12.69	8.44	13.21	12.24	13.19
1. Provident fund	0.09	1.72	0.22	3.15	0.25	1.49	5.36	8.39	5.92	6.38
2. Employer	0.50	9.65	0.59	8.44	1.28	7.63	2.32	3.63	4.69	5.05
3. Others	0.05	0.97	0.22	3.15	0.60	3.58	0.76	1.19	1.63	1.76
II. Informal Housing Finance Market	4.26	82.24	5.80	82.98	10.46	62.34	47.50	74.37	68.02	73.28
a. Self-generated	3.30	63.71	4.10	58.66	6.19	36.89	25.48	39.89	39.07	42.09
1. Cash	0.35	6.76	0.68	9.73	1.11	6.62	6.53	10.22	8.67	9.34
2. Bank deposit	0.69	13.32	1.49	21.32	2.55	15.20	13.52	21.17	18.25	19.66
3. Savings during construction	0.05	0.97	0.63	9.01	0.46	2.74	1.10	1.72	2.24	2.41
4. Others	2.21	42.66	1.30	18.60	2.07	12.34	4.33	6.78	9.91	10.68
b. Disposal of assets	0.03	0.58	0.58	8.30	1.35	8.05	9.63	15.08	11.59	12.49
1. Shares	-	-	-	-	-	-	0.06	0.09	0.06	0.06
2. Jewellery	0.03	0.58	0.29	4.15	0.17	1.01	0.72	1.13	1.21	1.30
3. Land and building	-	-	0.18	2.58	0.92	5.48	3.00	4.70	4.10	4.42
4. Agriculture property	-	-	0.05	0.72	0.03	0.18	5.70	8.92	5.78	6.23
5. Others	-	-	0.06	0.86	0.23	1.37	0.15	0.23	0.44	0.47
c. External sources	0.93	17.95	1.12	16.02	2.92	17.40	12.39	19.40	17.36	18.70
1. Relatives	0.70	13.51	0.66	9.44	2.71	16.15	9.50	14.87	13.57	14.62
2. Friends	0.07	1.35	0.14	2.00	-	-	2.89	4.52	3.10	3.34
3. Indigenous bankers	0.16	3.09	0.24	3.43	0.04	0.24	-	-	0.44	0.47
4. Others	-	-	0.08	1.14	0.17	1.01	-	-	0.25	0.27
Total	5.18	100.00	6.99	100.00	16.78	100.00	63.87	100.00	92.82	100.00

Note: 1. Figures in parenthesis are number of home owners in each category.

2. There is no house in Lucknow with an area of more than 5000 sq. ft.

TABLE A-III.18

Pattern and Structure of Housing Finance of Home Owners in Different Age-groups in Lucknow

(Rs lakh)

	Age group yrs.									
	0-25 (2)		26-40 (80)		41-55 (59)		Above 55 (21)		Total (162)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	-	-	7.13	27.94	12.41	25.20	5.26	29.16	24.80	26.72
a. Specialised housing finance institutions	-	-	0.24	0.94	1.75	3.55	0.47	2.61	2.46	2.65
1. HDFC	-	-	-	-	0.07	0.14	-	-	0.07	0.07
2. State housing board	-	-	-	-	0.60	1.22	-	-	0.60	0.65
3. Cooperative housing finance/building societies	-	-	0.24	0.94	1.08	2.19	0.47	2.61	1.79	1.93
b. Other financial institutions	-	-	4.32	16.93	4.88	9.91	0.90	4.99	10.10	10.88
1. LIC	-	-	1.72	6.74	2.85	5.79	0.90	4.99	5.47	5.89
2. Banks	-	-	2.60	10.19	2.03	4.12	-	-	4.63	4.99
c. Others	-	-	2.57	10.07	5.78	11.74	3.89	21.56	12.24	13.19
1. Provident fund	-	-	0.32	1.25	1.82	3.70	3.78	20.95	5.92	6.38
2. Employer	-	-	1.61	6.31	3.08	6.25	-	-	4.69	5.05
3. Others	-	-	0.64	2.51	0.88	1.79	0.11	0.61	1.63	1.76
II. Informal Housing Finance Market	0.01	100.00	18.39	72.06	36.84	74.80	12.78	70.84	68.02	73.28
a. Self-generated	0.01	100.00	10.80	42.32	20.60	41.83	7.66	42.46	39.07	42.09
1. Cash	-	-	1.68	6.58	5.75	11.68	1.24	6.87	8.67	9.34
2. Bank deposit	-	-	4.63	18.14	8.78	17.83	4.84	26.83	18.25	19.66
3. Savings during construction	0.01	100.00	0.65	2.55	0.93	1.89	0.65	3.60	2.24	2.41
4. Others	-	-	3.84	15.05	5.14	10.44	0.93	5.16	9.91	10.68
b. Disposal of assets	-	-	3.22	12.62	6.58	13.36	1.79	9.92	11.59	12.49
1. Shares	-	-	0.06	0.24	-	-	-	-	0.06	0.06
2. Jewellery	-	-	0.37	1.45	0.61	1.24	0.23	1.27	1.21	1.30
3. Land and building	-	-	1.05	4.11	2.05	4.16	1.00	5.54	4.10	4.42
4. Agriculture property	-	-	1.39	5.45	3.83	7.78	0.56	3.10	5.78	6.23
5. Others	-	-	0.35	1.37	0.09	0.18	-	-	0.44	0.47
c. External sources	-	-	4.37	17.12	9.66	19.61	3.33	18.46	17.36	18.70
1. Relatives	-	-	3.45	13.52	6.97	14.15	3.15	17.46	13.57	14.62
2. Friends	-	-	0.56	2.19	2.47	5.02	0.07	0.39	3.10	3.34
3. Indigenous bankers	-	-	0.22	0.86	0.22	0.45	-	-	0.44	0.47
4. Others	-	-	0.14	0.55	-	-	0.11	0.61	0.25	0.27
Total	0.01	100.00	25.52	100.00	49.25	100.00	18.04	100.00	92.82	100.00

Note: Figures in parenthesis are number of home owners in each category.

TABLE A-III.19

Pattern and Structure of Housing Finance of Home Owners of Different Types of Houses in Lucknow

(Rs. lakh)

	Type of house: Hut (12)		S.P. Structure (16)		Flat (95)		Bungalow (39)		Total (162)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	-	-	-	-	10.05	25.91	14.75	28.29	24.80	26.72
a. Specialised housing finance institutions	-	-	-	-	0.34	0.88	2.12	4.07	2.46	2.65
1. HDFC	-	-	-	-	-	-	0.07	0.13	0.07	0.07
2. State housing board	-	-	-	-	-	-	0.60	1.15	0.60	0.65
3. Cooperative housing finance/building societies	-	-	-	-	0.34	0.88	1.45	2.78	1.79	1.93
b. Other financial institutions	-	-	-	-	4.15	10.70	5.95	11.41	10.10	10.88
1. LIC	-	-	-	-	3.07	7.91	2.40	4.60	5.47	5.89
2. Banks	-	-	-	-	1.08	2.78	3.55	6.81	4.63	4.99
c. Others	-	-	-	-	5.56	14.33	6.68	12.81	12.24	13.19
1. Provident fund	-	-	-	-	2.94	7.58	2.98	5.72	5.92	6.38
2. Employer	-	-	-	-	2.07	5.34	2.62	5.02	4.69	5.05
3. Others	-	-	-	-	0.55	1.42	1.08	2.07	1.63	1.76
II. Informal Housing Finance Market	0.07	100.00	1.82	100.00	28.74	74.09	37.39	71.71	68.02	73.28
a. Self-generated	0.05	71.43	0.59	32.42	20.98	54.09	17.45	33.47	39.07	42.09
1. Cash	0.01	14.29	0.21	11.54	4.19	10.80	4.26	8.17	8.67	9.34
2. Bank deposit	-	-	0.31	17.03	7.28	18.77	10.66	20.44	18.25	19.66
3. Savings during construction	0.01	14.29	-	-	0.62	1.60	1.61	3.09	2.24	2.41
4. Others	0.03	42.86	0.07	3.85	8.89	22.92	0.92	1.76	9.91	10.68
b. Disposal of assets	-	-	0.24	13.19	3.24	8.35	8.11	15.55	11.59	12.49
1. Shares	-	-	-	-	-	-	0.06	0.12	0.06	0.06
2. Jewellery	-	-	0.16	8.79	0.57	1.47	0.48	0.92	1.21	1.30
3. Land and building	-	-	0.03	1.65	0.72	1.86	3.35	6.43	4.10	4.42
4. Agriculture property	-	-	0.05	2.75	1.89	4.87	3.84	7.36	5.78	6.23
5. Others	-	-	-	-	0.06	0.15	0.38	0.73	0.44	0.47
c. External sources	0.02	28.57	0.99	54.40	4.52	11.65	11.83	22.69	17.36	18.70
1. Relatives	0.01	14.29	0.73	40.11	4.29	11.06	8.54	16.38	13.57	14.62
2. Friends	-	-	0.05	2.75	0.05	0.13	3.00	5.75	3.10	3.34
3. Indigenous bankers	0.01	14.29	0.21	11.54	0.10	0.26	0.12	0.23	0.44	0.47
4. Others	-	-	-	-	0.08	0.21	0.17	0.33	0.25	0.27
Total	0.07	100.00	1.82	100.00	38.79	100.00	52.14	100.00	92.82	100.00

Note: Figures in parenthesis are number of home owners in each category.

TABLE A-III.20

Pattern and Structure of Housing Finance of Home Owners in the Formal and Informal Housing Sector in Cuttack

(Rs lakh)

	Formal sector (154)		Informal sector(A) (18)		Informal sector(B) (12)		Total (184)	
		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Formal Housing Finance Market	6.42	12.29	0.10	5.89	-	-	6.52	12.07
a. Specialised housing finance institutions	-	-	-	-	-	-	-	-
1. HDFC	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	-	-	-	-	-	-	-	-
b. Other financial institutions	1.93	3.70	-	-	-	-	1.93	3.57
1. LIC	0.70	1.34	-	-	-	-	0.70	1.30
2. Banks	1.23	2.36	-	-	-	-	1.23	2.27
c. Others	4.49	8.59	0.10	5.89	-	-	4.59	8.50
1. Provident fund	3.13	6.00	0.10	5.89	-	-	3.23	5.98
2. Employer	1.36	2.59	-	-	-	-	1.36	2.52
3. Others	-	-	-	-	-	-	-	-
II. Informal Housing Finance Market	45.81	87.71	1.60	94.11	0.08	100.00	47.49	87.93
a. Self-generated	36.26	69.42	1.60	94.11	0.08	100.00	37.94	70.25
1. Cash	15.24	29.18	0.64	37.65	0.08	100.00	15.96	29.55
2. Bank deposits	20.82	39.86	0.96	56.46	-	-	21.78	40.33
3. Savings during construction	0.20	0.38	-	-	-	-	0.20	0.37
4. Others	-	-	-	-	-	-	-	-
b. Disposal of assets	4.15	7.95	-	-	-	-	4.15	7.68
1. Shares	-	-	-	-	-	-	-	-
2. Jewellery	0.55	1.05	-	-	-	-	0.55	1.02
3. Land and building	2.17	4.15	-	-	-	-	2.17	4.02
4. Agriculture property	1.38	2.64	-	-	-	-	1.38	2.55
5. Others	0.05	0.11	-	-	-	-	0.05	0.09
c. External sources	5.40	10.34	-	-	-	-	5.40	10.00
1. Relatives	4.96	9.49	-	-	-	-	4.96	9.18
2. Friends	0.44	0.85	-	-	-	-	0.44	0.82
3. Indigenous bankers	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
Total ...	52.23	100.00	1.70	100.00	0.08	100.00	54.01	100.00

Note: 1. Figures in parenthesis are the number of home owners in each category.

2. 'A' includes permanent but unauthorised housing units and 'B' includes slum and squattered settlements.

TABLE A-III.21

Pattern and Structure of Housing Finance of Home Owners in Different Income Groups in Cuttack

(Rs lakh)

	Income (Rs)											
	0-5000 (31)		5001-15000 (85)		15001-35000 (63)		35001-50000 (3)		Above 100000 (1)		Total (184)	
		Percent		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
I. Formal Housing Finance Market	0.03	0.85	2.64	11.06	3.85	15.64	-	-	-	-	6.52	12.07
a. Specialised housing finance institutions	-	-	-	-	-	-	-	-	-	-	-	-
1. HDFC	-	-	-	-	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	-	-	-	-	-	-	-	-	-	-	-	-
b. Other financial institutions	-	-	0.54	2.26	1.39	5.65	-	-	-	-	1.93	3.57
1. LIC	-	-	0.19	0.80	0.51	2.07	-	-	-	-	0.70	1.30
2. Banks	-	-	0.35	1.46	0.88	3.58	-	-	-	-	1.23	2.27
c. Others	0.03	0.85	2.10	8.80	2.46	9.99	-	-	-	-	4.59	8.50
1. Provident fund	0.03	0.85	1.35	5.66	1.85	7.51	-	-	-	-	3.23	5.98
2. Employer	-	-	0.75	3.14	0.61	2.48	-	-	-	-	1.36	2.52
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Informal Housing Finance Market	3.51	99.15	21.22	88.94	20.77	84.36	1.80	100.00	0.19	100.00	47.49	87.93
a. Self-generated	2.64	74.58	16.49	69.11	16.91	68.68	1.80	100.00	0.10	52.63	37.94	70.25
1. Cash	1.11	31.36	8.21	34.41	5.44	22.10	1.20	66.67	-	-	15.96	29.55
2. Bank deposits	1.53	43.22	8.08	33.86	11.47	46.58	0.60	33.33	0.10	52.63	21.78	40.33
3. Savings during construction	-	-	0.20	0.84	-	-	-	-	-	-	0.20	0.37
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of assets	0.59	16.67	2.00	8.38	1.56	6.34	-	-	-	-	4.15	7.68
1. Shares	-	-	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	0.55	2.23	-	-	-	-	0.55	1.02
3. Land and building	0.59	16.67	1.32	5.53	0.26	1.06	-	-	-	-	2.17	4.02
4. Agriculture property	-	-	0.68	2.85	0.70	2.84	-	-	-	-	1.38	2.55
5. Others	-	-	-	-	0.05	0.21	-	-	-	-	0.05	0.09
External sources	0.28	7.91	2.73	11.45	2.30	9.34	-	-	0.09	47.37	5.40	10.00
1. Relatives	0.23	6.50	2.68	11.23	1.96	7.96	-	-	0.09	47.37	4.96	9.18
2. Friends	0.05	1.41	0.05	0.22	0.34	1.38	-	-	-	-	0.44	0.82
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
Total	3.54	100.00	23.86	100.00	24.62	100.00	1.80	100.00	0.19	100.00	54.01	100.00

Note: 1. Figures in parenthesis are number of home owners in each category.

2. There is no home owner in the income group of Rs 50001 - 100000

TABLE A-III.22

Pattern and Structure of Housing Finance of Home Owners acquiring Different-sized Houses in Cuttack

(Rs lakh)

	Size of house: sq.fts.									
	0-250 (40)		251-500 (73)		501-1000 (56)		1001-5000 (15)		Total (184)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	0.23	7.90	3.13	16.09	2.04	9.71	1.12	10.52	6.52	12.07
a. Specialised housing finance institutions	-	-	-	-	-	-	-	-	-	-
1. HDFC	-	-	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	-	-	-	-	-	-
3. Cooperative housing finance/Building societies	-	-	-	-	-	-	-	-	-	-
b. Other financial institutions	0.10	3.43	0.38	1.95	1.07	5.10	0.38	3.57	1.93	3.57
1. LIC	-	-	0.22	1.13	0.10	0.48	0.38	3.57	0.70	1.30
2. Banks	0.10	3.43	0.16	0.82	0.97	4.62	-	-	1.23	2.27
c. Others	0.13	4.47	2.75	14.14	0.97	4.61	0.74	6.95	4.59	8.50
1. Provident fund	0.03	1.03	1.85	9.51	0.97	4.61	0.38	3.57	3.23	5.98
2. Employer	0.10	3.44	0.90	4.63	-	-	0.36	3.38	1.36	2.52
3. Others	-	-	-	-	-	-	-	-	-	-
II. Informal Housing Finance Market	2.68	92.10	16.32	83.91	18.96	90.29	9.53	89.48	47.49	87.93
a. Self-generated	2.14	73.54	12.45	64.01	17.09	81.38	6.26	58.78	37.94	70.25
1. Cash	1.90	65.29	5.70	29.31	6.65	31.67	1.71	16.06	15.96	29.55
2. Bank deposits	0.24	8.25	6.75	34.70	10.44	49.71	4.35	40.85	21.78	40.33
3. Savings during construction	-	-	-	-	-	-	0.20	1.87	0.20	0.37
4. Others	-	-	-	-	-	-	-	-	-	-
b. Disposal of assets	-	-	2.07	10.64	0.20	0.95	1.88	17.65	4.15	7.68
1. Shares	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	0.15	0.71	0.40	3.76	0.55	1.02
3. Land and building	-	-	1.59	8.17	-	-	0.58	5.44	2.17	4.02
4. Agriculture property	-	-	0.48	2.47	-	-	0.90	8.45	1.38	2.55
5. Others	-	-	-	-	0.05	0.24	-	-	0.05	0.09
c. External sources	0.54	18.56	1.80	9.26	1.67	7.96	1.39	13.05	5.40	10.00
1. Relatives	0.54	18.56	1.70	8.74	1.37	6.52	1.35	12.67	4.96	9.18
2. Friends	-	-	0.10	0.52	0.30	1.44	0.04	0.38	0.44	0.82
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
Total	2.91	100.00	19.45	100.00	21.00	100.00	10.65	100.00	54.01	100.00

Note: 1. Figures in parenthesis are the number of home owners in each category.

2. There is no home owner in Cuttack with an area of more than 5000 sq. ft.

TABLE A-III.23

Pattern and Structure of Housing Finance of Home Owners in Different Age-groups in Cuttack

(₨ lakh)

	Age group (yrs)									
	0-25 (3)		26-40 (67)		41-55 (87)		Above 55 (27)		Total (184)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	-	-	3.53	16.91	2.99	12.14	-	-	6.52	12.07
a. Specialised housing finance institutions	-	-	-	-	-	-	-	-	-	-
1. HDFC	-	-	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	-	-	-	-	-	-	-	-	-	-
b. Other financial institutions	-	-	1.68	8.05	0.25	1.01	-	-	1.93	3.57
1. LIC	-	-	0.53	2.54	0.17	0.70	-	-	0.70	1.30
2. Banks	-	-	1.15	5.51	0.08	0.31	-	-	1.23	2.27
c. Others	-	-	1.85	8.86	2.74	11.13	-	-	4.59	8.50
1. Provident fund	-	-	1.40	6.71	1.83	7.43	-	-	3.23	5.98
2. Employer	-	-	0.45	2.16	0.91	3.70	-	-	1.36	2.52
3. Others	-	-	-	-	-	-	-	-	-	-
II. Informal Housing Finance Market	0.11	100.00	17.34	83.09	21.64	87.86	8.40	100.00	47.49	87.93
a. Self-generated	0.11	100.00	13.06	62.58	17.67	71.74	7.10	84.52	37.94	70.25
1. Cash	0.11	100.00	6.58	31.53	7.27	29.52	2.00	23.80	15.96	29.55
2. Bank deposits	-	-	6.48	31.05	10.40	42.22	4.90	58.33	21.78	40.33
3. Savings during construction	-	-	-	-	-	-	0.20	2.39	0.20	0.37
4. Others	-	-	-	-	-	-	-	-	-	-
b. Disposal of assets	-	-	2.18	10.45	1.48	6.00	0.49	5.83	4.15	7.68
1. Shares	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	0.15	0.72	0.40	1.62	-	-	0.55	1.02
3. Land and building	-	-	1.48	7.09	0.50	2.03	0.19	2.26	2.17	4.02
4. Agriculture property	-	-	0.55	2.64	0.53	2.15	0.30	3.57	1.38	2.55
5. Others	-	-	-	-	0.05	0.20	-	-	0.05	0.09
c. External sources	-	-	2.10	10.06	2.49	10.12	0.81	9.65	5.40	10.00
1. Relatives	-	-	1.80	8.62	2.40	9.74	0.76	9.05	4.96	9.18
2. Friends	-	-	0.30	1.44	0.09	0.38	0.05	0.60	0.44	0.82
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
Total	0.11	100.00	20.87	100.00	24.63	100.00	8.40	100.00	54.01	100.00

Note: Figures in parenthesis are number of home owners in each category.

TABLE A-III.24

Pattern and Structure of Housing Finance of Home Owners of Different Types of Houses in Cuttack

(Rs. lakh)

	Type of house									
	Hut (8)		S.P. Structure (12)		Flat (8)		Bungalow (156)		Total (184)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	-	-	-	-	0.03	5.56	6.49	12.28	6.52	12.07
a. Specialised housing finance institutions	-	-	-	-	-	-	-	-	-	-
1. HDFC	-	-	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	-	-	-	-	-	-	-	-	-	-
b. Other financial institutions	-	-	-	-	-	-	1.93	3.65	1.93	3.57
1. LIC	-	-	-	-	-	-	0.70	1.32	0.70	1.30
2. Banks	-	-	-	-	-	-	1.23	2.33	1.23	2.27
c. Others	-	-	-	-	0.03	5.56	4.56	8.63	4.59	8.50
1. Provident fund	-	-	-	-	0.03	5.56	3.20	6.06	3.23	5.98
2. Employer	-	-	-	-	-	-	1.36	2.57	1.36	2.52
3. Others	-	-	-	-	-	-	-	-	-	-
II. Informal Housing Finance Market	0.32	100.00	0.32	100.00	0.51	94.44	46.34	87.72	47.49	87.93
a. Self-generated	0.16	50.00	0.32	100.00	0.51	94.44	36.95	69.96	37.94	70.25
1. Cash	0.06	18.75	0.32	100.00	0.51	94.44	15.07	28.53	15.96	29.55
2. Bank deposit	0.10	31.25	-	-	-	-	21.68	41.04	21.78	40.33
3. Savings during construction	-	-	-	-	-	-	0.20	0.39	0.20	0.37
4. Others	-	-	-	-	-	-	-	-	-	-
b. Disposal of assets	-	-	-	-	-	-	4.15	7.86	4.15	7.68
1. Shares	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	-	-	0.55	1.04	0.55	1.02
3. Land and building	-	-	-	-	-	-	2.17	4.11	2.17	4.02
4. Agriculture property	-	-	-	-	-	-	1.38	2.61	1.38	2.55
5. Others	-	-	-	-	-	-	0.05	0.10	0.05	0.09
c. External sources	0.16	50.00	-	-	-	-	5.24	9.90	5.40	10.00
1. Relatives	0.16	50.00	-	-	-	-	4.80	9.09	4.96	9.18
2. Friends	-	-	-	-	-	-	0.44	0.81	0.44	0.82
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
Total	0.32	100.00	0.32	100.00	0.54	100.00	52.83	100.00	54.01	100.00

Note: Figures in parenthesis are number of home owners ineach category.

TABLE A-III.25

Pattern and Structure of Housing Finance of Home Owners in the Formal and Informal Housing Sector in Quilon

(Rs lakh)

	Formal sector (59)		Informal sector(A) (7)		Informal sector(B) (8)		Total (74)	
		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Formal Housing Finance Market	3.81	10.67	0.05	7.14	-	-	3.86	10.60
a. Specialised housing finance institutions	0.24	0.67	-	-	-	-	0.24	0.66
1. HDFC	0.19	0.53	-	-	-	-	0.19	0.52
2. State housing board	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	0.05	0.14	-	-	-	-	0.05	0.14
b. Other financial institutions	1.02	2.86	-	-	-	-	1.02	2.80
1. LIC	0.35	0.98	-	-	-	-	0.35	0.96
2. Banks	0.67	1.88	-	-	-	-	0.67	1.84
c. Others	2.55	7.14	0.05	7.14	-	-	2.60	7.14
1. Provident fund	0.17	0.48	-	-	-	-	0.17	0.47
2. Employer	1.92	5.38	-	-	-	-	1.92	5.27
3. Others	0.46	1.29	0.05	7.14	-	-	0.51	1.40
II. Informal Housing finance Market	31.89	89.33	0.65	92.85	0.05	100.00	32.59	09.40
a. Self-generated	26.09	73.08	0.40	57.14	0.05	100.00	26.54	72.81
1. Cash	18.67	52.30	0.40	57.14	0.05	100.00	19.12	52.45
2. Bank deposit	6.59	18.46	-	-	-	-	6.59	18.08
3. Savings during construction	-	-	-	-	-	-	-	-
4. Others	0.83	2.32	-	-	-	-	0.83	2.28
b. Disposal of assets	5.35	14.99	0.25	35.71	-	-	5.60	15.36
1. Shares	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	-	-	-	-
3. Land and building	4.95	13.87	0.25	35.71	-	-	5.20	14.26
4. Agriculture property	0.40	1.12	-	-	-	-	0.40	1.10
5. Others	-	-	-	-	-	-	-	-
c. External sources	0.45	1.26	-	-	-	-	0.45	1.23
1. Relatives	-	-	-	-	-	-	-	-
2. Friends	0.45	1.26	-	-	-	-	0.45	1.23
3. Indigenous bankers	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
Total	35.70	100.00	0.70	100.00	0.05	100.00	36.45	100.00

Note: 1. Figures in parenthesis are the number of home owners in each category.

2. 'A' includes permanent but unauthorised housing units and 'B' includes slum and squattered settlements.

TABLE A-III.26

Pattern and Structure of Housing Finance of Home Owners in Different Income Groups in Quilon

(Rs lakh)

	Income: Rs 0-5000 (36)	Percent	5001-15000 (29)	Percent	15001-35000 (9)	Percent	Total (74)	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Formal Housing Finance Market	0.79	7.83	2.30	12.03	0.77	10.64	3.86	10.60
a. Specialised housing finance institutions	0.24	2.38	-	-	-	-	0.24	0.66
1. HDFC	0.19	1.88	-	-	-	-	0.19	0.52
2. State housing board	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	0.05	0.50	-	-	-	-	0.05	0.14
b. Other financial institutions	0.27	2.68	0.65	3.40	0.10	1.38	1.02	2.80
1. LIC	-	-	0.25	1.31	0.10	1.38	0.35	0.96
2. Banks	0.27	2.68	0.40	2.09	-	-	0.67	1.84
c. Others	0.28	2.78	1.65	8.63	0.67	9.25	2.60	7.14
1. Provident fund	0.17	1.68	-	-	-	-	0.17	0.47
2. Employer	-	-	1.25	6.54	0.67	9.25	1.92	5.27
3. Others	0.11	1.09	0.40	2.09	-	-	0.51	1.40
II. Informal Housing Finance Market	9.30	92.17	16.82	87.97	6.47	89.36	32.59	89.40
a. Self-generated	8.29	82.16	13.08	68.41	5.17	71.41	26.54	72.81
1. Cash	5.97	59.17	10.46	54.70	2.69	37.15	19.12	52.45
2. Bank deposit	1.49	14.76	2.62	13.71	2.48	34.25	6.59	18.08
3. Savings during construction	-	-	-	-	-	-	-	-
4. Others	0.83	8.22	-	-	-	-	0.83	2.28
b. Disposal of assets	1.01	10.01	3.29	17.21	1.30	17.96	5.60	15.36
1. Shares	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	-	-	-	-
3. Land and building	1.01	10.01	2.89	15.12	1.30	17.96	5.20	14.26
4. Agriculture property	-	-	0.40	2.09	-	-	0.40	1.10
5. Others	-	-	-	-	-	-	-	-
c. External sources	-	-	0.45	2.35	-	-	0.45	1.23
1. Relatives	-	-	-	-	-	-	-	-
2. Friends	-	-	0.45	2.35	-	-	0.45	1.23
3. Indigenous bankers	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
Total	10.09	100.00	19.12	100.00	7.24	100.00	36.45	100.00

Notes: 1. Figures in parenthesis are number of home owners in each category.

2. There is no home owner with an annual income above Rs 35,000.

TABLE A.III.27

Pattern and Structure of Housing Finance of Home Owners Acquiring

Different-sized Houses in Quilon

(Rs lakh)

	Size of houses (sq. ft.)									
	0 - 250 (23)		251 - 500 (8)		501 - 1000 (27)		1001 - 5000 (16)		Total (74)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	0.20	8.62	0.42	16.34	2.32	14.80	0.92	5.79	3.86	10.60
a. Specialised housing finance institutions	0.05	2.16	-	-	0.19	1.21	-	-	0.24	0.66
1. HDFC	-	-	-	-	0.19	1.21	-	-	0.19	0.52
2. State housing board	-	-	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	0.05	2.16	-	-	-	-	-	-	0.05	0.14
b. Other financial institutions	0.04	1.72	0.13	5.06	0.75	4.78	0.10	0.63	1.02	2.80
1. LIC	-	-	-	-	0.25	1.59	0.10	0.63	0.35	0.96
2. Banks	0.04	1.72	0.13	5.06	0.50	3.19	-	-	0.67	1.84
c. Others	0.11	4.74	0.29	11.28	1.38	8.80	0.82	5.16	2.60	7.14
1. Provident fund	-	-	0.02	0.78	-	-	0.15	0.94	0.17	0.47
2. Employer	-	-	-	-	1.25	7.97	0.67	4.22	1.92	5.27
3. Others	0.11	4.75	0.27	10.51	0.13	0.83	-	-	0.51	1.40
II. Informal Housing Finance Market	2.12	91.38	2.15	83.66	13.36	85.20	14.96	94.21	32.59	89.40
a. Self-generated	1.56	67.24	1.97	76.65	11.50	73.34	11.51	72.48	26.54	72.81
1. Cash	1.52	65.52	1.80	70.04	7.93	50.57	7.87	49.56	19.12	52.45
2. Bank deposit	0.04	1.72	-	-	3.07	19.58	3.48	21.91	6.59	18.08
3. Savings during construction	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	0.17	6.61	0.50	3.19	0.16	1.01	0.83	2.28
b. Disposal of assets	0.56	24.14	0.18	7.00	1.41	8.99	3.45	21.73	5.60	15.36
1. Shares	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	-	-	-	-	-	-
3. Land and building	0.56	24.14	0.18	7.00	1.41	8.99	3.05	19.21	5.20	14.26
4. Agriculture property	-	-	-	-	-	-	0.40	2.52	0.40	1.10
5. Others	-	-	-	-	-	-	-	-	-	-
c. External sources	-	-	-	-	0.45	2.87	-	-	0.45	1.23
1. Relatives	-	-	-	-	-	-	-	-	-	-
2. Friends	-	-	-	-	0.45	2.87	-	-	0.45	1.23
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
Total	2.32	100.00	2.57	100.00	15.68	100.00	15.8[illegible]	100.00	36.45	100.00

Note: 1. Figures in parenthesis are number of home owners in each category.

2. There is no house in Quilon with an area of more than 5000 sq. ft.

TABLE A.III.28

Pattern and Structure of Housing Finance of Home Owners in Different Age Groups in Quilon

(Rs lakh)

	Age groups							
	26 - 40 yrs (38)		41 - 55 yrs. (28)		Above 55 yrs. (8)		Total (74)	
		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Formal Housing Finance Market	2.10	11.75	1.61	11.01	0.15	3.81	3.86	10.60
a. Specialised housing finance institutions	0.24	1.34	-	-	-	-	0.24	0.66
1. HDFC	0.19	1.06	-	-	-	-	0.19	0.52
2. State housing board	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	0.05	0.28	-	-	-	-	0.05	0.14
b. Other financial institutions	0.65	3.64	0.37	2.53	-	-	1.02	2.80
1. LIC	0.25	1.40	0.10	0.68	-	-	0.35	0.96
2. Banks	0.40	2.24	0.27	1.85	-	-	0.67	1.84
c. Others	1.21	6.77	1.24	8.48	0.15	3.81	2.60	7.14
1. Provident fund	0.02	0.11	-	-	0.15	3.81	0.17	0.47
2. Employer	1.00	5.59	0.92	6.29	-	-	1.92	5.27
3. Others	0.79	1.06	0.32	2.19	-	-	0.51	1.40
II. Informal Housing Finance Market	15.78	88.25	13.02	88.99	3.79	96.19	32.59	89.40
a. Self-generated	12.73	71.20	10.42	71.22	3.39	86.04	26.54	72.81
1. Cash	8.80	49.21	9.22	63.02	1.10	27.92	19.12	52.45
2. Bank deposit	3.93	21.98	1.20	8.20	1.46	37.06	6.59	18.08
3. Savings during construction	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	0.83	21.07	0.83	2.28
b. Disposal of assets	2.60	14.54	2.60	17.77	0.40	10.15	5.60	15.38
1. Shares	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	-	-	-	-
3. Land and building	2.60	14.54	2.20	15.04	0.40	10.15	5.20	14.26
4. Agriculture property	-	-	0.40	2.73	-	-	0.40	1.10
5. Others	-	-	-	-	-	-	-	-
c. External sources	0.45	2.52	-	-	-	-	0.45	1.23
1. Relatives	-	-	-	-	-	-	-	-
2. Friends	0.45	2.52	-	-	-	-	0.45	1.23
3. Indigenous bankers	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
Total	17.88	100.00	14.63	100.00	3.94	100.00	36.45	100.00

Note: 1. Figures in parenthesis are number of home owners in each category.

2. There is no home owner below the age of 26 years.

TABLE A-III.29

Pattern and Structure of Housing Finance of Home Owners of Different Types of House in Quilon

(₹ lakh)

	Type of house: Hut (8)		S.P. Structure (3)		Bungalow (63)		Total (74)	
		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Formal Housing Finance Market	0.19	33.42	-	-	3.67	10.30	3.86	10.60
a. Specialised housing finance institutions	0.19	33.42	-	-	0.05	0.14	0.24	0.66
1. HDFC	0.19	33.42	-	-	-	-	0.19	0.52
2. State housing board	-	-	-	-	-	-	-	-
3. Cooperative housing finance/building societies	-	-	-	-	0.05	0.14	0.05	0.14
b. Other financial institutions	-	-	-	-	1.02	2.86	1.02	2.80
1. LIC	-	-	-	-	0.35	0.98	0.35	0.96
2. Banks	-	-	-	-	0.67	1.88	0.67	1.84
c. Others	-	-	-	-	2.60	7.30	2.60	7.14
1. Provident fund	-	-	-	-	0.17	0.48	0.17	0.47
2. Employer	-	-	-	-	1.92	5.39	1.92	5.27
3. Others	-	-	-	-	0.51	1.43	0.51	1.40
II. Informal Housing Finance Market	0.38	66.58	0.26	100.00	31.95	89.70	32.59	89.40
a. Self-generated	0.38	66.58	0.26	100.00	25.90	72.71	26.54	72.81
1. Cash	0.38	66.58	0.26	100.00	18.48	51.88	19.12	52.45
2. Bank deposit	-	-	-	-	6.59	18.50	6.59	18.08
3. Savings during construction	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	0.83	2.33	0.83	2.28
b. Disposal of assets	-	-	-	-	5.60	15.72	5.60	15.36
1. Shares	-	-	-	-	-	-	-	-
2. Jewellery	-	-	-	-	-	-	-	-
3. Land and building	-	-	-	-	5.20	14.60	5.20	14.26
4. Agriculture property	-	-	-	-	0.40	1.12	0.40	1.10
5. Others	-	-	-	-	-	-	-	-
c. External sources	-	-	-	-	0.45	1.26	0.45	1.23
1. Relatives	-	-	-	-	-	-	-	-
2. Friends	-	-	-	-	-	-	-	-
3. Indigenous bankers	-	-	-	-	0.45	1.26	0.45	1.23
4. Others	-	-	-	-	-	-	-	-
Total	0.57	100.00	0.26	100.00	35.62	100.00	36.45	100.00

1. Figures in parentheses are numbers of home owners in each category.

– There is no value to [illegible]

TABLE A-III.30

Pattern and Structure of Housing Finance in Ambala

	Formal sector (50) Rs lakh	Percent
I. Formal Housing Finance Market	9.61	37.00
a. Specialised housing finance institutions	4.56	17.56
1. HDFC	-	-
2. State Housing Board	0.48	1.85
3. Cooperative Housing Finance/ Building Societies	4.08	15.71
b. Other financial institutions	0.48	1.85
1. LIC	0.48	1.85
2. Banks	-	-
c. Others	4.57	17.59
1. Provident Fund	1.25	4.81
2. Employer	2.81	10.82
3. Others	0.51	1.96
II. Informal Housing Finance Market	16.36	63.00
a. Self-generated	11.57	44.55
1. Cash	9.93	38.24
2. Bank Deposits	1.43	5.51
3. Savings during construction	0.05	0.19
4. Others	0.16	0.61
b. Disposal of assets	2.07	7.97
1. Shares	-	-
2. Jewellery	0.51	1.96
3. Land and building	1.25	4.81
4. Agricultural property	0.30	1.15
5. Others	0.01	0.05
c. External sources	2.72	10.48
1. Relatives	1.96	7.55
2. Friends	0.76	2.93
3. Indigenous bankers	-	-
4. Others	-	-
TOTAL	25.97	100.00

Note: Figure in parentheses is number of home owners.

TABLE A-III.31

Pattern and Structure of Housing Finance of Home Owners in Different Income Groups in Ambala

(₨ lakhs)

	Income (₨)									
	0-5000 (6)		5001-15000 (27)		15001-35000 (16)		50001-100000 (1)		Total (50)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	-	-	2.65	26.55	6.48	51.47	0.48	18.05	9.61	37.00
a. Specialised housing finance institutions	-	-	1.08	10.82	3.00	23.83	0.48	18.05	4.56	17.56
1. HDFC	-	-	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	-	-	0.48	18.05	0.48	1.85
3. Cooperative housing finance/building societies	-	-	1.08	10.82	3.00	23.83	-	-	4.08	15.71
b. Other financial institutions	-	-	0.17	1.70	0.31	2.46	-	-	0.48	1.85
1. LIC	-	-	0.17	1.70	0.31	2.46	-	-	0.48	1.85
2. Banks	-	-	-	-	-	-	-	-	-	-
c. Others	-	-	1.40	14.03	3.17	28.18	-	-	4.57	17.59
1. Provident fund	-	-	0.11	1.10	1.14	9.06	-	-	1.25	4.61
2. Employer	-	-	1.14	11.42	1.67	13.26	-	-	2.81	10.80
3. Others	-	-	0.15	1.50	0.36	2.86	-	-	0.51	1.96
II. Informal Housing Finance Market	0.74	100.00	7.33	73.45	6.11	48.53	2.18	81.95	16.36	63.00
a. Self-generated	0.48	64.86	5.26	52.71	3.65	28.99	2.18	81.95	11.57	44.55
1. Cash	0.28	37.84	4.37	43.79	3.10	24.62	2.18	81.95	9.93	38.24
2. Bank deposit	0.20	27.03	0.83	8.32	0.40	3.16	-	-	1.43	5.51
3. Savings during construction	-	-	0.05	0.50	-	-	-	-	0.05	0.19
4. Others	-	-	0.01	0.10	0.15	1.19	-	-	0.16	0.61
b. Disposal of assets	0.01	1.35	1.21	12.12	0.85	6.75	-	-	2.07	7.97
1. Shares	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	0.39	3.91	0.12	0.95	-	-	0.51	1.96
3. Land and building	-	-	0.52	5.21	0.73	5.80	-	-	1.25	4.81
4. Agriculture property	-	-	0.30	3.00	-	-	-	-	0.30	1.15
5. Others	0.01	1.35	-	-	-	-	-	-	0.01	0.05
c. External sources	0.25	33.78	0.86	8.62	1.61	12.79	-	-	2.72	10.48
1. Relatives	0.21	28.38	0.70	7.01	1.05	8.34	-	-	1.96	7.55
2. Friends	0.04	5.41	0.16	1.62	0.56	4.45	-	-	0.76	2.93
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
Total	0.74	100.00	9.98	100.00	12.59	100.00	2.66	100.00	25.97	100.00

Note: 1. Figures in parenthesis are the number of home owners in each category.

2. There is no home owner with an annual income group of ₨ 35001 - 50000 and above ₨ 1 lakh.

TABLE A-III.32

Pattern and Structure of Housing Finance of Home Owners Acquiring Different-sized Houses in Ambala

(Rs lakh)

	Size: (sq. ft.) 0-250 (1)	Percent	251-500 (8)	Percent	501-1000 (23)	Percent	1001-5000 (18)	Percent	Total (50)	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	-	-	0.52	30.58	3.90	35.20	5.19	39.56	9.61	37.00
a. Specialised housing finance institutions	-	-	-	-	1.98	17.87	2.58	19.68	4.56	17.56
1. HDFC	-	-	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	-	-	0.48	3.66	0.48	1.85
3. Cooperative housing finance/building societies	-	-	-	-	1.98	17.87	2.10	16.02	4.08	15.71
b. Other financial institutions	-	-	-	-	0.21	1.89	0.27	2.06	0.48	1.85
1. LIC	-	-	-	-	0.21	1.89	0.27	2.06	0.40	1.05
2. Banks	-	-	-	-	-	-	-	-	-	-
c. Others	-	-	0.52	30.58	1.71	15.44	2.34	17.82	4.57	17.59
1. Provident fund	-	-	0.01	0.58	0.77	6.94	0.47	3.59	1.25	4.81
2. Employer	-	-	0.51	30.00	0.64	5.78	1.66	12.63	2.81	10.82
3. Others	-	-	-	-	0.30	2.72	0.21	1.60	0.51	1.96
II. Informal Housing Finance Market	0.08	100.00	1.10	69.42	7.18	64.80	7.92	60.44	16.36	63.01
a. Self-generated	0.08	100.00	0.95	55.88	4.35	39.26	6.19	47.22	11.57	44.55
1. Cash	0.08	100.00	0.83	48.82	3.34	30.14	5.68	43.33	9.93	38.24
2. Bank deposit	-	-	0.12	7.06	0.81	7.31	0.50	3.81	1.43	5.51
3. Savings during construction	-	-	-	-	0.05	0.45	-	-	-0.05	0.19
4. Others	-	-	-	-	0.15	1.36	0.01	0.08	0.16	0.61
b. Disposal of assets	-	-	0.09	5.29	1.09	9.84	0.89	6.78	2.07	7.97
1. Shares	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	0.09	5.29	0.16	1.44	0.26	1.98	0.51	1.96
3. Land and building	-	-	-	-	0.92	8.30	0.33	2.52	1.25	4.81
4. Agriculture property	-	-	-	-	-	-	0.30	2.28	0.30	1.15
5. Others	-	-	-	-	0.01	0.10	-	-	0.01	0.05
c. External assets	-	-	0.14	8.25	1.74	15.70	0.84	6.44	2.72	10.48
1. Relatives	-	-	0.10	5.88	1.22	11.01	0.64	4.89	1.96	7.55
2. Friends	-	-	0.04	2.37	0.52	4.69	0.20	1.55	0.76	2.93
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
Total ...	0.08	100.00	1.70	100.00	11.08	100.00	13.11	100.00	25.97	100.00

Note: 1. Figures in parenthesis are number of home owners in different category.

2. There is no house in Ambala with an area of more than 5000 sq. ft.

TABLE A-III.33

Pattern and Structure of Housing Finance of Home Owners in Different Age-groups in Ambala

(Rs lakh)

	Age group									
	0-25 years (1)		26-40 years (17)		41-55 years (25)		Above 55 (7)		Total (50)	
		Percent		Percent		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Formal Housing Finance Market	-	-	2.17	30.65	7.39	46.33	0.05	1.97	9.61	37.00
a. Specialised housing finance institutions	-	-	1.08	15.25	3.48	21.82	-	-	4.56	17.56
1. HDFC	-	-	-	-	-	-	-	-	-	-
2. State housing board	-	-	-	-	0.48	3.01	-	-	0.48	1.85
3. Cooperative housing finance/building societies	-	-	1.08	15.25	3.00	18.81	-	-	4.08	15.71
b. Other financial institutions	-	-	-	-	0.48	3.01	-	-	0.48	1.85
1. LIC	-	-	-	-	0.48	3.01	-	-	0.48	1.85
2. Banks	-	-	-	-	-	-	-	-	-	-
c. Others	-	-	1.09	15.40	3.43	21.50	0.05	1.97	4.57	17.59
1. Provident fund	-	-	0.19	2.68	1.06	6.65	-	-	1.25	4.81
2. Employer	-	-	0.75	10.60	2.01	12.60	0.05	1.97	2.81	10.82
3. Others	-	-	0.15	2.12	0.36	2.25	-	-	0.51	1.96
II. Informal Housing Finance Market	0.40	100.00	4.91	69.35	8.56	53.67	2.49	98.03	16.36	63.00
a. Self-generated	0.10	25.00	2.77	39.12	6.34	39.75	2.36	92.91	11.57	44.65
1. Cash	0.05	12.50	2.26	31.92	5.34	33.48	2.28	89.76	9.93	38.24
2. Bank deposit	0.05	12.50	0.45	6.36	0.85	5.33	0.08	3.15	1.43	5.51
3. Savings during construction	-	-	0.05	0.70	-	-	-	-	0.05	0.19
4. Others	-	-	0.01	0.14	0.15	0.94	-	-	0.16	0.61
b. Disposal of assets	0.30	75.00	0.77	10.88	1.00	6.27	-	-	2.07	7.97
1. Shares	-	-	-	-	-	-	-	-	-	-
2. Jewellery	-	-	0.25	3.53	0.26	1.63	-	-	0.51	1.96
3. Land and building	-	-	0.52	7.35	0.73	4.58	-	-	1.25	4.81
4. Agriculture property	0.30	75.00	-	-	-	-	-	-	0.30	1.15
5. Others	-	-	-	-	0.01	0.06	-	-	0.01	0.05
c. External sources	-	-	1.37	19.35	1.22	7.65	0.13	5.12	2.72	10.48
1. Relatives	-	-	0.87	12.29	0.99	6.21	0.10	3.94	1.96	7.55
2. Friends	-	-	0.50	7.06	0.23	1.44	0.03	1.18	0.76	2.93
3. Indigenous bankers	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
Total	0.40	100.00	7.08	100.00	15.95	100.00	2.54	100.00	25.97	100.00

Note: Figures in parenthesis are number of home owners in each category.

TABLE A-III.34

Pattern and Structure of Housing Finance of Home Owners of Different Types of House, in Ambala

	Type of house					
	S.P. Structure (8)		Bungalow (42)		Total (50)	
		Percent		Percent		Percent
	(1)	(2)	(3)	(4)	(5)	(6)
I. Formal Housing Finance Market	0.05	4.27	9.56	38.55	9.61	37.00
a. Specialised housing finance institutions	-	-	4.56	18.39	4.56	17.56
1. HDFC	-	-	-	-	-	-
2. State housing board	-	-	0.48	1.94	0.48	1.85
3. Cooperative housing finance/building societies	-	-	4.08	16.45	4.08	15.71
b. Other financial institutions	-	-	0.48	1.94	0.48	1.85
1. LIC	-	-	0.48	1.94	0.48	1.85
2. Banks	-	-	-	-	-	-
c. Others	0.05	4.27	4.52	18.22	4.57	17.59
1. Provident fund	-	-	1.25	5.04	1.25	4.81
2. Employer	0.05	4.27	2.76	11.13	2.81	10.82
3. Others	-	-	0.51	2.05	0.51	1.96
II. Informal Housing Finance Market	1.12	95.73	15.24	61.45	18.36	63.00
a. Self-generated	0.55	47.01	11.02	44.44	11.67	44.55
1. Cash	0.36	30.77	9.57	38.59	9.93	38.24
2. Bank deposit	0.19	16.24	1.24	5.00	1.43	5.51
3. Savings during construction	-	-	0.05	0.20	0.05	0.19
4. Others	-	-	0.16	0.64	0.16	0.61
b. Disposal of assets	0.38	32.48	1.69	6.81	2.07	7.97
1. Shares	-	-	-	-	-	-
2. Jewellery	0.07	5.98	0.44	1.77	0.51	1.96
3. Land and building	-	-	1.25	5.04	1.25	4.81
4. Agriculture property	0.30	25.64	-	-	0.30	1.15
5. Others	0.01	0.85	-	-	0.01	0.05
c. External sources	0.19	16.24	2.53	10.20	2.72	10.48
1. Relatives	0.12	10.26	1.84	7.42	1.96	7.55
2. Friends	0.07	5.98	0.69	2.78	0.76	2.93
3. Indigenous bankers	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
Total	1.17	100.00	24.80	100.00	25.97	100.00

Note: 1. Figures in parenthesis are number of home owners in each category.

2. There is no hut and flat type houses in Ambala.

TABLE A.IV.1

Financial Strategy of HUDCO Schemes
(Effective from 1.7.1982)

	Cost Ceiling (Rs)	Extent of financing (per cent)	Interest rate (per cent)	Repay-ment period (Years)	Maximum area (sq.mt.)
1. EWS & LIG Housing					
a. Sites & services	5,000	100	4.0	20	-
b. Core housing	5,000	100	5.0	20	-
c. Skeletal housing	5,000	100	5.0	20	-
d. Rural housing	6,000	50	5.0	10	-
e. Slum upgradation	2,000	50	5.0	10	-
f. Urban housing(EWS)	12,000 (8.000)	graded scale	7.0	20	35
g. Urban housing(LIG)	20,000 (18.000)	-do-	8.0	15	55
h. Plotted development					
(i) category A	5,000	-do-	5.0	20	-
(ii) category B	8,000	-do-	8.0	15	-
2. MIG & HIG					
a. MIG I	30,000 (25.000)	-do-	10.5	12	95
b. MIG II	50,000 (42.000)	-do-	11.5	12	95
c. HIG	1,25,000 (1,00,000)	-do- (not exceeding Rs 60,000 in any case)	12.5	10	185
d. Plotted development					
(i) MIG	20,000	graded scale	11.5	12	-
(ii) HIG	50,000	-do-	12.5	10	-
3. Others					
a. Rental	1,25,000	70	13.5	7	-
b. Commercial	-	100	15.0	8	-
c. Building material schemes	-	100 (For private sector 80)	13.0	8	-
d. Urban development schemes	-	50	10.0	12	-
e. Private buildings	(Rs 30,000 for not less than 50 per cent units and rest not more than Rs.50,000)	50	15.0	5	-

Source: HUDCO information sheets (as on 31.7.82).

TABLE A.IV.2

Pattern of Consumer Expenditure in Urban Areas

(1973 - 74)

(Per cent)

Heads of consumer expenditure	Monthly Income Range of Household (Rs)						
	1-100 (65)	101-200 (1585)	201-350 (2926)	351-700 (2419)	701-950 (467)	951 and above (413)	Total (7881)
1. Food items	76.68	79.90	74.73	62.35	57.53	45.32	67.73
2. Non-food items of which	23.32	20.10	25.27	37.65	42.47	54.68	32.27
a. Clothing	0.85	1.31	2.83	6.39	7.16	10.09	4.75
b. Rent	1.13	1.30	2.51	4.46	5.70	5.58	3.53
c. Durable goods	0.00	0.10	0.25	1.27	1.78	7.91	1.41
3. Total consumer expenditure	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note: Figures in parentheses relate to number of households in each group.

Source: Sarvekshana July, 1977 (National Sample Survey, 28th round; October, 1973 - June, 1974) Page-S 104.

TABLE A.IV. 3

Pattern of Consumer Expenditure in Rural Areas
(1973 - 74)

(Per cent)

Heads of consumer expenditure	Monthly Income Range of Household (Rs) 1-100 (521)	101-200 (5514)	201-350 (6281)	351-700 (2729)	701-950 (255)	951 and above (167)	Total (15467)
1. Food items	83.21	82.99	78.16	66.46	52.46	45.15	74.89
2. Non-food items of which	16.79	17.01	21.84	33.54	47.54	54.85	25.11
a. Clothing	0.93	2.24	5.69	11.80	14.58	15.76	6.72
b. Rent	0.02	0.00	0.10	0.22	0.24	0.42	0.09
c. Durable items	0.03	0.07	0.48	2.04	8.93	17.17	1.32
3. Total consumer expenditure	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note: Same as for Table A. IV.3

Source: Sarvekshana July, 1977 (National Sample Survey; 28th Round; October, 1973 to June, 1974). Page S 38.

TABLE A.IV.4

Comparative Growth of Housing Sector and the National Economy

Period	Gross domestic capital formation				
	Housing sector		All sectors		
	Amount (Rs crore)	Annual growth rate (per cent) 1/	Amount (Rs crore)	Annual growth rate (per cent) 1/	(2) as per cent of (4)
(1)	(2)	(3)	(4)	(5)	(6)
1950-51 - 1960-61	2624	10.14	13945	12.47	18.82
1960-61 - 1969-70	6487	18.05	41458	11.54	15.65
1970-71 - 1974-75	6150	13.79	48309	17.64	12.73
1975-76 - 1979-80	11725	12.99	97760	14.99	11.99
1980-81 - 1982-83	11006	15.56	108212	12.14	10.83
1950-51 - 1982-83	37992	10.37	221700	12.74	17.14
Average annual	118725	10.37	6928.13	12.74	17.14

Note: 1/ Compound growth rate.

TABLE A.VI.1

Financing of the LIC of the Housing Sector

(Rs crore)

As on March 31	1980-81	1981-82	1982-83
1. Public Sector			
a. State governments	397.02 (34.78)	433.42 (34.10)	463.70 (32.73)
b. HUDCO, Apex Co-operative Housing Finance Societies, Housing Boards and other Authorities	536.87 (47.04)	609.87 (47.97)	704.37 (49.71)
2. LIC			
a. Co-operative Societies of LIC Employees	16.61 (1.46)	17.13 (1.35)	17.43 (1.23)
b. Employees (direct)	27.85 (2.44)	32.74 (2.57)	38.69 (2.73)
c. LIC agents	0.37 (0.03)	0.50 (0.04)	0.66 (0.05)
d. LIC Staff Housing and Township	20.89 (1.81)	22.73 (1.79)	25.17 (1.78)
3. Private Sector			
a. House Mortgage	55.77 (4.89)	61.18 (4.81)	67.07 (4.73)
b. 'Own Your House' Scheme	78.32 (6.86)	85.30 (6.71)	91.43 (6.45)
c. 'Own Your Apartment' Scheme	0.77 (0.07)	0.77 (0.06)	0.78 (0.06)
d. Public Ltd. Companies Staff Quarters	4.79 (0.42)	5.43 (0.43)	5.43 (0.38)
e. Public Ltd. Companies Employee's Co-operative Societies	2.15 (0.19)	2.19 (0.17)	2.19 (0.15)
TOTAL	1141.41 (100.00)	1271.26 (100.00)	1416.92 (100.00)
Total assets representing LIC total funds	7091.24	8067.93	9102.10
Share of Housing Investment (per cent)	16.10	15.76	15.57

Note: Figures in parentheses are per cent of total.

Source: Annual Report of the LIC.

TABLE A.VI.2

Financing of the GIC Group in the Housing Sector

(Rs crore)

	As on December 31	1980	1981	1982
1.	State Government	7.64 (47.22)	14.14 (55.19)	19.74 (55.30)
2.	HUDCO	7.55 (46.66)	10.55 (41.18)	15.05 (42.16)
3.	Delhi Development Authority	0.91 (5.62)	0.84 (3.28)	0.78 (2.18)
4.	Employees under Housing Loan Scheme	0.08 (0.50)	0.09 (0.35)	0.13 (0.36)
	TOTAL	16.18 (100.00)	25.62 (100.00)	35.70 (100.00)

Note: Figures in parentheses are per cent of total.

Source: Annual Reports of General Insurance Corporation of India.

TABLE A.VI.3

Financing of Commercial Banks in Housing Sector

(Rs crore)

As on December 31	1981		1982		1983 2/	
	S	O	S	O	S	O
1. Direct Finance	7.81	25.43	3.00	28.18	3.70	35.33
a. Scheduled castes and Scheduled tribes	5.07	11.13	1.73	12.02	2.92	28.75
b. EWS	1.60	9.55	0.95	11.79	3/	3/
c. Others	1.14	4.75	0.32	4.37	0.78	6.58
2. Indirect Finance	58.18	169.01	31.10	187.98	32.30	289.93
a. HDFC	3.54	4.32	0.89	4.61	3.21	11.98
b. HUDCO and Housing Boards	54.64	164.69	30.21	183.37	29.09	277.95
TOTAL	65.99	194.44	34.10	216.16	36.00	325.26

Notes: 1. S: Sanctions
O: Outstandings
2. For six months, i.e., upto June 30.
3. Included under 1a

Source: Industrial Credit Department, Reserve Bank of India.

TABLE A.VI.4

Annual Accumulations of Provident Fund Organisations

		1982-83	1983-84	1984-85
				(Rs crore)
1.	State Provident Fund	398.00	243.00	248.00
2.	Public Provident Fund	82.00	105.00	105.00
3.	Non-Government Provident Fund	800.00	950.00	1100.00
	TOTAL	1280.00	1298.00	1453.00

Source: Government of India, *Explanatory Memorandum on the Budget of the Central Government.*

TABLE A.VI.5

Annual Accretion to Gross Savings of Household Sector in Financial Assets

(Rs crore)

Item	1970-71	1977-78 (P)	1978-79 (P)	1979-80 (P)	1980-81 (£)	1981-82 ($)	1982-83 (Rs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Voluntary							
1. Currency	354.6 (17.0)	703.3 (9.8)	1430.5 (15.1)	1332.2 (13.0)	1685.3 (14.4)	892.3 (6.9)	2071.3 (13.3)
2. Bank deposits	794.7 (38.1)	3520.9 (49.2)	4625.8 (48.7)	4658.8 (45.4)	5383.5 (45.9)	5420.8 (41.8)	6595.0 (42.4)
3. Investment in corporate sector*	64.9 (3.1)	199.7 (2.8)	201.0 (2.1)	248.2 (2.4)	158.5 (1.4)	405.1 (3.1)	298.7 (1.9)
4. Deposits with companies	67.0 (3.2)	277.3 (3.2)	232.0 (2.4)	476.6 (4.6)	563.4 (4.8)	704.0 (5.4)	812.1 (5.2)
5. Claims on Government	112.9 (5.4)	310.8 (4.3)	542.7 (5.7)	737.5 (7.2)	758.6 (6.5)	1578.5 (12.2)	934.9 (6.0)
6. Investments in UTI	14.4 (0.7)	34.0 (0.5)	78.9 (0.8)	40.6 (4.4)	32.8 (0.3)	38.7 (3.6)	155.0 (1.0)
7. Others@	33.9 (1.6)	242.6 (3.4)	417.2 (4.4)	451.4 (4.4)	341.4 (2.9)	469.0 (3.6)	602.5 (3.9)
8. Total (1 to 7)	1442.4 (69.1)	5238.6 (73.2)	7528.1 (79.2)	7945.3 (77.4)	8923.5 (76.2)	9508.4 (73.3)	11469.5 (73.7)

Contd....

TABLE A.VI.5 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
II. Quasi-Voluntary							
1. Life Insurance Fund	219.9 (10.6)	591.7 (8.2)	683.0 (7.2)	772.9 (7.5)	908.3 (7.7)	1024.6 (7.9)	1121.7 (7.2)
III. Obligatory Savings							
1. Provident Fund	422.2 (20.3)	1315.8 (18.4)	1605.3 (16.9)	1748.5 (17.1)	1981.7 (16.9)	2414.9 (18.6)	2930.8 (18.8)
2. Compulsory deposits	- (-)	14.3 (0.2)	-316.2 (-3.3)	-207.0 (-2.0)	-93.6 (-0.8)	19.9 (0.2)	48.4 (0.3)
3. Total (1 to 2)	422.2 (20.3)	1330.1 (18.6)	1289.1 (13.6)	1541.5 (15.1)	1888.1 (16.1)	2434.8 (18.8)	2979.2 (19.1)
Total Gross Addition (I(8)+(II(1)+(III(3))	2084.5 (100.0)	7160.4 (100.0)	9500.2 (100.0)	10259.7 (100.0)	11719.9 (100.0)	12967.8 (100.0)	15570.4 (100.0)

Notes: 1. Due to changes in methodology, estimates from 1977-78 onwards are not strictly comparable with those for 1970-71.

2. Figures in brackets are percentages to total

(P) = Provisional
(£) = Preliminary
($) = Tentative
* = Includes private financial and non-financial and co-operative securities.
@ = Mainly net position in trade transactions with private companies and State Electricity Boards.
✚ = Includes Public Provident Fund.

Source: Reserve Bank of India

TABLE A.VI.6

Sector-wise Net Domestic Savings in India
1970-71 and 1982-83

(Rs crore)

Sector	1970-71		1982-83	
	Amount	Percentage share to total	Amount	Percentage share to total
1. Public sector	804.0 (2.1)	17.1	3666.0 (2.5)	15.1
2. Private Corporate Sector	211.0 (0.6)	4.5	879.0 (0.6)	3.6
3. Household Sector (i) and (ii)	3673.2 (9.6)	78.4	19812.5 (13.6)	81.3
(i) Financial assets	1487.2 (3.9)	31.7	11508.5 (5.7)	47.2
(ii) Physical assets	2186.0 (5.7)	46.7	8304.0 (5.7)	34.1
4. Total Net Domestic Savings (1+2+3)	4688.2 (12.4)	100.0	24357.5 (16.7)	100.0

Note: Figures in brackets are percentages to Net National Product at current market prices.

Source: Reserve Bank of India