GROWTH OF HOUSING REQUIREMENTS AND HOUSING FINANCE IN INDIA

Dr. Ashok Kumar Mishra
Lecturer, E.A.F.M.
Government Shakambhar P.G. College, Jaipur

ABSTRACT

In a developing country like India, many institutions operate with varied objectives, in various sectors of its economy. Some of these institutions provide it with a strong industrial base while some others conduct their operations to provide financial base to sustain the pace of economic growth. The latter category included financial institutions, which are required to manage finance for other institutions. Finance is the life blood of almost all the activities, involved in operating an economy. The housing finance institutions, as a whole, may be said that precursor of the new era of finance. The existing housing finance institutions though have done pioneering job in the nation building but in recent years it has been felt that they have not been able to shoulder that social responsibility, to a desirable extent. Indeed, this was the very crux of establishing the housing finance institutions in the country so as to improve the standard of life the major chunk of the rank and file.

Man is a social creature, which brings some amenities like food, clothing, and shelter mandatory for his existence. Generally after food and clothing, shelter is an important benchmark for the existence of the human being. The rate of inflation has played its part in changing the mindset of people, now not a palatial accommodation but a small house is perhaps the dream of millions of people. The standard of living can be judged by the adequacy of housing but millions of people are still vagrant in our country as well as in the world, so there is a very wild housing problem in our nation and world also. It is well known that the housing problem in India is alarming problem in both rural and the urban areas. To overcome this problem some financial institution are coming forward to provide money to public. In present, housing finance companies provides loans to individual person, association of person, firm, company, corporations, union or state government and municipal or any local or public authority for purchase of house or land, construction, maintenance, reconstruction, improvement and development of house property, building, flat, office, shop, factory and warehouse etc. There are some housing finance companies such as Housing and Urban Development Corporation Limited (HUDCO), Housing Development Corporation Limited (HDFC), Life Insurance Corporation of India (LIC) Housing Finance Limited, Bank of Borada Housing Finance Limited, Deewan Housing Finance Corporation Limited, State Bank of India (SBI) Housing Finance, Canara Bank -
INTRODUCTION

It’s the serendipity that we are born in the breed that is known to be the most adroit among all living being. We are known for acumen but are it sufficient. Man is a social creature, which brings some amenities like food, clothing, and shelter mandatory for his existence. Generally after food and clothing, shelter is an important benchmark for the existence of the human being. Shelter is a basic human need next only to food and clothing. The rate of inflation has played its part in changing the mindset of people. Now not a palatial accommodation but a small house is perhaps the dream of millions of people. The standard of living can be judged by the adequacy of housing but millions of people are still vagrant in our country as well as in the world. So there is a very wild housing problem in our nation and world also. It is well known that the housing problem in India is alarming problem in both rural and urban areas. To overcome this problem some financial institution are coming forward to provide money to public.

“The need to have a roof over our heads dates back to the time when our ancestors first left the shelter of the trees for life on the open areas. They either built a simple shelter or found an unoccupied caves in which people lived. But unfortunately, life today, is more complicated than that. In our industrialized urban areas, when it comes to finding somewhere to live, our choices are limited to renting a dwelling or buying one, more often than not with the help of a housing loan.” After this they lived in huts. For making dwelling units people took loans. For this purpose in previous century, there was housing finance provided by mahajans, sahukars and moneylenders. But unfortunately, today taking loans is more complicated than it was during our past time. In recent years we have banks and corporate HFC’s for this purpose. Against the milieu of rapid urbanization and a changing socio-economic scenario, the demand for housing has grown explosively. The importance of the housing sector in the economy can be illustrated by a few key statistics. “Housing property forms an important share of the total wealth of households in India and an estimate made put it to be as high as 28% of the household property.”

“A study made by the United Nations reveals that developing countries like India should go in for the annual construction rate of least 8 to 10 dwelling units per thousand populations in the ensuing 2-3 decades to prevent further deterioration of housing situation. The observation deserves greater attention in the context that at present only 2 or 3 dwelling units is being constructed for a population of 1,000 per year.” It has been estimated that as against the requirement of 5 dwelling units per one thousand populations per year due to growth of population along, the net addition to the housing stock was only 2-3 dwelling units per thousand per year up to 1971. Between 1971- 1981 this rate increased to 4 dwelling per thousand per year. The need for improvement in the existing standards and replacement of old stock further adds to the housing shortage.
IDENTIFICATION OF THE PROBLEM
We dream of living in an affluent society, to take the first step towards achieving it, proper accommodation is mandatory. Which in turn is a behemoth problem in Indian scenario? The problem of housing is not unique for India alone but it is pandemic. This problem has led to large scale housing shortage both in the rural and urban areas especially among the poor and miserable communities. The housing problem has been further accentuated with the increase in population in the country. The shortage of housing in India persists since independence. Against the milieu of rapid urbanization and a changing socio economic scenario the demand for housing has grownup explosively. According to the National Building Organization the total demand for housing is estimated at 2 million units per year and total housing shortfall is estimated to be 19.4 million units in both the rural and urban areas.

OBJECTIVES OF THE STUDY
1. To study the net resources invested by housing finance company in India since their incorporation.
2. To find the area where efficiency can be improved.
3. To locate the area where cost reduction is possible.
4. To make possible the efficient and effective utilization of resources.

RESEARCH METHODOLOGY
The proposed study, "Growth of Housing Requirements and Housing Finance in India" will be based both on primary and secondary data. The primary data will be collected through questionnaire and personal interviews with the official of the housing finance companies concerned. The secondary data will be collected through published financial. The data thus collected will be tabulated, classified and grouped for the purpose of interpretation, analysis, finding and conclusions.

HYPOTHESIS
In the course of study the following hypotheses will be tested:-

a. The positive growth is registered by housing finance industry in India.
b. There is no significant difference between the growth and requirement of housing finance companies in India.
c. The efficient working of the housing finance companies will have common men to have confidence in the housing finance industry.
d. The trend has moved in favor of the private sector with regards to the total resources investment by the housing finance companies.
LIMITATION OF THE STUDY
The proposed study is bound to have a few limitations. Firstly, the analysis and measurement of growth of housing requirements would be based on primary and secondary data so the limitations or shortcoming of primary and secondary data affects the conclusion and results of the study. Secondly the study is subjected to general human limitations.

HOUSING POLICIES
With a view to solve this problem of housing there was a need of a well-organized National Housing Policy. It is encouraging to note that efforts have been made to establish housing enterprises and institutions at the national and state levels such as the Central Building Research Institution and the National Building Organization and State Housing Boards. The major financial institutions in the area of housing, operating either directly or through agencies dealing with the housing sector, can be broadly classified into two groups, depending upon whether housing finance is their primary field of operation or a secondary or incidental function.

“The formal sources of housing finance in gist comprise (1) budgetary allocations by the Central and State Government, including market borrowings, (2) general financial institutions namely the Life Insurance Corporation, the General Insurance Corporation and its four subsidiaries, the Provident Fund, National and State Municipal Finance Corporations, and the Commercial Banks & Credit Institutions. The involvement of these in housing finance is rather incidental or secondary and hence they keep aside a specified portion of their funds at the disposal of the housing sector, (3) specialized housing finance institutions as the name suggests include mainly the NHB, the HUDCO, Apex and Cooperative Finance Institutions, in the public sector HDFC and few other housing finance companies set up in the private sector.”

Although housing is primarily a State subject, the Central Government has been formulating National Housing Policies to provide guidance to the State Government to meet the growing housing shortage. The GOI has had schemes and projects for the housing problem in every five years plan but there was no such housing policy for the country as a whole before 1988. This process started in 1986. As a follow-up of the Global Shelter Strategy, NHP was announced in 1988. The long term goal of the NHP was to eradicate house-lessens, improve the housing conditions of the inadequately housed and provide a minimum level of basic services and amenities to all. The role of government was conceived, as a provider for the poorest and vulnerable sections and as a facilitator for other income groups and private sector by the removal of constraints and the increased supply of land and services.

In 1991, India adopted a more growth oriented view of economic development by emphasizing that it must integrate with the global economy. In pursuance of this, it reduced custom duties and welcomed FDI in several sectors of the economy. The NHP 1994 was a product of this economic point of view. The 1994 Policy sought to increase
supply of land serviced by basic minimum services with a view to promoting a healthy environment.

The National Housing & Habitat Policy, 1998 laid greater emphasis on the aspect of Habitat as a supplementary focus to housing. The emphasis on providing housing continued in this policy with emphasis on both quality and cost-effectiveness especially to vulnerable sections of society. The policy envisages a shift in the government’s role from a builder to an enabler, with the government committed to remove barriers like access to land, finance and technology and forging strong public-private partnerships to accelerate the pace of house construction mainly for the disadvantaged sections.

NRI’s/PIO’s are permitted to invest up to 100% in the following housing and real estate development projects:

- Development of serviced plots and construction of built up residential premises.
- Real estate covering construction of residential and commercial premises including business enterprise centers and offices.
- Development of townships.
- City and regional level urban infrastructure facilities, including both roads and bridges.
- Manufacture of building materials.
- Preparatory ventures in these above and
- Investment in housing finance institutions.

It means, 100% FDI’s permitted to development of integrated townships (Including housing, commercial premises, hotels, resorts etc) requires prior government approval.

The ‘National Urban Housing & Habitat Policy’ 2007, has been formulated keeping in view the changing socio-economic parameters of the urban areas and growing requirement of shelter and related infrastructure. The policy seeks to promote various types of public-private partnerships for realizing the goal of Affordable Housing for all with special emphasis on the urban poor. The National Urban Housing & Habitat Policy, 2007 seeks to enhance the spotlight on habitat with a regional planning approach as well as further deepens the role of government as a facilitator and regulator. Moreover, the new policy lays emphasis on earmarking of land for the EWS/LIG groups in new housing projects. The policy lays emphasis on Government, retaining its role in social housing, so that affordable housing is made available to EWS and LIG of the population.

The Policy envisages specific roles for the Central Government, State Governments, local bodies, banks & HFC’s, public agencies. The housing problem has been viewed as a serious issue. It is also a fact that housing cannot be considered in an isolated sector and therefore, there is an urgent need to co-ordinate action by different ministries viz. Works and Housing Industrial Development. Finance and Labour and other related departments to solve the problem of housing in an integrated way.
“In India there was no such problem as housing till 1941. It was only after in 1951 when the deficit trend was started and which is continuing with an escalating magnitude. As per the estimate of National Building Organization there has been a deficit of 2.11 crore houses in our country during the year 1981 and the deficit increased to 2.47 crore (1.88 crore in rural area and 0.59 crore in urban area) by the end of March 31, 1985. The deficit is increased to 3.13 crore in urban area) the end of 1991 and likely to increase 4.16 crore units by 2000 AD (1.61 crore in urban areas and 2.55 crore in the rural areas).”

The Policies of Urban Development and Housing in India have come a long way since 1950’s. The pressure of urban population and lack of housing and basic services were very much evident in the early 1950’s. The positive aspects of cities as engines of economic growth in the context of national economic policies were not much appreciated and, therefore, the problems of urban areas were treated more as welfare problems and sectors of residual investment rather than as issues of national economic importance.

**ROLE AND OBJECTIVES OF NATIONAL HOUSING POLICY**

The basic role, objectives of the NHP are:

- To assist all people and in particular the houseless and inadequately house and vulnerable sections, to secure for themselves affordable shelter through access to developed land, building materials, finance and technology.
- To create an enabling environment for housing activity by eliminating constraints and the developing an efficient system for delivery of housing inputs.
- To expand infrastructure facilities in rural and urban areas in order to improve the environment of human settlement, increase the access of poorer households to basic services and to increase the supply of developed land for housing.
- To undertake, within the overall context of policies for poverty alleviation and employment, steps for improving the housing situation of the poorest sections and vulnerable groups by direct initiative and financial support of the state.
- To help mobiles resources and facilitate expansion of investment in housing in order to meet the needs of housing construction, up-gradation and augmentation of infrastructure, and
- To promote a more equal distribution of land and houses in urban and rural areas and to curb speculation in land and housing in consonance with the macro-economic policies for efficient and equitable growth.

Though the draft NHP is yet to take a final shape, the shelter sector has been recognized as an important vehicle for economic activity and provides the most direct and indirect employment in the semi urban and urban areas. For achieving the basic objectives of NHP, the government should take initiative for directing the activities of public agencies towards increasing the supply of serviced land for various groups and
essential purposes with the preponderant proportion for the poor sections. The major weakness of the national housing policy, however, lies in the fact that the policy does not set any time bound targets owing to resource constraints. But without commitment, the policies remain only on paper. Various tax incentives proposed in the draft policy for private sector and NRI investment in the housing sector that cannot solve the problem to any significant extent.

Table: Plan Outlay in Housing and Urban Development Sector

<table>
<thead>
<tr>
<th>Five Year’s Plan</th>
<th>Total Outlay</th>
<th>Housing &amp; Urban Development</th>
<th>Percentage share in the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan</td>
<td>2,068.80</td>
<td>48.80</td>
<td>2.36</td>
</tr>
<tr>
<td>Second Plan</td>
<td>4,800.00</td>
<td>120.00</td>
<td>2.50</td>
</tr>
<tr>
<td>Third Plan</td>
<td>7,500.00</td>
<td>127.60</td>
<td>1.70</td>
</tr>
<tr>
<td>Annual Plan 1966-69</td>
<td>6,625.40</td>
<td>73.30</td>
<td>1.11</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>15,900.00</td>
<td>2700.20</td>
<td>1.70</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>37,250.00</td>
<td>1150.00</td>
<td>3.09</td>
</tr>
<tr>
<td>Annual Plan 1977-80</td>
<td>12,176.50</td>
<td>368.80</td>
<td>3.03</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>97,500.00</td>
<td>2488.40</td>
<td>2.55</td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>180,000.00</td>
<td>4229.50</td>
<td>2.35</td>
</tr>
<tr>
<td>Annual Plan 1990-92</td>
<td>133,835.00</td>
<td>3000.10</td>
<td>2.24</td>
</tr>
<tr>
<td>Eighth Plan</td>
<td>434,100.00</td>
<td>10500.00</td>
<td>2.42</td>
</tr>
<tr>
<td>Ninth Plan</td>
<td>859,200.00</td>
<td>15880.00</td>
<td>1.85</td>
</tr>
<tr>
<td>Tenth Plan</td>
<td>1,525,639.00</td>
<td>40500.00</td>
<td>2.65</td>
</tr>
<tr>
<td>Eleventh Plan</td>
<td>3,644,718.00</td>
<td>36870.00</td>
<td>1.01</td>
</tr>
</tbody>
</table>

Sources-mhupa.gov.in (modified)
Table shows there is a fluctuation in the sanctioned amount of plans. In the First Five Year Plan (1951-56), the emphasis was given on institution building and on construction of houses for Government employees and weaker sections. The Ministry of Works & Housing was constituted and National Building Organization and Town & Country Planning Organization were set up. A sizeable part of the plan outlay was
spent for rehabilitation of the refugees from Pakistan and on building the new city of Chandigarh. An Industrial Housing Scheme was also initiated. The GOI had introduced the Centre Subsidy Scheme to the extent of 50% towards the cost of land and construction.

The scope of housing program for the poor was expanded in the Second Plan (1956-61). The Industrial Housing Scheme was widened to cover all workers. Three new schemes were introduced, namely, Rural Housing, Slum Clearance and Sweepers Housing. Town & Country Planning Legislations were enacted in many states and necessary enterprises were also set up for preparation of master plans for important towns. Government had earmarked in the second five years plan, substantial portion of its funds towards expansion of infrastructure, which had resulted in development of housing sector.

The general directions for housing programs in the Third Plan (1961-66) were coordination of efforts of all agencies and orienting the programs to the needs of the LIG’s. A Scheme was introduced in 1959 to give loans to State Governments, for a period of 10 years for acquisition and development of land in order to make available building sites in sufficient numbers. Master Plans for major cities were prepared and the State capitals of Gandhi Nagar and Bhubaneswar were developed. During the period from 1966 to 1969 owing to unstable Government, there had occurred a plan holiday, which had affected the growth of housing sector.

The balanced urban growth was accorded high priority in the Fourth Plan (1969-74). The Plan stressed the need to prevent further growth of population in large cities and need for decongestion or dispersal of population. This was envisaged to be achieved by creation of smaller towns and by planning the spatial location of economic activity. HUDCO was established to fund the remunerative housing and urban development programs, promising a quick turnover. A Scheme for Environmental Improvement or Urban Slums was undertaken in the central sector from 1972-73 with a view to provide a minimum level of services, like, water supply, sewerage, drainage, street pavements in 11 cities with a population of 8 lakh and above. The scheme was later extended to 9 more cities.

The Fifth Plan (1974-79) reiterated the policies of the preceding plans to promote smaller towns in new urban centers, in order to ease the increasing pressure on urbanization. This was to be supplemented by efforts to augment civic services in urban areas with particular emphasis on a comprehensive and regional approach to problems in metropolitan cities. A task force was set up for development of small and medium towns. The Urban Land (Ceiling & Regulation) Act was enacted to prevent concentration of land holding in urban areas and to make available urban land for construction of houses for the MIG and LIG’s.

The thrust of the planning in the Sixth Plan (1980-85) was on integrated provision of services along with shelter, particularly for the poor. The Integrated Development of Small and Medium Towns was launched in towns with population below one lakh for provision of roads, pavements, minor civic works, bus stands, markets, shopping complex etc. Positive inducements were proposed for setting up new industries,
commercial and professional establishments in small, medium and intermediate towns. The sixth five years plan clearly states that the provision of shelter is a basic need. The objectives in respect of housing in the plan were; (1) Provision of house sites and assistance for the construction of dwelling for rural landless laborers. (2) In view of the severe constraints of public resources, public sector social housing schemes have been designed to benefit the maximum number of people. (3) Specific efforts must be made to secure reduction in cost in public housing schemes by using cheap and alternative building materials. 

The Seventh Plan (1985-90) stressed on the need to entrust major responsibility of housing construction on the private sector. A three-fold role was assigned to the public sector, namely, mobilization for resources for housing, provision for subsidized housing for the poor and acquisition and development of land. The NHB was set up to expand the base of housing finance. NBO was reconstituted and a new enterprise called Building Material Technology Promotion Council was set up for promoting commercial production of innovative building materials. A network of building centers was also set up during this plan period. The Seventh Plan explicitly recognized the problems of the urban poor and for the first time an Urban Poverty Alleviation Scheme known as Urban Basic Services for the Poor was launched. During the year 1990-91 there was a plan disturb because of shortage of funds.

In the backdrop of this report the Eighth Plan (1992-97) for the first time explicitly recognized the role and importance of urban sector for the national economy. While growth rate of employment in the urban areas averaged around 3.8% per annum, it dropped to about 1.6% in the rural areas. The Plan identified the key issues in the emerging urban scenario:

- The widening gap between demand and supply of infrastructural services badly hitting the poor, whose access to the basic services like drinking water, sanitation, education and basic health services is shrinking.
- Unabated growth of urban population aggravated the accumulated backlog of housing shortages, resulting in proliferation of slums and squatter settlement and decay of city environment, and
- High incidence of marginal employment and urban poverty as reflected in NSS 43rd round that 4.18 crore urban people lived below the poverty line.

The Planning Commission suggested modification of the Housing policy to incorporate affordable housing program for the BPL category. Considerable efforts were made during Ninth and Tenth Five Year Plans to enlarge the resource base and initiate innovative institutional mechanisms to augment housing delivery in urban areas. Focused efforts were also initiated to cover the poor and vulnerable groups of society to enable them to access basic shelter related services. Fiscal concessions coupled with legislative measures were also initiated to encourage increased investments in housing by individuals and corporate.

The National Common Minimum Program has stated that housing for weaker sections in rural areas extended on a large scale. The Tenth Plan, therefore, had suggested
provision of free housing only to the landless SC/ST families and shift to a credit-cum subsidy scheme for the other BPL families. The repeal of the Urban Land (Ceiling and Regulation) Act, 1976 has been a significant step towards reform in the urban land market. Following the repeal of the central legislation, a number of state governments had also repealed the state-level law.

Having identified housing as a priority in the Ninth Five year plan (1997-2002), the NHP has envisaged an investment target of Rs. 15880.00 crore for this sector. In order to achieve this investment target, the Government needs to make low cost funds easily available and enforce legal and regulatory reforms.

In order to improve the quality of life in urban areas, the Eleventh Five Year Plan (2007-2012) has stressed the need for improved housing stock through urban renewal, in city slum improvement and development of new housing stock in existing cities as well as new townships. Furthermore, the Bharat Nirman Program has also recognized and accorded due priority to the need to end shelter. The Program has set a target to construct 60 lakh houses from 2005 to 2009. The housing component under the Program is being implemented in parallel with Indira Awas Yojana scheme. For the Eleventh Plan, the focus is on targeting the poorest of the poor.

Till June 1982, the following social housing schemes had been taken up in the country (I) Integrated Subsidized Housing Scheme for Industrial Worker’s and EWS of Community 1952, (ii) Low Income Group Housing Scheme 1954, (iii) Subsidized Housing Scheme for Plantation Workers 1956, (iv) Middle Income Group Housing Schemes for State Government Employees 1956, (v) Slum Clearance/Improvement Scheme 1956, (vi) Village Housing Projects Scheme 1957, (vii) Land Acquisition and Development Scheme 1959 and (viii) Provision of House Sites to Landless Workers in Rural Areas 1971. From July 1982, the existing Social Housing Schemes, except the subsidized housing scheme for plantation workers, which continue to be in the central sector and the scheme for provision of houses sites to landless workers have been reclassified in 4 categories on the basis of income criteria as: (I) Housing Scheme for Economically Weaker Sections, (ii) Low Income Group Housing Scheme, (iii) Middle Income Group Housing Scheme and (iv) Rental Housing Scheme for State Government Employees.

In the last four decades, the urban population in India has grown from about 7.00 crore to 60.00 crore. There has been a distinct decline in housing investment in proportion to the total investment. Around 20% of the population is either houseless or is seriously under-housed. That is a grim picture indeed, notwithstanding the fact that presently the total number of dwelling units in the country number about 12.50 crore (as per housing finance an unpublished document of HDFC). To bridge the current gap of housing alone we need about Rs. 80,000 crore at a conservative estimate at today’s prices. The estimate is only likely to increase with over the period.

In India, because of the lack of fund mobilization, the system of housing finance has remained largely undeveloped. In a workshop held under the aegis of the Housing and Public Work Committee of the FICCI and NHB, it was pointed out that an investment of about Rs. 190,000 crore was required for housing by the end of 2001. A study
conducted by FICCI revealed that an investment of Rs. 51,576 crore at December, 1989 prices would be needed during the Eight Plan. Financial experts have estimated that the public and private sectors have to invest an average of Rs. 15,000 crore during 1990-95 to meet the growing demand. Our endeavor here is to assess the financial measures being undertaken by the government towards the housing problems. Are these enough to mobilize the required level of investment, in the housing sector? If not, what new measures could be undertaken for enhancing the level of investment? With the growing recognition of housing finance in a developing economy like India, where housing finance industry has assumed all the more significance and presently over 400 entities, including HFC’s and nationalized banks, foreign as well as co-operative have entered the scene. In the market situation, there is room for many numbers of players to remain active. But it is important for a player to fulfill its obligations to its clients both in terms of disbursement made at a comparatively lower cost and also the quality of service. The HFC’s, which are approved by NHB and are taking NHB refinance, can improve their position of funds through the securitization route. Besides, though the service quality has improved overall there is need and scope for further improvement in this field.

The HFC in the country is suffering mainly from the big cost of funds and even after reduction in rates of interest in the recent year, the rate of interest for the long terms loans is 5-6% more than rates in USA. The legal system of the country requires strengthening and also streamlining because this is necessary from the documentation point of view as well as for remedial actions for foreclosure of the loans in case of default. The Apartment Ownership Act, Stamp Duty Act, Land Acquisition. Act, Transfer of Property Act, Regional Planning & Development Control Regulation Act, Rent Control Act, Housing Board Act, Urban Land Ceiling Act, Co-operative Act 2006, Negotiable Instrument Act 1881, The Indian Contract Act 1872, The Companies Act 1956, Code of Civil Procedure 1908, Criminal Procedure Code 1973, Banking Companies Act 1949, Banker Book Evidence Act and Indian Banking (Regulation) Act 1949 (Revised in September 1956) and Reserve Bank of India Act 1934 etc., which directly or indirectly have a bearing on the housing sector, needs to be modified and some sort of uniformity may be introduced.

CONCLUSION

The housing finance in decision making and financial institution, business class, research scholar and every class of the society. Housing scarcity and lack of decent housing is an international phenomenon. About 25% of the world’s population does not have sufficient shelter and live in sub-human conditions. The shortage of housing in India persists since independence. According to the planning commission the shortage of dwelling units are expected to reach 41 million. This resulted due to the growth of population shift in demographic pattern and rising income of the middle class vis-à-vis the availability stock. In order to rectify this mismatch between demand and supply the government encouraged the housing finance institution and banks (public and private) for bridging the resource gap.
The housing policies of the government of India have always concentrated on the lowest-income households. In the 1970s, a network of state-level housing boards was established to develop public land for housing the economically weaker sections of the population, with the Housing and Urban Development Corporation (HUDCO), as an apex institution to provide finance and technological support. At the sometime, the government started to encourage households to form co-operative societies and to use their initial capital to purchase land. Civil servants and employees of public sector and financial institutions could make use of house building advances provided by the government.

The National Housing Bank (NHB) was set up by the RBI as a fully owned subsidiary. National Housing Credit (NHC) fund was started to make fund available to NHB for refinance facilities that it makes available to banks, housing finance companies, co-operative housing finance societies etc. The government and planning commission have given a vital role to the provision of housing finance in India. The RBI has permitted banks to allot 1-1/1% of their incremental deposits for housing finance purposes.

The institutions engaged in housing finance require long-term funds. That is why LIC and GIC have entered this field as they have the long-term insurance funds with them. Some public sector banks have set up subsidiaries for housing finance. Thus, SBI housing finance, set up in April 1988 has lending in eastern and northeastern states in India. Canara Bank has set up can finance homes Limited and IND bank housing financial services by Indian bank and Andhra bank homes finance ltd., by Andhra Bank.

In order to improve the quality of life in urban areas, the Eleventh Five Year Plan (2007-2012) has stressed the need for improved housing stock through urban renewal, in city slum improvement and development of new housing stock in existing cities as well as new townships. Furthermore, the Bharat Nirman Program has also recognized and accorded due priority to the need to end shelter. The Program has set a target to construct 60 lakh houses from 2005 to 2009. The housing component under the Program is being implemented in parallel with Indira Awas Yojana scheme. For the Eleventh Plan, the focus is on targeting the poorest of the poor. Now that housing has emerged as a mature financial services activity well integrated into the financial system. It is putting focus attention on creating the condition for sensible and affordable housing solution for mass of the people. The housing finance industry today caters predominantly to the “organized” or “employed” sector.

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