



भारत में आवास की प्रवृत्ति एवं प्रगति रिपोर्ट

**REPORT ON TREND
AND
PROGRESS OF HOUSING IN INDIA**

2014

Chapter 2

Overview of the Indian Housing Sector

2.1 Importance of Housing

- 2.1.1 Housing, a basic human need, has always had and continues to have major socio-economic implications and assumes a crucial role as it contributes significantly to the national economy and nation building. The need for adequate shelter for all along with basic services is more urgent than ever, particularly in developing countries like India.
- 2.1.2 Safe, secure and adequate housing is a fundamental need of man. Housing is a key input in economic, social, and civic development. In importance, it is third after food and clothing. A host of vocations and professions directly or indirectly derive their livelihoods from housing which include construction workers, builders, developers, suppliers, civil engineers, valuers, furnishers, interior decorators, and plumbers. Further, indirect impact of housing is in terms of improved habitat, living, educational, social and cultural standards leading to human capital formation and income capabilities. Housing is integrally related to a host of outcomes for the society more broadly beyond those that are financial or material. Quality housing can facilitate psychological and social outcomes such as an ontological security and a sense of control over one's life.
- 2.1.3 Housing tends to serve as a catalyst for a change in socio-cultural milieu and also aids in economic development. More importantly, housing lays the foundation for a life of dignity. By investing in homes, people, in particular, the low-income groups accumulate equity that can then be used as collateral, making them more credit-worthy for accessing finance through normal channels and also for generating income.
- 2.1.4 Census 2011 figures reveal that the housing stock has increased from 24.9 crore in 2001 to 33.1 crore in 2011, indicating a growth of 33 per cent. However, housing shortage is posing a challenge, since there is a mismatch between the people for whom the houses are being built and those who need them. As per the estimated housing shortage for 2012-17, urban areas have about 95% shortage in economically weaker sections and lower income group categories, whereas rural areas have about 90% shortage in below poverty line category.

Table 4 : Estimated Housing Shortage in India: 2012-2017

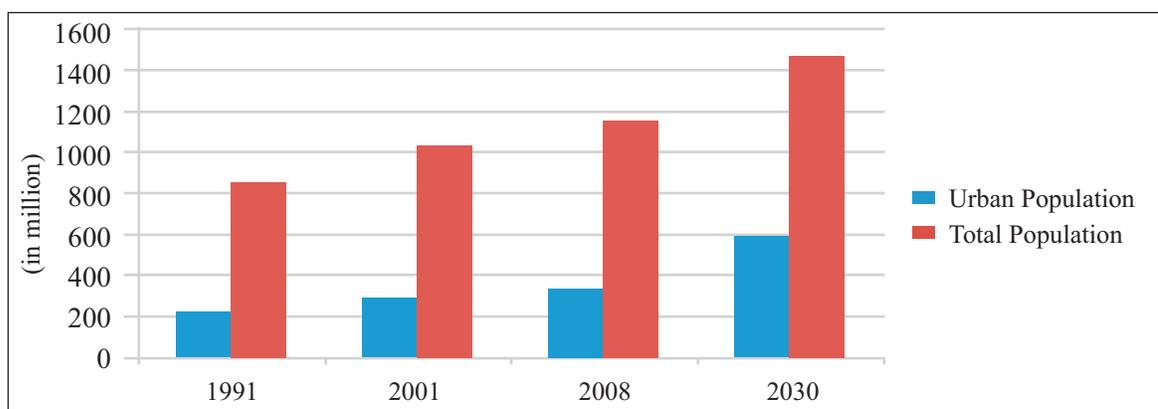
Urban Housing*			Rural Housing**		
Category	Shortage (in million)	Percentage to Total	Category	Shortage (in million)	Percentage to Total
Economically Weaker Sections (EWS)	10.55	56.18	Below Poverty Line (BPL)	39.30	90.00
Lower Income Group (LIG)	7.41	39.44	Above Poverty Line (APL)	4.37	10.00
Middle Income Group (MIG)	0.82	4.38			
Total	18.78	100.00		43.67	100.00

Source : * Urban Housing Shortage (2012-17) Report of the Ministry of Housing & Urban Poverty Alleviation to estimate the Urban Housing Shortage for the 12th Five Year (2012-17)

** Working Group Report on Rural Housing for 12th Five Year Plan (2012-17)

2.1.5 The Indian economy is going through a transition phase of rapid urbanization. For ages the saying was that "India lives in its villages". But now this has begun to change. Though the bulk of the population might still remain in villages, the urban population content is rising. The urban population of India is likely to grow from 285.3 million in 2001 to 533 million in 2025, as per the projections based on past trends. Studies project that by 2030, the total urban population of India will be 590 million i.e. 40 per cent of the Indian population would live in urban areas⁷. The projected growth is shown in the graph below.

Graph 3: Projection of Growth of Urban Population in India



2.1.6 The number of metropolitan cities with population of 1 million and above has increased from 35 in 2001 to 50 in 2011 and is expected to increase further to 87 by 2031⁸. The expanding size of Indian cities will happen in many cases through a process of peripheral expansion, with smaller municipalities and large villages surrounding the core city becoming part of the large metropolitan area. The urbanization trend is going to have fundamental impact on the political, economical and social situations of the country. Critical issues in urbanization include lack of basic infrastructure such as roads, sanitation and drinking water systems, transport, affordable housing, slums and squatters, internal migration and inclusive cities. Thus, there is a need to create safe, secure and affordable housing for the urban masses for the growth and development of the country and to create a more inclusive society. It is felt that, addressing housing shortage and improving affordability is an integral part of the policy measures towards sustainable urban development. In order to improve the quality of life, it is of critical significance that the housing stock is improved through urban renewal, in situ slum improvement and development of new housing stock in existing cities as well as new townships, etc., which meets the housing demand.

2.1.7 The importance of housing investment in the national economy and rapid growth of housing investment have become distinct characteristics of the world economies in recent years. However, at the same time, there is a concern that economic growth, if heavily dependent on housing investment, may compromise the stability and the health of the national economy.

2.1.8 Granger causality analysis through statistical hypothesis test has confirmed the interaction between housing investment and economic growth as well as that between non-housing investment and economic growth. It has been found that housing investment has a stronger short run effect on economic growth than non-housing investment. It has also been found that housing investment has a long run effect on economic growth while economic growth has a long run effect on both housing and non-housing investment. The findings suggest that housing investment is an

⁷India Urbanization Econometric Model; McKinsey Global Institute analysis

⁸Report on Indian Urban Infrastructure and Services

important factor contributing to short-term fluctuations of economic growth, with its growth stimulating the economic growth and its slump leading to downside fluctuations.

- 2.1.9 Since 1970s, housing has come to be recognised as an important contributor to growth. This was not because of the fact that house-building industry was a major employer with large multiplier effects but also due to the fact that housing was increasingly seen to have social consequences with diverse economic effects. The contribution and use of decent housing affects economic growth and economic development through its impact on employment, savings, investment and labour productivity in a positive manner.

Box 2: Study on Impact of Investments in the Housing Sector on GDP and Employment in the Indian Economy

National Council of Applied Economic Research (NCAER) launched the Report in April 2014 on the Study on Impact of Investments in the Housing Sector on GDP and Employment in the Indian Economy. The Study was supported by DFID, UK and Ministry of Housing and Urban Poverty Alleviation, Government of India. As per the Report, the construction sector is disaggregated into residential construction, non-residential construction and other construction sector and the residential construction sector is treated as housing sector.

The key findings in the Report, include -

- a. *The residential construction (housing sector) accounts for*
 - *1.24% of the total output of the economy (total construction sector is 11.39%)*
 - *1.00% of GDP (total construction sector is 8.2%)*
 - *6.86% of the employment (total construction sector is 11.52%)*
- b. *Housing sector is fourth largest employment generating sector.*
- c. *99.41 per cent of the jobs in housing sector are informal jobs.*
- d. *Its labour to output ratio i.e. number of persons employed to produce a lakh units of output, is 2.34 and is the highest among all the sectors.*
- e. *For every lakh invested in the housing sector, 2.69 new jobs (2.65 informal and 0.4 formal) are created in the economy. With induced effect, the number of jobs created would be 4.06 (3.95 informal and 0.11 formal).*
- f. *For every ₹1.00 investment in the housing sector, the household income increases by ₹ 0.41. With induced effect, this is estimated to be ₹0.76.*
- g. *Every additional rupee invested in the housing sector can add ₹1.54 to the GDP and with household expenditure considered, this is going to add ₹2.84.*
- h. *For every rupee invested in creation of housing, ₹0.12 gets collected as indirect taxes.*

2.2 Issues Concerning Housing in India

- 2.2.1 Housing shortage has always been a major problem over the years in our country since independence. Such shortage estimated as excess households over houses including houseless households, congestion (number of married couples requiring separate house), and replacement/ up-gradation of kutchra/ unserviceable kutchra houses and obsolescence/ replacement of old houses, etc., which has grown over the decades.

- 2.2.2 The extent of urbanization in India is much lower than other developing countries; with only over 31% of the population residing in urban areas. As per the Census data for 2011, the urban population in India was over 377 million or 31.1% of the total population residing in 475 urban agglomerations. The inability of our society to keep pace with the increase in population has resulted in an under-supply of housing units, which in 2012 was estimated by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA) at 18.78 million units of which nearly 95% relates to the economically weaker sections (EWS) and low income group (LIG) of the urban population. By 2021, the urban population is expected to increase to nearly 500 million, about 35% of the total population of India. The 2011 Census has enumerated that 13.9 million households with a total population of nearly 65.5 million people reside in slums in Indian cities. Rural migration is considered to be one of the most important contributors to the growth in the slum population. The number of people and the percentage of population employed in agriculture are on a steep downward curve, reducing from 259 million (almost 57%) in 2004-05 to 243 million (about 50%) in 2012-13. Despite the continued large scale migration of the rural poor to urban areas, the Twelfth Five Year Plan (2012-17), has estimated the total housing shortage in rural areas at 43.67 million units. The slum population in India was projected to be 94.98 million in 2012 and is expected to touch 104.67 million by 2017. This increase in population, if not matched with the required increase in housing units could contribute to the development of further slums in urban areas, creating a social problem and becoming detrimental to the overall health of the Indian economy. Hence, the total housing demand in the country by 2017 could be as high as 88.78 mn units. Creating flexible affordable housing with certain percentage reserved for rental schemes might provide a faster solution for a slum-free India. In cities such as Mumbai, affordable housing can be mainly developed through the redevelopment of existing slums due to the severe paucity of developable land.
- 2.2.3 Affordable, suitable, adequate and equitable housing is a major priority for governments all over the world. However, even though housing is a basic necessity of life, more than half of the population lives in sub-standard houses where they have no access to adequate sanitary facilities, water and warmth to meet their daily physical needs. Owning suitable shelter is usually very expensive for common households. Affordability of building is affected by land accessibility, land cost, high cost of mortgage, institutional coordination with regard to infrastructural development, government approval procedures and availability of finance. Hence, strategies need to be initiated and adopted at the governmental level to deal with the issues relating to land cost, institutional development and legislation, and make the housing products available to the masses at affordable cost.

2.3 The Indian Housing Finance Market

- 2.3.1 In the Indian context, the housing finance system has been rapidly evolving. The sector is largely driven by the aspirations of people in all income segments who desire to own a house early in their lives. The capacity of the lending institutions has grown over the years as the mortgage segment has proved to be promising and profitable and increasingly bankable. The market is big and growing on account of factors such as rapid urbanization, population migrating to urban centers, and demographic composition. The growth and evolution of the sector are marked by challenges and opportunities for the various stakeholders. While the financial sector (demand side) is fairly unified under the governance of a central regulator, the construction activities and land resources (supply side, or the real economy) and their governance are decentralized and somewhat fragmented. This has thrown up regulatory challenges often resulting in multiple regulations. This tends to affect the efficiency of the market, while inducing some unintended distortions that limit

the market potential. However, it is widely recognized that the Indian mortgage finance market has withstood the stress and pressures resulting from the ongoing global crisis. This is evidenced by the sustained robust growth of the sector despite recessionary trends in several quarters of the domestic economy. The quality of assets in the housing sector has been consistently good, as reflected in the low level of non-performing loans, though the coverage has progressively expanded across the population and geographical regions. While the market has become more engaging for the lenders, the need for a good balance between regulation and development cannot be overemphasized in the larger context of the economic imperatives and the national priorities of the government.

- 2.3.2 The 1990s have been very eventful for India, more particularly in terms of the financial sector reforms that paved the way for better play of 'market forces' as the economy made the transition from a controlled and regulated regime to a liberalized and open regime. The Government's progressive 'hands off' approach has led to a greater role for market forces in the economy. The changes have been path-breaking and have involved institutions, policies, systems and practices. This has not been an easy transition as the developmental objectives of the Government needed to be addressed through the market mechanism. This in itself has been a challenge which has involved prioritization in terms of social needs and market capabilities.
- 2.3.3 The evolution of the housing finance system in India amid this broader transition in the economy had to be carefully and diligently guided through these difficult years. 'Housing' has historically been a social priority next only to food and clothing. The social connotation of the housing sector also had to undergo a transformation to reflect the spirit and potential of a liberalized and market oriented system. There is need for long term sustainable solutions through policy interventions instead of short term solutions driven by short term objectives as the latter may lead to malfunctioning of the housing finance market in the future. The cost has to be met eventually by the market. With appropriate care and responsive regulations, the tension between 'regulation' and 'development' can be considerably eased to enable the market to deliver optimum results.
- 2.3.4 The Indian housing finance market is today among the more robust and vibrant segments of the Indian economy. The Indian housing finance market has developed only in the past three decades or so, as prior to the late 1980s there was virtually no housing finance market to speak of. In the past three decades, particularly the period post-1987 (i.e. after establishment of the National Housing Bank), the housing finance market in India has grown phenomenally, enjoying double digit year-on-year growth and achieving vibrancy in terms of a larger number of players and products to serve different segments of the market. During these years, the regulatory philosophies of the National Housing Bank and the Reserve Bank of India (the central bank of India and regulator of all banks operating in the country) have been constantly changing and evolving as per the needs of the sector and market environment, domestic and global.
- 2.3.5 Housing finance problems began to surface as early as the 1970s. The Indian Government has taken various initiatives over time to address these problems. Prior to the establishment of NHB in 1988, the housing finance market in India was characterized by centralized directed credit. The Central/State Governments were operating a number of subsidized housing schemes and loan schemes which were meant for industrial workers, economically weaker section of the society and slum dwellers. However, the loan schemes were targeted for the people in the low-income group as well as rental housing schemes for State Government employees. The following institutions are providers of market-based housing finance solution, in one form or another:

Commercial Banks are the largest mobiliser of savings with wider network coverage. Their role had traditionally been earlier limited to providing the working capital needs of business, industry and commerce and hence, they were not active participants in the housing finance market. Another reason was that they were funded by short-term resources, which could not be profitably employed in long term lending. However, Banks today are the major lenders to housing sector, accounting for nearly 67% of the market. As a result of concerted efforts by NHB, RBI and Central Government towards development of stable housing finance, Banks now have much larger housing loan portfolios and are quite bullish on this product segment. Also the Banks by way of their risk monitoring and responsible lending, have been able to manage overall NPA levels, making them strong reason to continue to lend to this sector.

Housing Finance Companies are companies with principal objective of lending for housing finance. However, the noticeable aspect revealed is that there are only about 20 companies accounting for greater than 90% of total housing loans provided.

The NHB operates as the principal agency for promoting, regulating and providing financial and other support to HFCs at local and regional levels, while banks and NBFCs are managed and regulated by the RBI. As on June 30, 2014, 59 companies have been granted certificates of registration by NHB to act as HFCs. Over the years, the market share of housing finance companies (HFCs) has significantly come down vis-à-vis banks on account of considerable depth and reach of the banking sector in all parts of the country, including rural areas and their lending at more competitive costs. They have also exploited the potential of cross selling across their already existing large customer base and vast network of branches. Though the bank's portfolio over the recent years have shown robust growth in disbursements in the retail housing loan market, HFCs have also grown steadily over the years in a largely stable and regulated market environment, supported with their strong origination skills and diverse channels of sourcing business. Over the last few years, NHB has launched various refinance schemes to promote institutional financing of the rural and urban low-income housing segments. Examples of such schemes include Rural Housing Fund (RHF), Urban Housing Fund (UHF), and Special Refinance Scheme for Urban Low Income Housing.

With sharper focus on collections and recoveries, the quality of asset of HFCs was maintained well in the FY 2013-14. Although HFCs have been able to maintain their asset quality so far in a difficult operating environment, given the increasing focus of some players on relatively risky products/customer segments and a large-ticket developer loan book, it is expected that there will be some increase in the HFCs' non-performing assets (NPAs) from the current levels. However, overall, the gross NPA percentage is expected to remain around range over the medium term.

Cooperative Banks deploy funds from a common pool of resources to provide for various needs of its members. In Indian scenario, a lot of reluctance has been noticed by these cooperative banks to provide loans for housing finance. The major reason for this is the high risk and illiquidity in giving housing loans from common corpus.

Regional Rural Banks were not active in housing finance because of the involvement of large amount and assessment of creditworthiness coupled with fear of illiquidity and losses. However, now they have been active and their share in housing finance is increasing.

Agricultural and Rural Development Bank's major function is not the provision of housing finance and they maintain low profile.

Box 3: Report on "Scaling Up Housing Microfinance" by NHB in collaboration with IFMR Capital and DFID, UK.

The Bank collaborated with IFMR Capital and DFID UK to carry a study on "Scaling up of Housing Microfinance in India" with the objective of evaluating NHB's housing microfinance programme and studying the savings pattern of select informal sector households. Further, the study endeavored to develop a savings-linked housing finance product and understand the potential of the SHG-Bank Linkage model for a housing finance product. The study examined microfinance institutions and non-government organizations working in the area of housing microfinance in ten states.

Major Recommendations of the Study, include -

a) Wholesale Financing- Funding Model

- *In order to enable continuous and dependable flow of finance for wholesale financing of housing microfinance, the funding model proposed in this study is based on the principles of incentive alignment and active risk management.*
- *It is imperative that for the purpose of ensuring an efficient system design for housing microfinance, a structure is built where there is first loss provision from the originator MFI.*
- *In order to facilitate confidence amongst banks to lend through the MFIs, a structure where NHB provides a second loss protection in the form of a guarantee is much required. The idea is to partner with a forward looking bank and demonstrate a model of funding which can then be replicated in future by other guarantee agencies partly replacing the NHB in its role as the second loss provider in the structure.*

b) Role of the National Housing Bank

- *Significant support from NHB would be required to train the NGO-MFI staff on helping their clients in formalizing their land titles during the course of the loan disbursement process.*
- *NHB should proactively work towards developing sound financing structures to support the program. Providing second loss guarantees that add an additional line of protection for participating banks, would incentivize banks to participate in such a program, while at the same time ensuring that the banks retain risk over and above the first loss provided by the NGO-MFI and second loss from the NHB.*
- *NHB should also consider continuing its focus on capacity building specifically targeting NGO-MFIs for this purpose. Assistance in the form of imparting skills required for originating housing loans as a departure from the conventional group liability product would be key in ensuring that the NGO-MFIs originate high quality loans.*
- *The NHB has to play a role in training staff on institutionalizing the process of formalizing land titles. This would not only have a widespread impact on the land rights of the lower income households but would also unlock a huge market which currently is served by the informal sources of finance. In addition, the housing finance companies will have a larger market of properties with good title to finance.*
- *The NHB has a large mandate and may not be able to keep a strong operational control on a widespread program. It may consider the role of piloting and demonstrating the model suggested above so that it can be replicated by others.*
- *There is a clear need for institutions which can keep a direct tab on the NGO-MFI partners and push improvement. In scaling up the housing microfinance program, NHB can consider partnering with market participants, such that NHB plays the role of a facilitator and enabler.*

Chapter 3

Policy Environment for Housing and Housing Finance

3.1 Concept of Affordable Housing

- 3.1.1 Affordable housing refers to housing units that are affordable by that section of society whose income is below the median household income. Though different countries have different definitions for affordable housing, but it is largely the same, i.e. affordable housing should address the housing needs of the lower or middle income households. Affordable housing becomes a key issue especially in developing nations where a majority of the population is unable to buy houses at the market price. Disposable income of the people remains the primary factor in determining the affordability. As a result, it becomes the increased responsibility of the Government to cater to the rising demand for affordable housing. The Government of India has taken various measures to meet the increased demand for affordable housing including stressing on Public-Private Partnerships (PPP) for development of these units.
- 3.1.2 The need to facilitate supply of affordable housing to the unserved population and to encourage broad based home ownership through a right mix of policy initiatives cannot be overemphasized. In this context, the role of the Governments (both Central and State), financial institutions in terms of deliberate policies and interventions, is to create an enabling environment for the private sector, so as to facilitate realization of affordable and decent housing for all. The Government of India's focus through various housing policies schemes and funds is to increase housing stock and provide low cost housing finance to the under served and unserved. Housing has been an important subject in the Five Year Plans and specific Schemes such as Indira Awas Yojna, Golden Jubilee Rural Housing Finance Scheme, etc. and funds such as Rural Housing Fund, Urban Housing Fund, etc. have been formulated/created in order to promote affordable housing.

3.2 The Role of Different Agencies towards Affordable Housing

3.2.1 Role of Central Government: The National Urban Housing & Habitat Policy 2007 (NUHHP-2007) 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. Given the magnitude of the housing shortage and budgetary constraints of both the Central and State Governments, the NUHHP, 2007 focuses the spotlight on multiple stake-holders. Specific roles have been envisaged under the policy for various stakeholders, which are as under:

- To play a role of enabler and facilitator and ensure that private sector is enthused to take up affordable housing projects.
- To advise and guide respective State Governments to adopt and implement the National Urban Housing & Habitat Policy in a time bound manner.
- To promote balanced regional development in the country by suitably decentralizing functions relating to development of the Housing Sector and promotion of an ecologically sound habitat.
- To develop suitable financial instruments for promotion of housing for the EWS and LIG groups serviced by basic amenities.

- To promote action plans for creation of adequate infrastructure facilities relating to water, drainage, sanitation, sewerage, power supply and transport connectivity.
- To develop economically viable housing promotion models and standards for provision of physical, social and economic services.
- To develop suitable fiscal concessions in collaboration with the Ministry of Finance for promotion of housing and urban infrastructure with special focus on EWS/LIG beneficiaries.

3.2.2 Roles of State Governments:

- To prepare the State Urban Housing and Habitat Policy.
- To ensure suitable flow of financial resources to potential EWS/LIG beneficiaries as well as undertake viability gap funding of large housing and habitat development projects.
- To prepare medium term and long term strategies for tackling problems relating to provision of adequate water supply, drainage, sewerage, sanitation, solid waste management, power supply and transport connectivity.
- To promote and incentivize decentralized production and availability of local building materials.
- To prepare and update Master Plans along with Zonal Plans, Metropolitan Plans, District Plans and the State level Regional Plan by respective agencies with provision of adequate land for urban poor.
- To promote well designed Public-Private Partnerships for undertaking housing and infrastructure projects.
- To act as a facilitator and enabler in collaboration with ULBs/Parastatals/ Private Sector Cooperative Sector / Non-Government Organizations (NGOs) with regard to Integrated Slum Development Projects as well as Integrated Township Development Projects.
- To encourage Cooperative Group Housing Societies, Employees Organizations, labour housing promotion organization, NGOs and Community Based Organizations (CBOs) to have Partnerships with Urban Local Bodies / Parastatals in relation to housing related micro-finance and housing development.

3.2.3 Roles of Financial Institutions:

- To reassess their strategies with a view to make them more inclusive in terms of EWS and LIG segments
- To promote innovative financial instruments
- To enhance/ strengthen the income spread of housing loans portfolio to increasingly cover BPL and EWS beneficiaries.
- To adopt a more flexible and innovative approach in relation to credit appraisal norms.
- To Develop financial products which encourage EWS and LIG beneficiaries to take insurance cover.
- To plough part of their resources towards financing slum improvement and up-gradation programmes.
- To devise innovative housing finance schemes for targeting the EWS and LIG segments, with suitable subsidy support from the Government.
- To promote MFIs and SHGs for mobilizing savings and play a significant role in housing finance sector.

3.3 Recent Housing Schemes Implemented by the Government of India

- 3.3.1 The initiatives by the Government of India like allowing FDI up to 100 per cent in development projects for townships and settlements, approval of the Real Estate (Regulation and Development) Bill, 2013, setting up the Urban Housing Fund and impetus to Subsidy Schemes like the Rajiv Rinn Yojana have further strengthened the sector.
- 3.3.2 The recent budget announcements related to housing sector have been encouraging. An allocation of ₹ 8,000 crore to support rural housing and ₹ 4,000 crore for affordable housing to the urban poor/EWS/LIG segment through NHB, will increase the flow of cheaper credit for housing. Further, the Government has mandated to provide 'Housing for All by 2022'. With this objective the Hon'ble Finance Minister in his Budget Speech announced the setting up of a Mission on Low Cost Affordable Housing, which will be anchored by the National Housing Bank. The scheme will incentivize the development of low cost affordable housing.
- 3.3.3 Similar Policy-based efforts like providing tax sops for the Real Estate Investment Trusts (REITs), as announced in the Union Budget of 2014-15, could result in extracting new growth opportunities through Rental, Affordable and Senior Citizen Housing projects that can increase the depth of the industry. REITs have been successfully used as instruments for pooling of investment in several countries and such instruments will definitely attract long term finance from foreign and domestic sources including the NRIs. REITs would reduce the pressure on the banking system while also making available fresh equity.

Box 4: Announcements related to Housing Sector in the Union Budget 2014-15

- *Allocation for National Housing Bank increased from ₹ 6,000 to ₹ 8,000 crore to support Rural housing.*
- *₹ 4,000 crore allocated to NHB from the priority sector lending shortfall with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment*
- *Extended additional tax incentive on home loans to encourage people, especially the young, to own houses.*
- *Mission on Low Cost Affordable Housing will be anchored by the National Housing Bank*
- *Slum development to be included in the list of Corporate Social Responsibility (CSR) activities to encourage the private sector to contribute more.*
- *Master planning of 3 new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka to be completed. Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity to spur growth in manufacturing and urbanization will be accelerated.*
- *₹ 7,060 crore is provided in the current fiscal for the project of developing "one hundred Smart Cities"*
- *Incentives for Real Estate Investment Trusts (REITS), complete pass through for the purpose of taxation and a modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (InvITs), may attract long term finance from foreign and domestic sources including the NRIs.*

3.3.4 The major policies/schemes implemented by the Central Government in housing are as outlined below:

- 3.3.4.1 The National Urban Housing & Habitat Policy, 2007 strives to promote equitable distribution of land, shelter, and services by promoting "various types of public-private partnerships for realizing the goal of affordable housing for all"
- 3.3.4.2 The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a Central Government Program launched in collaboration with various State Governments and Urban Local Bodies, supports 63 cities across the country. The focus of the programme is on improving efficiency in urban infrastructure services delivery mechanism, community participation and accountability of Urban Local Bodies. The Bharat Nirman programme, launched in 2005, is continuing its focus on the provision of basic amenities like drinking water, roads, irrigation facilities, electricity and the construction of houses in rural areas through its six flagship programmes.
- 3.3.4.3 The Indira Awas Yojana (IAY) is focused on the provision of cash subsidy to rural BPL families for construction of dwelling units using their own design and technology. The funding under the Scheme is provided by the Centre and State in the ratio of 75:25 respectively.
- 3.3.4.4 To improve the affordability of housing loans to EWS/LIG segments in urban areas, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), Government of India implemented Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) on December 26, 2008 to provide home loan to EWS/LIG persons for acquisition/construction of house. The Scheme provided a subsidy of 5% for a loan amount up to ₹ 1 lakh for the entire tenure of loan on an upfront basis. The Central Nodal Agencies (CNA) for the scheme were National Housing Bank (NHB) and Housing & Urban Development Corporation Ltd. (HUDCO). The Scheme was closed w.e.f. September 30, 2013.
- 3.3.4.5 MoHUPA, Government of India revised Interest Subsidy Scheme and renamed it as Rajiv Rinn Yojana (RRY), as an additional instrument for addressing the housing needs of EWS/LIG segments in urban areas with increase in limit of eligible housing loans from ₹ 1 lakh to ₹ 5 lakh. Rajiv Rinn Yojana is effective from October 1, 2013. Under RRY, the amount of loan has been revised up to ₹ 5 lakh for EWS and ₹ 8 lakh for LIG beneficiaries. However, the interest subsidy of 5% is made available on a maximum loan of ₹5 lakh for both categories of beneficiaries. The eligible lending institutions under the scheme are SCBs, HFCs and RRBs. NHB and HUDCO are the 2 nodal agencies under the Scheme. Under RRY, The economic parameter of EWS is defined as households having an average annual income up to ₹ 1,00,000/- and the economic parameter of LIG is defined as households having an average annual income between ₹ 1,00,001/- up to ₹ 2,00,000/-. This will be subject to revision by the Steering Committee of the Scheme from time to time.
- 3.3.4.6 1% Interest Subvention Scheme: In order to stimulate demand for credit for housing in the lower & middle income segment of population in the country, Government of India, Ministry of Finance w.e.f. October 01, 2009, implemented interest subvention of 1% for one year (first 12 months) on all individual housing loans upto ₹ 10 lakh, provided the cost of the unit does not exceed ₹ 20 lakh, which continued till FY 2010-11. The Scheme was further extended for FY 2011-12 and FY 2012-13 with increase in limit of housing loans upto ₹15 lakh and cost of house upto ₹ 25 lakh from ₹ 10 lakh and ₹ 20 lakh, respectively. The Scheme ceased to be in operation from April 01, 2013. The loans provided by the

lending institutions upto March 31, 2013 were/are eligible for the interest subsidy under the Scheme. All regions of the States and Union Territories in the country, including rural and urban areas were covered under the Scheme. The Scheme was implemented by SCBs, HFCs and RRBs. During the initial period of the Scheme, RBI and NHB were designated as Nodal agencies for SCBs and HFCs, respectively. NHB was designated as the sole nodal agency for SCBs and HFCs from FY 2011-12.

- 3.3.4.7 The Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) has been set up and registered by Government of India on May 01, 2012 under the aegis of the Government of India, Ministry of Housing and Urban Poverty Alleviation (MoHUPA). The Trust is managed by NHB and MoHUPA, with Government of India as the "Settler" of the Trust.

The Trust has an initial Corpus Fund of ₹ 1 lakh contributed by the Settler. Further contribution will be made to the initial corpus by the Settler and the State Governments, who draw on it in accordance with slum population, i.e. ₹ 1,000 crore in the aggregate by the Settler and ₹ 200 crore by the State Governments.

As on June 30, 2014, MoHUPA, as Settler, has contributed ₹ 150 crore towards the corpus fund of the Trust. Credit Risk Guarantee Fund Scheme (CRGFS) for low income housing has also been notified by MoHUPA, vide Gazette Notification dated July 7-13, 2012.

CRGFS provides guarantee for housing loan upto ₹ 5 lakh sanctioned and disbursed by the lending institutions without any collateral security and/or third party guarantee to the new borrowers in the EWS/LIG categories in urban areas for home improvement/acquisition and purchase of new or second hand dwelling unit/construction/extension of an affordable dwelling unit with carpet area not exceeding 430 sq.ft. (40 sq.m.). The guarantee cover available under the Scheme is to the extent of 90% of the sanctioned housing loan amount upto ₹ 2 lakh and 85% for loan amounts above ₹ 2 lakh and upto ₹ 5 lakh. The lending institutions eligible to avail benefit of the Guarantee cover under the Scheme of the Fund Trust are SCBs, RRBs, UCBs, NBFC-MFIs, Apex Cooperative Housing Finance Societies registered under the State Co-operative Societies Act and HFIs registered with NHB. As on June 30, 2014, 47 institutions have signed Memorandum of Understanding (MoU) with the Trust under the Scheme.

The major objective of the Trust is to guarantee housing loan up to ₹ 5 lakh sanctioned and disbursed by the lending institutions without any collateral security and/or third party guarantee to the new borrowers in the EWS/LIG categories in urban areas. Therefore, it will act as a risk mitigant for lending institutions (Members of the Scheme) and will help increasing the scope of lending by Member Lending Institutions (MLIs) for low income housing for EWS/LIG segments.

The housing loans provided by MLIs to these segments which are covered under the CRGFS, entails them of certain benefits under prudential norms e.g. Zero Risk Weight, no NPA provisions etc. This means lesser requirement of CRAR for this loan portfolio. Therefore, it is expected that the benefits to MLIs will be passed on to the intended beneficiaries under the Scheme helping EWS/LIG borrowers in acquiring/construction of affordable housing units.

Further, the Scheme is applicable for the eligible housing loans extended by the lending institution in urban areas. The coverage under urban areas may extend to statutory towns, urban agglomerations and planning areas. The descriptions of statutory towns, urban agglomerations and planning areas are given below: