

PREFACE

Most recent estimates (1990) indicate that there is an absolute deficit of approximately 9.7 million houses or dwelling units in the urban areas of the country. In 1971, this deficit was placed at 2.9 million dwelling units. Looked at in combination with the growth of urban population during the 1971-90 period, it would seem that the addition of new dwelling units in the urban areas has not been able to keep pace with the growth of urban population, and if these trends continue i.e. if the pace of addition of new dwelling units is not stepped up, then India will have a much worse housing problem than it has today. One of the main reasons for the slow pace of construction of housing units is the scarcity of finance for housing construction. A number of steps have been lately taken in the country to increase the flow of finance to the housing sector. These steps include the establishment of the National Housing Bank, launching of housing finance schemes by a number of nationalised banks, opening up of the housing sector to Non-Resident Indians, and preparation of a Draft Housing Policy.

While these steps are in the right direction, and will unquestionably contribute to increasing the flow of financial resources into the housing sector, the fact remains that there is hardly any reliable information on the existing sources of housing finance, the terms and conditions at which housing finance is available from different sources, and the constraints which are faced by the different categories of borrowers, in particular, the low income-borrowers in the housing finance

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Most recent estimates (1990) indicate that there is an absolute deficit of approximately 9.7 million houses or dwelling units in the urban areas of the country. In 1971, this deficit was placed at 2.9 million dwelling units. Looked at in combination with the growth of urban population during the 1971-90 period, it would seem that the addition of new dwelling units in the urban areas has not been able to keep pace with the growth of urban population, and if these trends continue i.e. if the pace of addition of new dwelling units is not stepped up, then India will have a much worse housing problem than it has today. One of the main reasons for the slow pace of construction of housing units is the scarcity of finance for housing construction. A number of steps have been lately taken in the country to increase the flow of finance to the housing sector. These steps include the establishment of the National Housing Bank, launching of housing finance schemes by a number of nationalised banks, opening up of the housing sector to Non-Resident Indians, and preparation of a Draft Housing Policy.

While these steps are in the right direction, and will unquestionably contribute to increasing the flow of financial resources into the housing sector, the fact remains that there is hardly any reliable information on the existing sources of housing finance, the terms and conditions at which housing finance is available from different sources, and the constraints which are faced by the different categories of borrowers, in particular, the low income-borrowers in the housing finance

market. The fact that are known about housing finance are not of much worth in designing, planning and shaping innovative housing finance strategies.

This study is one of the initial attempts in the country to bring together from the field information on housing finance, collected from 2,000 households belonging to different income groups and different socio-economic and spatial setting. It brings together information on the different types of sources of housing finance. It presents facts on the terms and conditions at which borrowers secure funds from the various sources. It also brings out the nature of constraints that different types of borrowers face in the housing finance market.

The study shows that contrary to what is widely believed, formal finance plays a larger role in terms of the "volume" of finance that it extends to the housing sector; its role when judged in terms of the number of borrowers that it assists, is however, small. The study shows that the existing lending procedures are far too rigid to allow the small borrowers to take advantage of the liberal terms and conditions at which the formal institutional sources extend housing finance. It shows that while the existing efforts including launching of the new schemes such as the Home Loan Account Scheme are steps in the right direction, these are hardly adequate in terms of the size of the problem that India is currently faced with. It shows that the

loan to housing cost ratios are extremely low, which result in poor quality of housing construction.

Much is possible in the area of housing finance. Consortium lending, cooperatives as a proxy for collateral, community involvement in offering guarantees etc. are some of the areas that have immense potential in making better and efficient use of the opportunities offered by the formal housing finance institutions. Unless these institutions begin to use such instruments, the formal finance will not be able to penetrate into the housing needs of particularly the poorer sections of the urban areas.

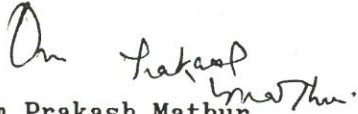
This study has been done for, and with the support of, the National Housing Bank (NHB). The study originated in a discussion that the undersigned had with Shri K.S. Sastry, former Chairman of the National Housing Bank and Dr. Kripa Shanker, General Manager on general issues relating to housing finance, which subsequently was expanded into a research project and submitted to NHB for financial support. NHB provided the necessary support, and outlined how such a study would improve the data base on housing finance. Shri A.P. Saxena, Manager, NHB, and Dr. Chetan Vaidya, Assistant General Manager, contributed a great deal to this study at various stages.

At the National Institute of Urban Affairs (NIUA), Shri K.K. Pandey, Senior Research Officer, coordinated the study, organised the field work together with the other staff members of NIUA and

prepared with me the final draft of this study report. The Computer unit of NIUA led by Shri R.K. Dahiya assisted in the tabulations and compilation, and word processing of the report. I would like to gratefully acknowledge their contributions.

This study has provided to NIUA an insight into an area that is very obscure and unexplored. We hope that this study would be taken to the next stage where the feasibility of some of the suggestions made in this report can be determined. We hope that the report would be useful to the National Housing Bank in shaping its housing finance policies.

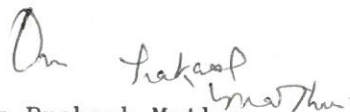
31.01.1992


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Director

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SUMMARY AND RECOMMENDATIONS

1. Public investments in housing are extremely low in India. It is estimated that these account for no more than 1.5 per cent of the total development investments. Public, institutional sector, however, provides only about 20-25 per cent of the total housing investments; the balance of 75-80 per cent is provided by the private sector, i.e. the household sector and other non-institutional sources. Apart from these very gross estimates, there is very little information in the country on the structure of the housing finance market, the relative weights and importance of the different sources, the terms and conditions at which housing finance is available from different sources, and the adequacy levels of housing investments. This study is a first systematic attempt in the country to fill in this information gap.

2. Housing finance market in India is overwhelmingly dominated by the informal sources which reach out to a wide-range of households. The reach of the formal housing finance system is limited to approximately 45 per cent of the households, although the formal sources operate at a comparatively larger scale than what is generally visualised. It now provides almost one-third of the total housing finance. This change in the housing finance environment is mainly attributed to the growing role of specialised housing finance agencies and institutions.

3. The phenomenon of multiple sources of financing dominates the housing finance market in India. Most of the households (85.2 per cent) resort to more than one source of housing finance, suggesting, on the one hand, the inability of households to secure housing finance from a single source, and, on the other hand, the inflexibility of the housing finance market to be able to extend full credit to the different categories of households.
4. Own savings are the most important single source of housing finance in the country. Apart from the total dependence of 14.8 per cent of households and part dependence of other households on 'own savings', its position as the most important source emerges from the fact that its share in the total housing investments is very high, being 55 per cent among the sampled households. The remaining sources that represent the loans from the formal as well as the informal market operate in combination with own savings either individually or jointly.
5. 'Own savings' as the single source of housing finance is important with all categories of households, though the proportion of households relying on own savings is noticeably high among the low income households. The survey shows that of the 295 households (14.8 per cent of the total sample) who reported to have used only own savings, around 63 per cent belong to low income category with annual income ranging upto Rs.18,000.
6. Own savings combined with the credit from informal sources constitute the single most important source of housing finance

being utilised by nearly 41 per cent of households. This is the main source of housing finance for the poor and low income households. Of the 809 sampled households who rely on this source, nearly 84 per cent or 677 households belong to low income groups.

7. Formal sources and own savings are clearly important for the high and middle income households. Nearly 82 per cent households who reported to have used this channel belong to annual income category of over Rs. 18,000. As stated earlier, formal sources on the whole are accessible to only 45 per cent of households. However, the credit from these sources although significant is not sufficient to meet the actual demand. The insufficiency of the volume of formal finance is noticeably high among the low income households. Nearly 70 per cent of the them also take loans, from the informal/non-institutional sources as compared to only 36 per cent from the middle and high income groups.

8. Thus, there exists in the country a dualistic housing finance market wherein there is a very high degree of dependence by the poor and low income households on own savings and informal, non-institutional sources, and on own savings and formal and institutional sources by the relatively high and middle income group of households.

9. The supply of affordable funds, irrespective of sources, falls well short of demand, expressed as multiples of monthly

household incomes. Only 21 per cent households appear to have made the investments nearer to the norm of 40 times the monthly household income. This is based upon NHB's norms of repayment capacity being 30 months of household income plus a down payment in the ratio of 3 : 1. Low investment levels are a conspicuous feature of the poor and low income households. Over 82 per cent of households who reported investments of less than 10 times their monthly incomes are in the low income brackets. On the other hand, the levels of investment are higher and nearer the norms in higher income households. Of the 423 households reporting investments of over 40 times the incomes, 72 per cent had annual incomes in excess of Rs. 18,000.

10. Low investments are also a feature of those households who are engaged in informal sector activities and have insecure land tenures. 93 per cent of the households with unstable or informal nature of employment and insecure land tenure have reported low investments. These factors, to some extent, limit the households capacity to borrow and repay. A vast majority (64 to 68 per cent) of households with formal nature of employment and secured land tenure also have reported investments lower than the affordable limits. In this sense, even the 'eligible' households are not adequately covered by the formal housing finance system.

11. There are three types of interest rates on which households borrow from the housing finance market i.e. unspecified interest rates; rates of interest computed on monthly basis; and annual

rates of interest. Similarly, the repayment period also falls into three categories viz. unspecified repayment period; short, less than one year repayment period and longer repayment period of over five years. The first two categories for both the variables (interest rate and repayment period) are necessarily a characteristic of only the informal housing finance market whereas the annual rate of interest and longer repayment period are the special features of the formal market.

12. Almost 30 per cent (602) households borrow on unspecified interest rates which is an extremely important feature of India's housing finance market. These transactions are basically determined by social relationships. Two aspects need to be noted with respect to these borrowings. First, these are largely a feature of low income and poor households. Second, the loan amount involved in such transactions are necessarily small, clearly demonstrating the tendency on the part of the lenders to minimise their own risks.

13. A slightly higher number of households (618 or nearly 31 per cent) borrows on monthly rates of interest. This has three special features. First, the rates of interest are substantially high when translated into yearly rates; nearly 95 per cent of these loans are given at a rate higher than 24 per cent per annum. Secondly, 70 per cent of these loans are given to the households who belong to the annual income range of Rs.18,000 and less. Hence, the low income households bear a

greater part of the burden of the housing finance market. The third feature consists of nearly 45 per cent (896) households who borrow on annual rate of interest varying from 4 per cent to 18 per cent. These are the established rates in the formal, institutional component of housing finance. Only 125 households have borrowed at 4 per cent per annum which falls under the special schemes launched for households from the scheduled castes/tribes and other disadvantaged classes. Such households form only 11 per cent of the low income households. It means that specifically targetted schemes cover a small fraction of low income households. The rates of interest for others range between 4 to 18 per cent per annum. It is important to note here that about 80 per cent of these loans are secured by households from middle and high income groups, who are able to secure access to formal credit which is cheaper, while the low income households have no option but to resort to more expensive informal, non-institutional finance.

14. It is not only in respect of rates of interest that the poor and low income households stand disadvantaged; the period of repayment also affects them adversely. The field level data shows that the loans on short-term or unspecified period are invariably informal and tied up with either monthly or unspecified rates of interest, whereas the longer duration housing loans are a vital characteristics of formal financing institutions.

15. Flexible collateral, easy accessibility and quick processing are the three main factors that seem to have governed the households' choice to borrow from the informal sources. Most of the borrowers from informal sources (in a range of 71 to 99 per cent) find these factors as major determinants of their choice to resort to informal credit. On the other hand, longer repayment period and lower rate of interest are the two main determinants of households' choice to borrow from formal sources. A vast majority of these households feel that the formal sources are not easily accessible and their procedures are very complicated.

16. The formal finance should be able to assist a wider range of income groups. The shortage of housing finance is acute among low income households, although a majority of households from the middle and high income groups also face the shortage of housing finance. There is need to adequately cover these households by the housing finance system.

17. Equally strong is the need to suitably tackle the 'eligibility' part of the low income households for securing access to formal finance. The three fundamental barriers in this regard are - (a) lack of stable and verifiable source of income; (b) inability to produce requisite collateral/security, and (c) possession of insecure land tenure. The barriers of eligibility aspects of low income households cannot be removed within the ambit of existing conditions imposed by formal credit institutions. A different approach has to be evolved by

involving the voluntary sector, which can be used to motivate and help the low income households to form groups and co-operatives which, in turn, can provide adequate mortgage/security to the formal institutions for raising loans for its members. These groups and co-operatives could also help the members to raise larger quantum of loans on the basis of future growth of their income.

18. The acceptance of second/multiple mortgages needs to be encouraged. In this regard, the National Housing Bank can, under its refinancing schemes, allow the acceptance of second/multiple mortgages by banks and Housing Finance Institutions. Consortium lendings should be encouraged and institutionalised, and directions in this behalf can come from the NHB itself.

19. There exists a large savings potential among the urban households which can be channelled into the housing sector. In view of the recent changes in the interest rate structure, the interest rates on deposits under the Home Loan Account Scheme should be reviewed in order to maintain its attraction as a saving instrument. The relaxation in the period of savings under the Home Loan Account Scheme should also be extended to those who intend to obtain a plot/flat under schemes launched by the public sector agencies and the private sector developers.

20. There is a need to accelerate the flow of institutional finance for housing upgradation. For this, the HLA facility should also be extended to the homeowners willing to improve

their housing conditions. This will also widen the scope of the HLA scheme. Requirements for upgradation, it should be noted, vary from one income group to other. The low-income households require assistance for the improvement of services, legal land title and structural upgradation. In view of the problems of "eligibility", urban households need to be organised with the help of voluntary agencies who can motivate the households to form groups/co-operatives to act as an intermediary link institution to extend formal finance to the hitherto ineligible segments of households. The households from middle and high income groups require assistance for size-extension or addition and alteration of existing dwellings. In this regard, the ceiling of loans (Rs. 30,000) for upgradation under the NHB's refinancing schemes should be revised upwards.

I

CONTEXT AND PURPOSE

The last three years or so have witnessed in the country a phenomenal upsurge of interest in issues relating to housing and housing finance. This upsurge which is clearly manifest in the establishment of the National Housing Bank (1988) and, equally, in the Government's recent efforts to have a national housing policy owes itself to the simple fact that the housing stock in the country, particularly in the urban areas has failed to keep pace with the growth of urban population. Over the years, the housing shortages have increased alarmingly in the country. In 1981, the urban housing shortages were conservatively assessed at 5.9 million dwelling units; today, in 1990, these are estimated to have increased to 9.7 million units.¹ The deteriorating housing situation is equally reflected in a very large number of households -- nearly 50 per cent, living in single room units with many such units being shared by more than two households, and over 25 per cent of the urban households living in slums and unauthorised settlements (refer to Census of India-1981, VIII-A&B-ii). Nearly 15 per cent of the households live in dilapidated structures and in structures that are unfit for human habitation, in addition to vast numbers who live on the pavements. The housing stock has also come under severe pressure on account of poor maintenance, with the prognosis that given the framework of existing legislations, the stock of housing may deteriorate further.

1. Report of the National Commission on Urbanisation, Volume II, Part IV pp. 206, New Delhi (August 1988).

1.2 One of the primary reasons, among many, for this state of affairs is the low level of investments in the housing sector. Estimates indicate that public investments in the housing sector are currently running at less than 1.5 per cent of the total development investments in the country, having declined from a level of about 10.5 per cent during the 1951-61 period. In the Seventh Five Year Plan 1985-90, public housing investments accounted for only 1.5 per cent of the total investments.

1.3 An important fact about housing investments in the country is that the public, institutional sector provides only about 20-25 per cent of the total housing investments; the balance of 75-80 per cent is provided by the private sector, i.e., the household sector and other non-institutional sources.² Apart from this gross estimate of the relative shares of the public and private sectors and a few studies that have brought out the existence of large savings potential among the low-income households and the need to more effectively mobilise them for housing purposes, there is surprisingly little information on the structure of the housing finance market, the relative weights and importance of the different sources, the terms and conditions at which housing finance is available from different sources, and the adequacy levels of housing investments.³ Still worse, information about the household and non-institutional sectors

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2. The Seventh Five Year Plan 1985-90 places public investment at only 7.81 per cent of the total housing investments.
 3. Vinay Lall, Housing Finance in India, National Institute Public Finance and Policy, 1982.

which enjoy an overwhelming place in the housing finance market is even less. Similarly, while it is generally understood that factors like household incomes, employment status and tenure of the land influence the accessibility of households to the various sources of housing finance, the precise role of each of the factors is not known. Nor is anything known about the profiles of the different categories of households who borrow from the housing finance market, or about the reasons that underlie their preference for one over the other source. Another grey area is related to the levels of housing investments which too suffers from any systematic information on the extent of shortfalls in investments and their effects on the housing stock.

1.4 This study titled as "The Informal Finance for Urban Housing: Status and Prospects" is the first systematic attempt to shed light on some of these aspects. It owes itself, as mentioned earlier, to the fact that there are major shortages of housing in the urban areas, that these shortages are growing, and that there is need to strengthen and expand the housing finance market. This study is aimed at improving our understanding of several critical areas concerning the housing finance market. Looked at specifically from the perspective of housing finance borrowers, this study has attempted to focus on ---

- i. the sources of housing finance and their relative weights for different categories of borrowers;
- ii. the levels of housing investments and their adequacy in relation to the norms for the production of different categories of housing units;

- iii. the terms and conditions for housing loans from different sources and to different types of borrowers; and
- iv. the profiles of borrowers using different sources of housing finance.

1.5 The key policy issue connected with the research study is whether the informal, non-institutional sources of financing which today provide 75-80 per cent of housing finance should be encouraged or discouraged. On the one hand, it is argued that since the resources of the formal financing institutions are limited, and since it is not possible to substantially raise these resources in a short run, attempt should be made to consciously develop the non-institutional financing sources by appropriate policy incentives and interventions.

1.6 The other argument is that the formal sector institutions should redesign their lending policies and procedures in such a way that their resources can become available to particularly the low income segments of the urban population who have at present no option but to resort to non-institutional credit at unfavourable terms and conditions. This is particularly important as the National Housing Bank Act, 1987 lays down that the Bank may formulate schemes for the economically weaker sections of the society. So far, the fragmentary evidence which is available indicates that the formal sector institutions are unable to reach out to the low income and weaker sections either due to the conditions and procedures attached, or the pattern of their demand, or factors such as their capacity to borrow. In either case, a thorough understanding of the existing housing

finance market is necessary to take a view on this policy issue. This study which has been prepared for the National Housing Bank is linked with this policy question.

1.7 This research study is based on an indepth survey of 2,000 households in four cities, namely -- Burdwan (311,798 people as per 1981 census), Cochin (685,836), Ghaziabad (271,000) and Rajkot (445,000) who constructed their houses during the period 1984-89. The survey consisted of a series of steps including --

- i. physical identification of areas within each of the four cities which witnessed major construction activity during 1984-89 -- this being the reference period of study;
- ii. delineation of such areas according to income-types as prescribed by the development agency in respective towns --
 - a. High income,
 - b. Middle income,
 - c. Low income, and
 - d. Economically weaker sections/slum areas;
- iii. preparation of an inventory of households who constructed their houses during 1984-89;
- iv. selection of households out of the inventory for indepth investigation. A sample of 500 households was selected from each of the cities, with the following break-up (Table 1) according to the housing areas types; and
- v. collection of data from the sampled households using a structured questionnaire.

Table 1: Sample Size

Housing Area Type	Number of sampled households
High-income	200
Middle-income	400
Low-income	600
Slums and Economically Weaker Sections	800
Total	2000

1.8 The main characteristics of the sampled households in terms of incomes, occupations and land tenurial status are given in the tables attached with this study.

II

HOUSING FINANCE MARKET:
STRUCTURE AND PRINCIPAL CONSTITUENTS

2.1 It is best to begin this study by pointing out that interest in housing finance issues in India is of a comparatively recent origin, with earlier studies having focussed on the assessment of housing shortages and the informal sector initiatives in housing development. Specific studies on housing finance issues have been few in number.⁴ Apart from highlighting the importance of the informal sources of finance in housing, these studies have not revealed much about the relative importance of the various sources of housing finance or about the degree of dependence of the different categories of borrowers on various financing sources. This section of the study provides an insight into this aspect of the housing finance, by examining the response of 2,000 households distributed in four cities, namely, Burdwan, Cochin, Ghaziabad and Rajkot.

2.2 The 2,000 households which formed the sample for indepth investigation, when divided on the basis of the sources of housing finance, fall into four categories --

4. Vinay Lall, Ibid.

- i. those who rely wholly on "own savings";
- ii. those who rely on a combination of "own savings" and loans from formal, institutional sources;
- iii. those who rely on a combination of "own savings" and loans from informal, non-institutional sources; and
- iv. those who rely on a mix of "own savings" and other sources of housing finance.

2.3 According to the field survey, 14.8 per cent of the total number of households rely wholly on "own savings"; 40 per cent on a combination of "own savings" and informal sources, and nearly 25 per cent on "own savings" and formal sources for meeting the housing finance requirements. Only a small percentage of households depend on a single source of financing; the phenomenon of multiple sources of financing is widely prevalent in the Indian context, suggesting, on the one hand, the inability of the households to secure housing finance from a single source, and, on the other hand, the inflexibility of the housing finance market to be able to extend full credit to the different categories of households.

2.4 The survey data bring out the pre-eminence of "own savings" as the single most important source of housing finance in the country. Apart from the total dependence of 14.8 per cent of the

Table 2 : Degree of Dependence of Sampled Households on Different Sources of Housing Finance

Constituents	Households		Magnitude of Investment by source (Rs.in '000)	
	Number	%		
Savings only	295	14.8	Savings	10,247
Formal & Savings	485	24.2	a. Savings	22,093
			b. Formal sources	25,062
Informal & Savings	809	40.5	a. Savings	14,605
			b. Informal	6,133
Formal, Informal & Savings	411	20.5	a. Savings	25,635
			b. Formal	18,934
			c. Informal	9,396
All	2000	100.0	a. Savings	72,580 (54.9%)
			b. Formal Credit	43,996 (33.3%)
			c. Informal Credit	15,529 (11.8%)
			d. Total	132,105(100.0%)

households and part dependence of other households on "own savings", its position as the most important source emerges from the fact that its share in the total housing investments is very high, being 55 per cent among the sampled households. The town-level data reinforce the dominance of savings in sampled towns whereby its share is reported to be within a range of 45 per cent for Burdwan to 61 per cent for Ghaziabad. (Town-wise Tables No.2, appendix). The share of formal, institutional credit is 33.3 per cent, while the other informal, non-institutional sources (friends and relations and indigeneous bankers) account for 11.8 per cent of total housing investments. A somewhat larger share of formal credit as compared to what is generally believed (20-25 per cent) is mainly explained by the recent

emergence of specialised housing finance institutions in the country which have entered the housing finance market in a major way.

2.5 Further probe into the share of the different constituents of housing finance shows that --

- i. cash savings account for 33.8 per cent of the total housing finance; at the same time, 21.1 per cent of the total housing finance is provided by the liquidation of assets;
- ii. the share of banks in the total housing finance is only 10.3 per cent; However, the town-level data show a substantially higher share of banks in the housing investments in Rajkot, it being almost 19 per cent whereas the remaining towns indicate a relatively lower share being 6.3 at Cochin, 7.5 at Ghaziabad and 10.8 at Burdwan. The main reason for a high share of banks in the case of Rajkot appears to be the large scale development of land under TP schemes and section (20) and (21) of Urban Land Ceiling and Regulation (ULCR) Act (Town-wise Table No.3, appendix);
- iii. indigeneous bankers play a relatively insignificant role in the housing finance market, particularly in the urban areas, their share in total housing finance being 1.9 per cent only.

Table 3: Share of the Various Sources in Housing Finance

Sources	Amount (Rs. '000)	Percentage
Formal Sources	43,996	33.3
a. Provident Fund & Employer	14,473	10.9
b. Banks and others	13,665	10.3
c. Specialised HF Agencies	15,858	12.1
Informal Sources	88,109	66.7
a. Savings	72,580	54.9
i. Cash savings	44,632	33.8
ii. Liquidation of assets	27,948	21.1
b. Loans from Friends & Relations	13,175	9.9
c. Loans from Indigeneous Bankers	2,354	1.9
Total	132,105	100.0

2.6 "Own savings" as a source of housing finance is important with all categories of households, though the proportion of households relying on own savings is noticeably high among the low-income households. The survey shows that of the 295 households (14.8 per cent of the total sample) who reported to have used only "own savings", nearly 43 per cent are poor households having annual incomes of Rs. 8,400, and another 20 per cent belong to households with annual incomes ranging between Rs. 840 - Rs. 18,000. Such a high percentage of households using "own savings" is indicative of the fact that they are unable to secure finances from other sources, and have no option but to use their own savings (including liquidation of assets) for purposes of housing construction.

Table 4: Degree of Dependence on the Major Sources of Housing Finance by Income Categories of Households

Annual income groups (Rs.)	Number of households by major sources of housing finance				Total
	Own saving	Own saving and informal sources	Own saving & formal sources	Mix of own savings and formal and informal sources	
Upto Rs. 8,400	128 (43.4%)	240 (29.6%)	38 (7.8%)	81 (19.7%)	487 (24.3%)
Rs. 8,400-18,000	58 (19.7%)	437 (54.0%)	48 (9.9%)	107 (26.0%)	650 (32.5%)
Rs. 18,000 - 30,000	36 (12.2%)	66 (8.2%)	134 (27.6%)	82 (20.0%)	318 (15.9%)
More than Rs. 30,000	73 (24.7%)	66 (8.2%)	265 (54.6%)	141 (34.3%)	545 (27.3%)
Total	295 (14.7%)	809 (40.4%)	485 (24.2%)	411 (20.6%)	2000 (100.0%)

As stated earlier, "own savings" combined with credit from informal sources constitute the single most important source of housing finance in the country. This is the main source of housing finance for the poor and low-income households; of the 809 households who rely on this source, 677 or 83.8 per cent fall into this category.

2.7 The formal sources and "own savings" are clearly important for the high and middle income households. Nearly 82 per cent of the households who reported to have used this channel belong to the annual income category of over Rs. 18,000. The dominance of the combination of formal finance and own savings among middle and high income households is also confirmed at individual town

levels, being 69% households in Ghaziabad, 78% in Cochin, 80% in Burdwan and 91% in Rajkot. (Town-wise Tables No.4, appendix)

2.8 This set of information points to the existence in the country of a dualistic housing finance market wherein there is a very high degree of dependence by the poor and low-income households on "own savings" and informal, non-institutional sources, and on own savings and formal, institutional sources by the relatively high and middle-income group households. The survey also points out that the role of own savings (cash and liquidation of assets) is high among the poor and low-income households which declines as the incomes of households increase, suggesting the accessibility of high-income households to other sources of financing options.

2.9 The same pattern persists in the sampled towns, as may be seen in Table 4 (Town-wise Tables, Appendix). In Ghaziabad, for instance, 61 per cent of the middle and high income groups households rely on institutional finance, and in Burdwan, this proportion is 81. Majority of the low income households depend on "own savings" and other informal sources of financing.

III

HOUSING INVESTMENTS : LEVELS, COMPOSITION AND ADEQUACY

3.1 An important aspect of this study was the level of investments in housing, with particular reference to its adequacy in relation to the investment norms and standards. In India, particularly in the urban areas, an investment of 30-40 times the monthly households incomes is considered as the minimum investment for producing a housing unit acceptable as per formal standards. This limit also coincides with the prescribed levels⁵ of household affordability to invest in housing. Any investment of a lesser magnitude is taken to be low, and is a major factor in the production of poor quality housing.

3.2 This study shows that investment levels in housing range between Rs. 16,500 and Rs. 159,000, depending on the income levels of the households. A poor household (upto Rs. 8,400 annual household income) invests on an average Rs. 16,500, while a higher-income household (over Rs. 30,000 annual household income) invests Rs. 159,000 in housing. On an average, housing investments work out to Rs. 66,000 per housing unit. However, the average investment levels in individual towns vary within a range of Rs.54000 at Rajkot to 65,000 at Burdwan. (Town-wise Tables No.5, appendix)

5. This is based upon NHB's guidelines for repayment capacity, it being 30 months of household income plus a down payment in a ratio of 3:1.

3.3 As pointed out in the preceding section, "own savings" form a greater part of the total housing investments. Out of Rs. 16,500 which are average investments for households having incomes of Rs. 8,400 and less, savings account for Rs. 10,050, other informal sources Rs. 3,840, and the balance of Rs. 2,630 comes from the formal sources of financing. In households falling in the income range of over Rs. 30,000, while savings still account for Rs. 85,750 out of an average investment of Rs. 158,900, the share of formal sources is significantly higher (Rs. 57,630) than that of the informal sources (Rs. 15,520).

Table 5: Levels and Composition of Housing Investments

Income levels of households (Rs.)	Amount of Investment by Sources (Rs.)			
	Savings	Informal	Formal	Average
Upto Rs. 8,400	10,060	3,840	2,630	16,520
8,40-18,000	15,440	3,990	5,640	19,994
18,00-30,000	34,330	8,200	24,970	67,500
More than 30,000	85,750	15,520	57,630	158,900
Average	36,290	7,760	22,150	66,200

3.4 The levels of investments are low for most households in relation to the norms, expressed as multiples of monthly household incomes. According to the study, the levels of housing investments are less than 10 times the monthly household incomes in the case of 38 per cent of the households, between 10 to 20

times for 17.6 per cent of the households, and between 20 to 30 times for 10.8 per cent of the households. In only 21 per cent of the cases, housing investments appear to be nearer the norm of 40 times the monthly household incomes. This also infer that the supply of affordable funds is low and falls well short of demand for housing finance. The data on the levels of investment in sampled towns reiterate the existence of low investments (being less than 30 times the household income) in a majority of cases, ranging from 59 per cent in Burdwan and Rajkot to 80 per cent in Cochin. (Town-wise Tables No.6, appendix)

3.5 Low investment levels are a conspicuous feature of poor and low-income households. Over 82 per cent of the households who reported investments of less than 10 times the monthly household incomes are in the low-income brackets. Almost 88 per cent of the households, falling in the lowest slab (< 10 months) of housing investments, show a high degree of dependence on informal sources (Table :B-6). Thus, there is a positive relationship among the low levels of household income, high degree of dependence on informal sources and low level of housing investments. On the other hand, the levels of investments are higher and nearer the norms in higher income households. Of the 423 households reporting investments of over 40 times the incomes, 72 per cent had annual incomes in excess of Rs. 18,000. At the same time, it is important to note that low levels of investments are not only a problem of low-income households but

Table 6: Levels of Investment According to the Annual Income Range

Level of investment	Annual income range (Rs.)				
	30000+	1800+ - 30000	840 - 18000	Upto 8400	All
< 10 months	59 (10.8)	73 (23)	360 (55.4)	273 (56.1)	765 (38.3)
10-20	77 (14.1)	52 (16.4)	131 (20.2)	91 (18.7)	351 (17.6)
20-30	90 (16.5)	30 (9.4)	62 (9.5)	33 (6.8)	215 (10.8)
30-40	136 (25)	40 (12.6)	41 (6.3)	29 (6)	246 (12.3)
40+	183 (33.6)	123 (38.6)	56 (8.6)	61 (12.4)	423 (21)
Total	545	318	650	487	2000
Average investment level (Rs.)	159,000	68,000	25,000	17,000	66,000

also a characteristic feature of high income households. These households also do not make investments necessary to produce affordable dwelling units. Of the 863 households in the income category of Rs. 18,000 and more, over 44 per cent reported an investment of less than thirty times the monthly household
6
incomes.

6. There are some discontinuities in the trends, like the higher level of investments by poor and low-income households, and low levels of investments by households in high-income categories. Explanations for the discontinuities can be found in the accessibility of poor household to loans in the Differential Rate of Interest Scheme, and the absence of proper tenure in the case of higher-income households.

3.6 The town level data confirm the dominance of low income households amongs those who fall in the lowest slab of investment. Atleast three fourths of the households in sampled towns (except for Rajkot, 58 per cent), who reported investments of less than 10 times the monthly household incomes are in the low income brackets. The main reason for a relatively higher level of investment by low income households in Rajkot is attributed to the availability of serviced land in the formal sector which has increased the access to institutional finance. Thus, only 21 per cent sampled households in Rajkot fall in the lowest slab of housing investments, in comparison, these proportions are higher for other cities, 39 per cent for Cochin, 45 per cent for Ghaziabad and 48 per cent for Burdwan. (Town-wise Tables No.6, appendix).

3.7 As shown earlier, low investments are not only a problem of low-income households. This is evident from the town-level data which show that 19 per cent of middle and high income households in Burdwan, 35 per cent in Ghaziabad, 44 per cent in Rajkot and 71 per cent in Cochin reported an investment of less than thirty times the monthly household income. (Town-wise Tables No.6 appendix)

3.8 Why are investments in housing below the minimum necessary to produce an affordable dwelling unit? A part of the explanation can be found first, in the insecure land tenure status of households, and, secondly, though to a minor extent, the unstable, informal nature of employment, both factors limiting the households' capacity to borrow and repay.

Table 7: Levels of Investment According to the Nature of Employment

Level of investment (multiples of monthly incomes)	Type of employment		
	Formal	Informal	All
< 10 months	355 (24.0)	430 (71.2)	765 (38.3)
10-20	272 (19.5)	79 (13.1)	351 (17.6)
20-30	187 (16.0)	28 (3.6)	215 (12.3)
30-40	224 (16.0)	22 (3.6)	246 (12.3)
40+	378 (27.1)	45 (7.5)	423 (21.0)
All	1396 (100.0)	604 (100.0)	2000 (100.0)

Table 8: Levels of Investment According to the Land Tenure

Level of investment (multiples of monthly income)	Type of land tenure		
	Secure	Insecure	All
< 10 months	199 (17.8)	566 (64.1)	765 (38.3)
10-20	196 (17.5)	155 (17.6)	351 (17.6)
20-30	155 (13.9)	60 (6.8)	215 (10.8)
30-40	203 (18.2)	43 (4.96)	246 (12.3)
40+	364 (32.6)	59 (6.6)	423 (21)
Total	1117	883	2000

Figures in the brackets indicate percentage to total.

3.9 The survey shows that --

- i. 74 per cent of the households which reported investments of less than 10 times the monthly household incomes have insecure tenure of lands;
- ii. 56 per cent of them reported having informal sector employment; and
- iii. majority of those who reported an investment of over 30 times the monthly household incomes have secure land tenure and more stable form of employment. The town-wise analyses confirm the dominating share of the households having secure land tenure and stable form of employment among those who reported an investment of over 30 times the monthly household income. (Town-wise Tables No.6 and 7, appendix)

3.10 The general evidence on the levels of housing investments is that these are uniformly low, and particularly low among poor and low income households, though not limited to such households. These are low partly because of the tenure of lands and partly on account of the employment status, the two important factors that govern the capacity to borrow and repay the loans.

IV

HOUSING LOANS:
TERMS AND CONDITIONS

4.1 The conditions under which housing loans become available to the different categories of borrowers in the housing finance market has been the subject of much public discussion, with most of it bearing the message that the loan conditions involving interest rates, repayment period and the collaterals are far more adverse and unfavourable to the poor and low-income households compared to those who are in higher income categories. Indeed, frequent references are made to the effect that apart from the overall inadequacies of housing finance for the poor, the market, the formal and informal, works against them in the sense that the housing loans to them carry higher interest rates, shorter repayment period and collaterals they can rarely supply. There is also some reference to these conditions being particularly adverse in the informal housing finance market which happens to be the main source of housing finance for the poor and low-income households. This section presents evidence on this aspect collected from the 2,000 sampled households.

4.2 In a broad sense, this study shows that there are three types of interest rates on which households borrow in the housing finance market --

- i. unspecified interest rates;
- ii rates of interest computed on a monthly basis; and
- iii. annual rates of interest.

4.3 Likewise, repayment period also falls into three categories-

- i. unspecified repayment period;
- ii. short, less than one year repayment period;
- iii. longer repayment period, almost invariably exceeding five years.

4.4 The study shows that of the households who reported to have borrowed from the market, 602 households or 30.1 per cent of the total borrowed on "unspecified" terms and conditions.⁷ Among the sampled towns the share of borrowers having housing loans on unspecified interest rates works out to be in a range of 21 per cent at Cochin to 38 per cent at Ghaziabad. (Town-wise Tables No.9, appendix). Such a high percentage of households borrowing on unspecified interest rates shows that it is an extremely important feature of India's housing finance market and that social relationships which underlie borrowings on such unspecified terms play an extremely important role in housing finance transactions. Two points need to be noted with respect to the households belonging to this category. First, borrowings on unspecified interest rates are largely a feature of low-income and poor households. According to the field-level data, 70 per cent of those who borrowed on unspecified interest rates were in the annual income range of less than Rs. 18,000.

7. In view of the simultaneous use of two sources by a fairly large number of households, the aggregate numbers of households exceed 2,000.

Similarly, the share of low-income households in sampled towns among those who borrowed on unspecified interest rates is as high as 63 per cent at Burdwan, 68 per cent at Ghaziabad, 73 per cent at Rajkot and 85 per cent at Cochin. Secondly, the loan amounts involved in such transactions are necessarily small, clearly demonstrating the tendency on the part of the lenders to minimize their own risks. Evidently, such transactions are a characteristic of only the informal housing finance market.

4.5 Nearly 31 per cent of the total number of households reported that they took loans on "monthly" rates of interest. The proportion of those who borrowed on monthly rates of interest is equally high among the individual towns being 25 per cent at Cochin, 28 per cent at Ghaziabad, 33 per cent at Rajkot and 38 per cent at Burdwan. (Town-wise Tables No.9, appendix). When translated into yearly rates, these work out to over 36 per cent in the case of 69 per cent of the households, between 24 and 36 per cent for 26 per cent of the households, and less than 12 per cent for the remaining 5 per cent of the households. Like the unspecified interest rate, loans on monthly rates of interest are also a phenomenon of the informal housing finance market.

Table 9: Composition of Rate of Interest (Households)

Rate of interest (%)	Formal credit				Informal credit		
	Housing finance institutions	Commercial banks & others	Employers and others	All	Friends and relatives	Indigenous bankers	All
Unspecified					602 (70.0)	-	602 (49.4)
<u>Monthly</u>							
Upto 1					15 (2.0)	1 (0.3)	16 (1.3)
1 - 2					-	17 (4.7)	17 (1.4)
2 - 3					147 (17.0)	13 (4.0)	160 (13.1)
above 3					100 (11.0)	325 (91.0)	425 (34.8)
<u>Annual</u>							
Upto 4	38 (11.0)	87 (30.0)	-	125 (14.0)			
4 - 6			-	-			
6 - 9			200 (80.0)	200 (22.0)			
9 - 12	102 (29.0)		-	102 (12.0)			
12 - 18	215 (60.0)	204 (70.0)	50 (20.0)	469 (52.0)			
All	355 (100.0)	291 (100.0)	250 (100.0)	896 (100.0)	864 (100.0)	356 (100.0)	1220 (100.0)

Also, 70 per cent of the households in this category are poor and low-income who bear a greater part of the burden of the housing finance market.

4.6 Indigenous bankers play an important role in extending housing finance on monthly interest rates. According to the

8. In terms of the share of indigenous bankers in the total housing finance, their role is small; however, a large number of households rely on them for housing loans.

study, 18 per cent of the total number of households took loans from indigeneous bankers (money lenders, in a sense), mostly (91 per cent) at rates exceeding 3 per cent per month (over 36 per cent on an annual basis), and 8.4 per cent at rates ranging between 1 and 2 per cent. However, the proportion of households who have borrowed from indigeneous bankers shows a great deal of variation being 6 per cent at Cochin, 12 per cent at ghaziabad, 13 per cent at Rajkot and 35 per cent at Burdwan. Considering the fact that most of these households belong to low income groups, (Table 10 for respective towns) the reason for a lower share in Cochin and higher share in Burdwan is attributed to the disparities in the land tenure and financing mechanisms. The sampled low income areas in Cochin were developed by public agencies on a hire-purchase basis. On the other hand, the sampled areas in Burdwan included the land either encroached upon or possessed unauthorisedly by respective occupants. The first factor has an in-built element of institutional finance whereas the latter factor completely prohibits the land owner to have any access to formal finance for housing. (Town-wise Tables No.9, appendix).

4.7 The third category consists of those households who borrow from at annual rates of interest, varying between 4 per cent to 18 per cent. These are the established rates in the formal, institutional component of housing finance. The survey shows that nearly 52 per cent of the total number of households who secured housing loans from the formal, institutional sources took it at interest rates varying between 12-18 per cent, about 12 per

cent of the households at 9-12 per cent rates of interest, and another 22 per cent at rates ranging between 6-9 per cent. About 14 per cent of the households reported to have taken housing loans under schemes like the Differential Rates of Interest under which households belonging to scheduled castes and scheduled tribes and other disadvantage classes are able to secure housing loans at concessional rates.

4.8 The key point to note is that almost 80 per cent of the households who secured credit at rates ranging between 4-18 per cent per annum are middle-to-high income households, which substantiate the notion that the high-income category households are able to secure access to formal, institutional finance which is cheaper, while the low-income and poor category households have no option but to resort to more expensive informal, non-institutional finance. The town-wise analyses reinforce the dominance of middle and high income groups among those who have access to institutional finance. Their share in sampled towns is as high as 68 per cent in Cochin, 72 per cent in Ghaziabad, 79 per cent in Burdwan and 87 per cent in Rajkot. (Town-wise Tables No.9, appendix). It is equally important to point out that it is not only in respect of the rates of interest that the poor and low-income households stand disadvantaged; the period of repayment also affects them adversely. The study shows that the period of repayment of housing loans is --

Table 10: Distribution of Households having Housing Loans
According to their Size of Income and Rate of Interest

Rate of interest	Size of HH income (Rs. per annum)				
	Upto 8400	8401-18000	18001-30000	30001 and above	All
Unspecified	287	149	86	80	602
<u>Informal Credit</u>					
Upto 1 p.m.	-	16	-	-	16
1 - 2	3	14	-	-	17
2 - 3	16	87	25	32	160
above 3	6	287	46	95	425
All	312	544	157	207	1220
<u>Formal Credit</u>					
Upto 4 p.a.	85	6	34	-	125
4 - 6	-	-	-	-	-
6 - 9	43	85	43	29	200
9 - 12	-	28	29	45	102
12 - 18	-	36	101	332	469
All	128	155	207	406	896

p.m. - per month ; p.a. - per annum

- i. unspecified in the case of 28.3 per cent of the households;
- ii. less than six months in the case of 23 per cent of the borrowers; and
- iii. between six and twelve months for nearly 6 per cent of the borrowers.

Table 11: Composition of the Repayment Period for the Housing Loans

Repayment period	Formal credit				Informal credit		
	Housing finance institutions	Commercial banks & others	Employers and others	All	Friends and relatives	Indigenous bankers	All
Unspecified	-	-	-	-	567	-	567
Upto 6 months	-	-	-	-	188	273	461
6 months - 1 year	-	-	-	-	76	40	116
1 - 3 year	-	-	-	-	33	43	76
3 - 7 years	-	-	-	-	-	-	-
7 -10 years	317	204	-	521	-	-	-
Above 10 years	38	87	250	375	-	-	-
All	355	291	250	896	864	356	1220

4.9 The short duration financing is invariably informal.

4.10 Longer duration of housing loan repayment is a vital characteristic of formal financing institutions. The period of repayment which is 7-10 years for 44.8 per cent of the households and in excess of 10 years for the remaining place them at an advantage over others, not only in this respect but in respect of the interest rate as well.

The above analyses point to the prevalence of a stinging difference in the terms and conditions on which the institutional (formal) and non-institutional (informal) sources extend credit

to housing finance borrowers. The loans from formal sources are secured on the bases of annual rates of interest (generally in a range of 4 to 16 per cent) which are tied up with a fairly longer repayment period of over five years. On the other hand, the loans from informal sources are secured either on monthly rates of interest which are considerably higher than the formal rates or on unspecified rates wherein the social relationships play an extremely important role. Similarly, the repayment period for such loans is either short (invariably not exceeding 3 years) or unspecified. It is also to be noted that the low income households mainly borrow from informal sources whereas the middle and higher income households show a high degree of access to formal sources.

A PROFILE OF HOUSING FINANCE BORROWERS

5.1 Of the many grey areas of housing finance, the one on which very little systematic work has been done relates to the profile of households who borrow in the housing finance market. Almost nothing is known about the income levels to which they belong, or their employment status, or the tenorial position of their lands. What is more, no organised research has been undertaken to ascertain the reasons why certain borrowers opt for the informal sources and why others choose the formal sources, and whether the reasons that lead them to one or the other source are exogeneous, that is, influenced by the supply conditions, or endogeneous, i.e., conditioned by the pattern of demand. This section provides data on this aspect of the study.

5.2 It needs to be pointed out again by way of reference that the study covered 2,000 households which were selected from four different types of housing areas, namely - high income, middle-income, low-income and EWS, and poor areas. The income status of the area was the only criterion used for drawing up the sample. The survey has brought out the fact that while the areas by and large, display the the income status, i.e., high, middle or low, they are not necessarily in conformity with the incomes of the households. There is considerable degree of non-conformity between the housing area types and the incomes of households. Thus, households living in high-income housing types are not always high-income households. Similarly, a large

percentage of households living in low-income settlements belong to high-income categories. The degree of non-confirmity between the housing area types and household incomes is clearly visible in each of the sampled towns wherein a substantial proportion of the households to the extent of 12 per cent in Rajkot, 14 per cent in Ghaziabad, 18 per cent in Burdwan, and 31 per cent in Cochin who reside in low income areas fall in the category of middle and high income (Rs.18,000 p.a. and more) groups. On the other hand, a relatively smaller proportion of those (being nil at Ghaziabad, 5 per cent each at Burdwan and Rajkot and 11 per cent at Cochin) who reside in middle and high-income areas fall in the category of low-income groups. (Town-wise Tables No.17, appendix). This is given in Tables at the end of this report.

5.3 This study had pointed out earlier that 55 per cent of the total number of households depend on informal sources of housing finance, 24.3 per cent on formal, institutional sources (combined with their own savings), and 20 per cent on a mix of informal and formal sources.⁹ The issue that has been addressed here is whether the profile of households who resorted to one source of housing finance vary from those who borrowed from the other source.

5.4 The study results show that they do. According to the field-level data ---

9. These categories include the share of own savings.

- i. over 78 per cent of the households depending on informal sources are poor and belong to low-incomes (less than Rs. 18,000 incomes); in comparison, only 22 per cent of these households belong to middle and high-income groups. The field-level data in sampled towns reinforce the existence of a vast majority of low income households being 65 per cent in cochin, 74 per cent in Ghaziabad, 80 per cent in Rajkot and 89 per cent in Burdwan among those who depend entirely on informal sources; (Town-wise Table No.12, appendix)
- ii. approximately 83 per cent of the households depending on formal sources belong to middle and high-income categories; in comparative terms, only 17 per cent of these households are poor and economically weaker, having incomes of less than Rs.18,000. At the level of towns too, the overall picture is the same - i.e. higher percentage of middle and high income households depending on own savings and formal sources, (69 per cent in Ghaziabad, 76 per cent in Burdwan, 78 per cent in Cochin and 91 per cent in Rajkot); and
- iii. among those depending upon a mix of the various sources 54 per cent belong to middle and high incomes, and 46 per cent to low-income and poor groups.

Table 12: Income Status of the Borrowers

Source of housing loans	Number and proportion of borrowers according to income category (Rs.)				
	< 8400	8400-18000	18000-30000	30000	Total
Informal and* savings	368 (33.3)	495 (44.8)	102 (9.2)	139 (12.6)	1104 (100.0)
Formal and savings	38 (7.8)	48 (9.9)	134 (27.6)	265 (54.6)	485 (100.0)
Informal and formal and savings	81 (19.7)	107 (26.0)	82 (20.0)	141 (34.3)	411 (100.0)

* Informal sources include those who depend only on "own savings also.

5.5 The differences in the profile of households are not limited to incomes alone, these extend to attributes such as the employment and land tenurial status. According to the study --

- i. 47 per cent of the households who reported a high degree of dependence on the informal sources of finances are engaged in occupations characterised by informality and to an extent, by their casual nature. At the same time, the survey shows a significant proportion of those depending on these sources also in the formal sector jobs and activities;
- ii. over 95 per cent of the households showing reliance on the formal sources of financing are employed in the formal sector occupations; less than 5 per cent reported to be in informal sector jobs; and

iii. those relying on a mix of formal and informal sources of financing are unevenly distributed between formal and informal sector occupations, with the share of formal sector occupations being significantly higher (85.9%) than the informal occupations category. What this study shows is that while the non-institutional sources of housing finance are open to all households, irrespective of the employment status, the reverse is barely true. Formal sources of financing seem to be accessible to only those who happen to have the formal sector occupations. These are noticeable differences in the aggregated data with those at the individual towns, which also shows that the non-institutional sources of housing finance are open to all households, irrespective of the employment status, and the formal sources of financing are accessible to only those who are employed with the organised sector. The share of households having the formal sector occupation in sampled towns among those who have access to institutional finance is as high as 90 per cent each in Cochin and Burdwan, 92 per cent in Ghaziabad and 94 per cent in Rajkot. (Town-wise Tables No.13, appendix)

Table 13 : Employment Status of the Borrowers

Source of housing loans	Number and proportion of borrowers according to the status & employment of household heads		
	Informal sector	Formal sector	Total
Informal and savings	522 (47.3)	582 (52.7)	1104 (100.0)
Formal and savings	24 (4.9)	461 (95.1)	485 (100.0)
Informal and formal and savings	58 (14.1)	353 (85.9)	411 (100.0)
Total	604 (30.2)	1396 (69.8)	2000 (100.0)

5.6 The differences in the profile of households are sharper on account of their land tenure status. The study shows that those relying on informal financing sources are essentially those who do not have a secured title to land; 75 per cent of such households fall into this category. Twenty five per cent, however, reported a secured land tenure. Similarly, among sampled towns atleast a majority of households (52 per cent at Burdwan, 60 per cent at Cochin, 82 per cent at Ghaziabad and 98 per cent at Rajkot) who depend entirely on informal finance do not have a secure land tenure. (Town-wise Tables No.14, appendix). On the other hand, 100 per cent of households reporting their dependence on formal sources had fully secured land titles.

Table 14 :Tenurial Status of the Borrowers

Source of housing loans	Number and proportion of borrowers according to land tenure status		
	Insecure	Secure	Total
Informal and own savings	828 (75.0)	276 (25.0)	1104 (100.0)
Formal and savings	-	485 (100.0)	485 (100.0)
Informal and formal and savings	53 (12.9)	358 (87.1)	411 (100.0)
Total	881 (44.1)	1119 (55.9)	2000 (100.0)

5.7 This study probed into the factors that led the households to seek housing loans from one or the other source of housing finance. The issue was about the factors that governed their choice between the formal and informal sources. The study reveals sharply divided responses -- one set of responses extolling the flexibility of the informal sources of housing finance, and the other highlighting the favourable terms of interest rates and repayment period. As would be noted from the following table, the three most important reasons that the households have cited for choosing the informal sources are --

- i. flexible collateral;
- ii. easy accessibility; and
- iii. quick processing.

5.8 In the case of households who reported to have borrowed from the formal sources, the reasons most cited are --

- i. relatively longer repayment period which reduces the economic burden on the households, and
- ii. the lower interest rates.

Formal	
Longer repayment period	
Lower interest rates	
Informal	
Flexible collateral	
Easy accessibility	
Quick processing.	

Table 15: Reasons for Seeking Housing Loans from Informal Sources*

Reasons	No. of borrowers	% of borrowers from from informal market**
Easy accessibility	1210	99
Quick processing	974	80
Flexible terms and conditions	864	71
Flexible collateral	1220	100

* Multiple Responses.

** In all 1220 households borrowed from informal market.

Table 16: Reasons for Seeking Housing Loans from Formal Sources*

Reasons	No. of borrowers	% of borrowers from from informal market**
Easy accessibility	300	33
Quick processing	299	33
Relatively lower rate of interest	830	93
Relatively longer repayment period	856	96
Facility provided by employer	250	28

* Multiple Responses.

** In all 896 households borrowed from formal sources.

5.9 It is evident that the households who resort to the informal sources of housing finance are characterised by low-income, insecure land tenure, and to a minor extent, unstable and casual nature of employment. On the other hand, those who secured access to the formal institutional financing sources are in the higher-income brackets, possess secured land tenure, and are engaged in formal sector jobs and occupations. This kind of dualism is the most disconcerting aspect of the housing finance market in the country. These characteristics of the households i.e., according to their access to the type of housing finance are the same in the individual towns. (Town-wise Tables No.21, 22 and 23, appendix).

VI

STIMULATING HOUSING FINANCE : REALITIES AND PROSPECTS

6.1 Owing to the growing recognition of the role of housing in economic development, a number of initiatives have lately been taken in the country to accelerate the flow of formal institutional finance into the housing sector. On the one hand, the Reserve Bank of India (RBI) has revised its lending norms so as to accommodate a larger flow of credit to housing sector and enhance the level of availability of formal credit to individual households (Annex D). At the same time, RBI has asked scheduled commercial banks (SCB's) to raise their allocations to housing finance sector at a level 1.5 per cent of their incremental deposits out of which at least 30 per cent allocations should be made through "direct lending". On the other hand, the National Housing Bank (NHB) has been set up at national level with a view to promote and guide a network of SCB's and HFI's (Housing Finance Institutions) and provide refinancing for their lendings into the housing sector. Within a short span of its establishment NHB has floated a variety of schemes for its refinancing (Annex E).

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10. The key element of the recent efforts is the extension of institutional finance to individual borrowers under what is known as the housing loan scheme to be operated by commercial banks.
 11. The National Housing Bank, created in July 1988, disbursed refinance assistance to the tune of Rs. 1,317 million in the first year of its operation (ending on June 1990), which was utilised for the construction of about 60,000 dwelling units.

6.2 Broadly, the wide network of institutional housing finance falls into three categories --

- i. Commercial banks which provide housing loans directly to individual borrowers;
- ii. employers and housing loan facilities available against provident fund contributions; and
- iii. specialised housing finance institutions such as HUDCO, (Housing and Urban Development Corporation) HDFC (Housing Development Finance Corporation), and cooperative bank finance for housing schemes.

6.3 These sources provide housing finance advance of different sizes, ranging from very small amounts of up to Rs. 5,000 to individuals belonging to scheduled castes/tribes and other weaker sections to a maximum of Rs. 300,000. The rates of interest vary between 10 per cent for loans of up to Rs. 7,500 and 16 per cent for loans of Rs. 300,000.¹² Similarly, loan to housing cost ratios vary, depending on the size of the loan -- high for small amounts (80 per cent for loans of up to Rs. 20,000) and low for large amounts, being only 65 per cent for loans of over Rs.100,000.¹³

6.4 The amount of loan is generally determined on the basis of the --

12. For loans of up to Rs. 5,000, the rate of interest is 4 per cent, and loan to housing cost ratio is 100.
13. While Rs. 300,000 is the general ceiling of the amount of loan, the commercial banks have the discretion of making loans in excess of this amount too. These loans, however, will not form part of housing finance allocation.

- i. income of the borrower, and
- ii. estimated cost of construction.

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6.5 It was stated earlier in this report that a notion exists in the country that the formal institutional sources provide 20-25 per cent of the total housing finance; the balance comes from the informal, non-institutional sources. One of the key facts that this study has brought out is a comparatively larger role of the formal institutional sources than what is generally visualised. According to the study, apart from a fairly large percentage of households who have access to these sources, these also provide one-third of the total housing finance, signalling the increasing importance of formal financing sources in the country. This change in the housing finance environment can perhaps be explained by the growing role of specialised housing finance agencies and, to some extent, the priority lendings of scheduled commercial banks to the housing sector. According to the study, the specialised housing finance agencies cover 40 per cent of the borrowers, the scheduled commercial banks 32 per cent, and the employers' share is about 28 per cent.

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15. The eligibility of the amount of loan is arrived at in such a manner that the repayment may not normally exceed 30 per cent of the net take home income of the borrower. The second parameter is the estimated cost of construction with the necessary margin requirements.

Table 17 : Size of Loan as per Respective Source of Formal Finance

Source	Size of loan (Rs.)					All
	Up to 5000	5,000- 20,000	20,000- 50,000	50,000- 100,000	100,000+	
Scheduled commercial banks	87*	30	52	94	28	291 (32.0)
Specialised housing finance agencies	38**	75	80	120	42	355 (40.0)
Provident fund and employer	-	105	34	71	40	250 (28.0)
All	125 (14.0)	210 (23.0)	166 (18.0)	285 (32.0)	110 (12.0)	896 (100.0)

* Loans given under this category by commercial banks fall under the Priority Sector Lendings known as DRI (Differential Rates of Interest) Scheme and are given @ 4% interest per annum for a period of 20 years subject to a maximum ceiling of Rs.5000

** These cases also include the loans for the plots allotted by the respective Development Agencies to the EWS households under the Hire Purchase Scheme of HUDCO.

6.6 The expansion of the formal housing finance system, however, has not been able to make any major or substantial difference to the overall availability of finance for housing purposes. As this study has shown, notwithstanding the priority now being given to the housing sector and the emergence of specialised and non-specialised housing finance agencies, the formal housing

households, and has been able to reach the balance of 45 per cent partly. At the same time, the investments in housing are generally low, and fall well short of affordable limits, expressed in multiple of monthly household incomes. Only a small portion (21 per cent) of households have made investments nearer to the norm of 40 months' household. It is this reality that calls for an accelerated flow of formal finance into the housing sector.

6.7 The expansion of formal finance needs to be directed towards two specific areas. First, the formal finance should be able to assist a wider range of income groups. This is particularly important in view of the fact that only a small fraction (10 per cent) of low-income households is covered by the specifically targetted schemes. These households have a high degree of total dependence of informal sources. Second, the availability of housing credit needs to be improved for middle and high income groups as well. Despite a better level of access to formal finance, a majority of these households also face the shortage of housing finance.

6.8 The study also shows, as stated earlier that the shortage of housing finance is particularly acute among low-income households. An absolute majority (56 per cent) of them does not invest in housing at a level equal to or more than ten times of their monthly household income. On the whole, almost 90 per cent of them face the problem of low investment. Consequently, the investments by low-income households in most cases remain lower

than the minimum levels to obtain a house acceptable as per formal standards. This calls for a considerable increase in the supply of housing finance to the low income households.

6.9 It is equally important to note that the access to formal finance by low-income households is basically prevented by "elegibility" aspects and not the size of down payments or margin requirements, duration of loans and levels of interest. As the data shows, these households, in the absence of formal finance, seek shorter duration (mostly up to six months to one year) and high interest (24 to 36 per cent) loans with a three time higher level of down payments. Contrary to this the existing policies and programmes place emphasis on subsidies related to interest rates, duration of loan and size of down payments (Annex D and E). Hence, the need to tackle the "eligibility" part has not been properly recognised.

6.10 There are three fundamental barriers that inhibit the access of low-income households to formal finance. These are (i) the lack of regular and varifiable source of income, (ii) inability to produce requisite collateral or security and (iii) possession of insecure land tenure. Most of the households, (85 per cent) who do not have stable and formal sector occupations, rely totally on informal sources of housing finance. Similarly, all the households who sought loans from informal sources admit that these operate on a method of flexible collateral. Thirdly, most of the households (94 per cent) who possess insecure land tenure, do not have any access to housing credit from formal sources.

6.11 The first two barriers are internal to the housing finance system whereas the third area is external to it and needs to be tackled with an increased supply of land in the formal sector. As regards the lack of regular and varifiable income and possession of requisite collateral among low-income household, some important changes in the lending norms for formal finance have been made in recent past (Annex D and E). These include the provision of graduated method of repayment and flexible collateral wherein the lending agencies at their discretion can accept security of adequate value in the form of Life Insurance Policy, Government Promissory Notes, Shares and Debentures, gold ornaments and so on. These relaxations do not seem relevant for low-income households who are not likely to possess such assets except in a few cases for some amount of ornaments.

6.12 With this in view some different approach has to be evolved in order to remove the barriers of eligibility among low income households for securing formal finance. One such approach could be the involvement of voluntary organisations to motivate and help the low income households to form local level institutions, groups or cooperatives which can, in turn, provide adequate mortgage/security and raise loans for its members. These institutions may also provide suitable guarantee to avail larger quantum of loans to their members based on the future growth of their incomes. Recovery of loans is another issue which needs to be handled in a different manner to suit the requirements of low income households. In this regard a mechanism of frequent

recovery on the basis of in-house collection system has to be evolved. Like SEWA (Self Employed Women Association, Ahmedabad), the selection of group leader among the members of local level institution may be proved useful.

6.13 Unlike the low-income groups, the middle and high income households do not have barriers of "eligibility" and have a high degree of access to formal finance. However, in a majority of cases their investments in housing are worked out to be lower than affordable limits. This indicates the inability of formal sources to extend full credit to its borrowers. These inadequacies are related to the ratio of loan to housing cost (size of loan) which is determined by multiple factors such as income eligibilities, rates of interest, repayment period and provision of collateral. In order to remove these inadequacies the recent changes in the lending norms (Annex I & II) may be proved quite effective. These changes, however, do not address the question of second or multiple mortgage. At times, households have access to relatively softer loans e.g. loans from employer. But these loans carry a restricted size. In this context, the households may prefer to borrow from two or multiple sources of formal finance. The acceptance of multiple mortgage is now allowed subject to the consent of first lender. However, in practice, this has not been widely accepted by banks and HFI's. Hence the acceptance of second or multiple mortgage needs to be encouraged.

6.14 At a time when the number housing finance institutions (HFI's) is likely to witness a sharp increase in near future the

mode of multiple mortgage assumes more importance. In a bid to make efforts in this direction, NHB can under its refinancing schemes allow the acceptance of multiple mortgage by banks and HFI's. In this regard, the "consortium lendings" should be institutionalised and directions in this behalf can come from NHB itself.

6.15 There are, of course, several other additional facts that have also to be taken into account in formulating and shaping future housing finance policies. One such fact is the pre-eminence of savings which constitute the single largest share and account for nearly 55 per cent of investments in housing. Such potential among the urban households can be channeled into the housing sector. In view of this, the schemes that are designed to link savings with housing loans need to be re-examined.

6.16 Last few years have witnessed the commencement of several schemes aimed at mobilising savings from prospective buyers. NHB's Home Loan Account Scheme (HLA) is the most prominent among them. Implemented through scheduled commercial banks and other housing finance institutions, it provides housing loans in multiple of accumulated savings which are based upon contractual deposits. Besides this, HLA also provides a preferential allotment under the schemes financed by NHB and a variety of tax incentives on the deposits made by the members of scheme. However, the HLA scheme requires corrective steps to be taken in three major areas:

- (a) In the light of recent amendments in the interest rate-structure by RBI, the HLA is no more an attractive instrument for savings, particularly for those who do not expect tax concessions. Hence, the rate structure of the HLA scheme should be re-examined.

- (b) HLA does not have the attraction to accommodate the accumulated household savings. As this survey shows, there exists a large potential of such savings which needs to be suitably mobilised and raised for increasing the liquidity of housing finance system. In this regard, the HLA should be suitably modified to attract a larger amount of household savings.

- (c) HLA does not address to the immediate and short-term housing needs of its members who have to save for at least five years to obtain the housing loan. However, this period has been reduced to three years for the dwelling units obtained under the schemes financed by NHB. Owing to the fact that such schemes form only a small proportion of total land development and shelter projects in the country, this concession should be extended to those also who intend to obtain a dwelling unit under the schemes launched by other public sector agencies and private sector developers.

6.17 Yet another aspect of this study which deserves a proper recognition is the fact that the investments in housing by nearly 80 per cent of the households are lower than the minimum requirements to produce a house acceptable as per formal

standards. This type of investment, particularly by low income households, leads to a poor quality housing. This calls for a larger flow of funds for housing upgradation. In view of such a high level of requirements for upgradation, the HLA facility should also be extended to the house owners who are willing to improve their housing conditions. This will also widen the scope of the HLA scheme.

6.18 The requirements for house upgradation vary from one income group to other. As this survey shows, the low income households in most cases have illegal or unauthorised possession of land. This implies a poor level of land servicing and shelter structure. Hence the low-income households require the assistance for legal land title, improvement of services and structural upgradation. In view of the fact that these households have the problem of verifiable and regular income and acceptable collateral, assistance to them may be extended with the help of voluntary agencies who can motivate the households to form groups/co-operatives to act as an intermediary link institution to extend formal finance to hitherto ineligible segment of households. While doing so, simultaneous efforts are needed to solve the problem of insecure land tenure.

6.19 Low investments by middle and high income groups who normally have secured land tenure indicate that they require additional finance for size-extension or addition and alteration of existing dwellings. These requirements are important in order to ensure optimum utilisation of the available space for housing.

The NHB's refinancing for upgradation is subject to a ceiling of Rs.30,000. Keeping in view the high cost of construction, there is a need to revise this ceiling upwards.

6.20 Thus, there is an urgent need in the country to sharpen and modify the existing housing finance policies. There is, simultaneously, a need to finance housing upgradation. These aspects call for efforts on account of making the land available for housing and granting the title of land to low-income households. Unless these steps are taken, the distortions in the housing market will remain unchanged.

ANNEX A

Household Profile

Table A:1

Distribution of Households as per Annual Household (HH) Income

Annual HH Income Range* (Rs.)	House Area Types				
	High Income	Middle Income	Low Income	EWS/ Slums	All
Upto 8400	-	8 (2.0)	129 (21.5)	350 (43.8)	487 (24.4)
8401-18000	4 (2.0)	21 (5.2)	273 (45.5)	352 (44.0)	650 (32.5)
18001-30000	30 (15.0)	83 (20.8)	127 (21.2)	78 (9.8)	318 (15.9)
30001 and above	166 (83.0)	288 (72.0)	71 (11.8)	20 (2.2)	545 (27.2)
Total	200 (100.0)	400 (100.0)	600 (100.0)	800 (100.0)	2000 (100.0)

* As per Planning Commission norms for 7th Plan (1985-90) the households having annual income upto Rs.8400 are considered economically weaker section, from Rs. 8400 to 18000 as low income, from Rs. 18000 to Rs. 30000 as middle income and Rs. 30000 and above as high income.

Table A:2

Distribution of Households as per the Occupations
of their Head

Nature of Employment	Number of Households	%
Formal sector employment	1396	70
Informal Sector	604	30
All	2000	100

Table A:3

Distribution of Households as per their
Land Tenurial Status

Type of land tenure	Number of households	%
Secured	1117	56
Insecured	883	44
All	2000	100

Annex B

Extent of Informal Finance and
Levels of Investment

Table B:1
Extent of Informal Finance

Extent of (%) Informal finance	No. of households	Per cent of total sample	Cumulative percentage
75+	1298	64.9	64.9
50-75	233	11.7	76.6
25.50	288	14.4	91
<25	181	9	100
Total	2000	100	-

Table B:2

Extent of Informal Finance* according to the
Income Status of Households

Extent of Informal Finance	Annual Income Range (Rs.)									
	30000+		18001- 30000		8401- 18000		Upto 8400		All	
	a	b	a	b	a	b	a	b	a	b
75+	196.0 (36.0)	36.0	157.0 (49.4)	49.4	494.0 (76.0)	76.0	451.0 (92.6)	92.6	1298.0 (64.9)	
50-75	135.0 (24.8)	60.8	55.0 (17.3)	66.7	26.0 (4.0)	80.0	17.0 (3.5)	96.1	233.0 (11.7)	
25-50	155.0 (28.4)	89.2	61.0 (19.2)	85.9	65.0 (10.0)	90.0	7.0 (1.4)	97.5	288.0 (14.4)	
<25	59.0 (10.8)	100.0	45.0 (14.1)	100.0	65.0 (10.0)	100.0	12.0 (2.5)	100.0	181.0 (9.1)	
Total	545.0 (100.0)	100.0	318.0 (100.0)	100.0	650.0 (100.0)	100.0	487.0 (100.0)	100.0	2000 (100.0)	100.0

a = Number of households

b = Cumulative percentage

* = Informal Finance include the savings and informal credit.

Table B:3

Extent of Informal Finance as per Nature of Employment

Extent of Informal Finance (%)	Nature of Employment		All
	Formal Sector	Informal Sector	
75+	776.0 (55.6)	522.0 (86.4)	1298.0 (64.9)
50-75	209.0 (15.0)	24.0 (4.0)	233.0 (11.7)
25-50	277.0 (19.8)	11.0 (1.8)	288.0 (14.4)
<25	134.0 (9.6)	47.0 (7.8)	181.0 (9.0)
Total	1396.0 (100.0)	604.0 (100.0)	2000.0 (100.0)

Table B:3

Extent of Informal Finance as per Nature of Employment

Extent of Informal Finance (%)	Nature of Employment		All
	Formal Sector	Informal Sector	
75+	776.0 (55.6)	522.0 (86.4)	1298.0 (64.9)
50-75	209.0 (15.0)	24.0 (4.0)	233.0 (11.7)
25-50	277.0 (19.8)	11.0 (1.8)	288.0 (14.4)
<25	134.0 (9.6)	47.0 (7.8)	181.0 (9.0)
Total	1396.0 (100.0)	604.0 (100.0)	2000.0 (100.0)

Table B:4

Extent of Informal Finance as Per Type of Land Tenure

Extent of Informal Financing (%)	Type of Land Title				All
	Secured		Insecured		
	a	b	a	b	
75+	470.0 (42.0)	42.0	828.0 (94.0)	94.0	1298.0 (64.9)
50-75	213.0 (19.0)	61.0	20.0 (2.3)	96.3	233.0 (11.7)
25-50	267.0 (23.9)	84.9	21.0 (2.4)	98.7	288.0 (14.4)
<25	169.0 (15.1)	100.0	12.0 (1.3)	100.0	181.0 (9.0)
Total	1119.0 (100.0)		881.0 (100.0)		2000.0 (100.0)

a = No. of households

b = Cumulative percentage

Table B:5

Extent of Informal Finance as Per Housing Area Types

Extent of Informal Finance (%)	Housing Area Types							
	High Income		Middle Income		Low Income		EWS/Slums	
	a	b	a	b	a	b	a	b
75+	52.0 (26.0)	26.0	178.0 (44.5)	44.5	370.0 (61.7)	61.7	698.0 (87.3)	87.3
50-75	50.0 (25.0)	51.0	102.0 (25.5)	70.0	66.0 (11.0)	72.7	15.0 (1.9)	89.2
25-50	68.0 (34.0)	85.0	94.0 (23.5)	93.5	105.0 (17.5)	90.2	21.0 (2.6)	91.8 (2.6)
<25	30.0 (15.0)	100.0	26.0 (6.5)	100.0	59.0 (9.8)	100.0	66.0 (8.2)	100.0
Total	200.0 (100.0)	-	400.0 (100.0)	-	600.0 (100.0)	-	800.0 (100.0)	

a = No. of households

b = Cumulative Percentage

Table B:6

Level of Investment in Housing according to the Extent
of Informal Finance

Level of* Investment	Extent of Informal Financing (%)									
	75+		50-75		25-50		<25		All	
	A	B	A	B	A	B	A	B	A	B
<10 months	662.0 (51.0)	51.0	8.0 (3.4)	3.4	27.0 (9.4)	9.4	68.0 (37.6)	37.6	765.0 (38.3)	38.3
10-20	188.0 (14.5)	65.5	36.0 (15.5)	18.9	76.0 (26.4)	35.8	51.0 (28.2)	65.8	351.0 (17.6)	55.9
20-30	119.0 (9.2)	74.7	34.0 (14.6)	33.5	46.0 (16.0)	51.8	16.0 (8.8)	74.6	215.0 (10.8)	66.7
30-40	119.0 (9.2)	83.9	53.0 (22.7)	56.2	59.0 (20.5)	72.3	15.0 (3.3)	82.9	246.0 (12.3)	79.0
40+	210.0 (16.1)	100.0	102.0 (43.8)	100.0	80.0 (27.7)	100.0	31.0 (17.1)	100.0	423.0 (21.0)	100.0
All	1289.0 (100.0)		233.0 (100.0)		288.0 (100.0)		181.0 (100.0)		2000.0 (100.0)	

* = Housing Costs as equivalent to monthly household Income Range.

A = No. of households

B = Cumulative Percentage

Table B:7

Levels of Investment in Housing according to the
Housing Area Types

Level of Investment	Housing Area Type									
	High Income		Middle Income		Low Income		EWS/ Slum		All	
	a	b	a	b	a	b	a	b	a	b
<10 months HH Income	-	-	7.0	7.8	130.0	21.7	628.0	78.5	765.0	33.3
10-20	7.0 (3.5)	3.5	36.0 (9.0)	10.8	186.0 (31.0)	52.7	122.0 (15.3)	93.8	351.0 (17.6)	55.9
20-30	27.0 (13.5)	17.0	73.0 (18.3)	21.1	88.0 (14.7)	67.4	27.0 (3.4)	97.2	215.0 (10.8)	66.7
30-40	51.0 (25.5)	42.5	106.0 (26.5)	47.6	76.0 (12.6)	80.0	13.0 (1.6)	98.8	246.0 (12.3)	79.0
40+	115.0 (57.5)	100.0	78.0 (44.5)	100.0	120.0 (20.0)	100.0	10.0 (1.2)	100.0	423.0 (21.0)	100.0
Total	200.0	-	400.0	-	600.0	-	800.0	-	2000.0	-

HH = Household

a = No. of households

b = Cumulative percentage

Table B:8

Investment Pattern in Housing as per Housing Area Types

Investment (In Rs.)	Housing Area Type				
	High Income	Middle Income	Low Income	EWS/ Slum	All
Upto 10,000	-	-	127.0 (21.2)	675.0 (84.4)	802.0 (40.1)
10,000-20,000	-	-	81.0 (13.5)	90.0 (11.8)	175.0 (8.8)
20,000-50,000	-	6.0 (1.5)	264.0 (44.0)	31.0 (3.8)	299.0 (15.0)
50,000-1,00,000	9 (4.5)	117.0 (29.3)	101.0 (16.8)	-	229.0 (11.5)
1,00,000- 1,50,000	55.0 (27.5)	137.0 (34.2)	21.0 (3.5)	-	213.0 (10.7)
1,50,0000 - 2,00,000	55.0 (27.0)	88.0 (22.0)	6.0 (1.0)	-	148.0 (7.4)
More than 2,00,000	82.0 (41.0)	52.0 (13.0)	-	-	134.0 (6.5)
All	200.0 (100.0)	400.0 (100.0)	600.0 (100.0)	800.0 (100.0)	2000.0 (100.0)

ANNEX C

Town-wise Tables

Town-wise Tables : Burdwan

Table 1 (Burdwan)

Sample Size

Housing area type	Number of sampled households
High-Income	50
Middle Income	100
Low-Income	150
Slums and Economically Weaker Section	200
Total	500

Table 2 (Burdwan)
Degree of Dependence of Sampled Households on
Different Sources of Housing Finance

Constituents	Households Number	%	Magnitude of Investment by Source (Rs. in 000')
Savings only	52	10	Savings 1465
Formal & savings	97	19	a. Savings 2890 b. Formal 3152 sources
Informal & savings	210	43	a. Savings 3473 b. Informal 1068
Formal, informal & savings	141	28	a. Savings 6552 b. Formal 11288 c. Informal 6641
All	500	100.0	a. Savings 14380 (44.5) b. Formal 14440 (44.5) credit c. Informal 3489 (11.0) credit d. Total 32309 (100.0%)

Table 3 (Burdwan)

Share of the Various Sources in Housing Finance

Sources	Amount (in Rs.000')	Percentage
Formal Sources	14440	44.7
a. Provident fund and employer	9090	28.1
b. Banks and others	3476	10.8
c. Specialised HF agencies	1874	5.8
Informal Sources	17869	55.3
a. Savings	14380	44.5
i. Cash savings	8665	26.8
ii. Liquidation of assets	5715	17.7
b. Loans from friends and relation	2993	9.3
c. Loans from indigeneous bankers	496	1.5
Total	32309	100.0

Table 4 (Burdwan)

Degree of Dependence on the Major Sources of Housing Finance by Income Categories of Households

Annual income groups (Rs.)	Number of households by major sources of housing finance				Total
	Own savings	Own savings and informal sources	Own savings and informal sources	Mix of own savings and formal and informal sources	
Upto Rs. 8400	37	24	9	5	75 (15)
8401-18000	10	161	14	34	219 (44)
18001-30000	2	23	28	43	96 (19)
More than 30000	3	2	46	59	110 (22)
Total	52 (10.4)	210 (42.0)	97 (19.4)	141 (28.2)	500 (100%)

Table 5 (Burdwan)

Levels and Composition of Housing Investments

Income level of households (Rs.)	Amount of investment by sources (Rs.)			
	Savings	Informal	Formal	Average
Upto 8400	6833	800	393	8026
8401-18000	16821	3124	5826	25771
18001-30000	32302	5208	33552	71062
More than 30,000	64572	20001	90345	174918
Average	28760	6978	2880	64618

Table 6 (Burdwan)

Levels of Investment according to Annual Income Range

Level of Investment	Annual Income Range (Rs.)									
	30,000 +		18,001-30,000		8,401-18000		Upto 8,400		All	
	a	b	a	b	a	b	a	b	a	b
<10 Months	-	-	22 (22.9)	22.9	183 (83.6)	83.6	39 (52.0)	52.0	244 (48.8)	48.8
10 - 20	-	-	-	-	20 (9.1)	92.7	7 (9.3)	61.3	27 (5.4)	54.2
20 - 30	15 (13.6)	13.6	3 (3.1)	26.0	1 (0.5)	93.5	6 (8.0)	69.3	25 (5.0)	59.2
30 - 40	47 (42.7)	56.3	16 (16.7)	42.7	5 (2.3)	95.5	10 (13.3)	82.6	78 (15.6)	74.6
40 +	48 (43.7)	100.0	55 (57.3)	100.0	10 (4.5)	100.0	13 (17.4)	100.0	126 (25.2)	100.0
Total	110 (100.0)	-	96 (100.0)	-	219 (100.0)	-	75 (100.0)	-	500 (100.0)	-

Table 7 (Burdwan)

Levels of Investment according to the Nature of Employment
(Reference Period : 1984-85)

Level of investment	Formal	Informal	All
< 10 - months	194 (45.3)	50 (69.4)	244 (48.8)
10 - 20	15 (3.5)	12 (16.7)	27 (5.4)
20 - 30	21 (4.9)	4 (5.6)	25 (5.0)
30 - 40	78 (18.2)	-	78 (15.6)
40 +	120 (28.1)	6 (8.3)	126 (25.2)
Total	428 (100.0)	72 (100.0)	500 (100.0)

Table 8 (Burdwan)

Levels of Investment according to the Land Tenure

Level of Investment	Type of Land Tenure					
	Secure		Insecure		All	
	a	b	a	b	a	b
< 10 Months	109 (31.1)	31.1	135 (90.0)	90.0	244 (48.8)	48.8
10 - 20	14 (4.0)	35.1	13 (8.7)	98.7	27 (5.4)	54.2
20 - 30	23 (6.6)	41.7	2 (1.3)	100.0	25 (5.0)	59.2
30 - 40	78 (22.3)	64	-	-	78 (15.6)	74.8
40 +	126 (36.0)	100	-	-	126 (25.2)	100.0
Total	350 (100.0)	-	150 (100.0)	-	500 (100.0)	-

a = No. of House holds
 b = Cumulative percentages

Table 9 (Burdwan)
Composition of Rate of Interest

Rate of interest (%)	Formal credit			Informal credit			
	Housing Finance Institutions	Commercial Banks and others	Employers and others	All	Friends and relatives	Indigenous bankers	All
Un-specified	-	-	-	-	128	-	128
<u>Monthly</u>							
upto 1	-	-	-	-	1	-	1
1 - 2	-	-	-	-	-	1	1
2 - 3	-	-	-	-	41	1	42
Above 3	-	-	-	-	5	174	179
<u>Annual</u>							
upto 4	-	14	-	14			
4 - 6	-	-	-	-			
6 - 9	-	-	54	54			
9 -12	15	-	-	15			
12-18	95	40	20	155			
All	110	54	74	238	175	176	351

Table 10 (Burdwan)

Distribution of Households having Housing Loans according to their Size of Income and Rate of Interest

Rate of interest (%)	Size of HH income (Rs. per annum)				All
	Upto 8400	8401-18000	18001-30000	30001 and above	
Unspecified	27	53	22	26	128
<u>Informal Credit</u>					
upto 1 p.m.	-	1	-	-	1
1 - 2	-	1	-	-	1
2 - 3	2	22	14	4	42
above 3	-	118	30	31	179
All	29	195	66	61	351
<u>Formal Credit</u>					
upto 4 p.a.	14	-	-	-	14
4 - 6	-	-	-	-	-
6 - 9	-	32	15	7	54
9 - 12	-	2	9	4	15
12 - 18	-	14	47	94	155
All	14	48	71	105	238

p.m. Per month
p.a. Per annum

Table 11 (Burdwan)

Composition of Repayment Period for the Housing Loans

Repayment period	Formal credit			Informal credit			
	Housing Finance Institutions	Commercial Banks and others	Employers and others	All	Friends and relatives	Indigenous bankers	All
Unspecified	-	-	-	-	124	-	124
Upto 6 months	-	-	-	-	21	130	151
6 months - 1 year	-	-	-	-	27	17	44
1-3 years	-	-	-	-	3	29	32
3-7 years	-	-	-	-	-	-	-
7-10 years	98	48	-	146			
Above 10 years	12	6	74	92			
All	110	54	74	238	175	176	351

Table 12 (Burdwan)
Income Status of the Borrowers

Sources of household loans	Size of income (Rs. p.a.)				Total
	Upto 8400	840-18,000	18,001-30,000	Above 30,000	
Informal only	61 (23.0)	171 (65.0)	25 (10.0)	5 (2.0)	262 (100.0)
Formal and savings	9 (9.0)	14 (14.0)	28 (29.0)	46 (47.0)	97 (100.0)
Formal and Informal and savings	5 (4.0)	34 (24.0)	43 (30.0)	59 (42.0)	141 (100.0)

Table 13 (Burdwan)
Employment Status of Borrowers

Sources of household loans	Informal sector employment	Formal sector employment	Total
Informal only	48 (18.3)	214 (81.7)	262 (100.0)
Formal and savings	10 (10.3)	87 (89.7)	97 (100.0)
Formal and Informal and savings	14 (9.9)	127 (90.1)	141 (100.0)
All	72 (14.4)	428 (85.6)	100 (600.0)

Table 14 (Burdwan)
Tenurial Status of the Borrowers

Sources of household loans	Number and proportion of houseowners according to the land tenure		
	Insecure	Secure	Total
Informal only	136 (52.0)	126 (48.0)	262 (100.0)
Formal and savings	- -	97 (100.0)	97 (100.0)
Formal and Informal and savings	10 (7.0)	131 (93.0)	141 (100.0)
All	146 (29.0)	354 (71.0)	500 (100.0)

Table 15 (Burdwan)

Reasons for Seeking Housing Loans from Informal Sources*

Reasons	No. of borrowers	% of borrowers from informal market**
Easy accessibility	341	97
Quick processing	320	91
Flexible terms and conditions	297	85
Flexible collateral	351	100

* Multiple responses

** In all 351 households borrowed form informal market.

Table 16 (Burdwan)

Reasons for Seeking Housing Loans from Formal Sources*

Reasons	No. of borrowers	% of borrowers from formal market**
Easy accessibility	86	38
Quick processing	81	34
Relatively lower rate of interest	228	96
Relatively longer repayment period	230	97
Facility provided by employer	74	31

* Multiple responses

** In all 238 households borrowed from formal sources.

Table 17 (Burdwan)

Distribution of Households according to the Household Income

Annual Income Range (Rs.)	Housing Area Types				
	High Income	Middle Income	Low Income	EWS*/Slums	All
30,000 +	41 (82.0)	52 (52.0)	17 (11.3)	-	110 (22.0)
18,001 - 30,000	9 (18.0)	40 (40.0)	39 (26.0)	8 (4.0)	96 (19.2)
8,401 - 18,000	-	7 (7.0)	73 (48.7)	139 (69.5)	219 (43.8)
<8,400	-	1 (1.0)	21 (14.0)	53 (26.5)	75 (15.0)
Total	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

* EWS = Economically weaker section.

Table 18 (Burdwan)

Distribution of Households as per the Occupations of their Head

Occupation	No. of households	%
Formal sector employment	428	86
Informal sector employment	72	14
All	500	100

Table 19 (Burdwan)

Distribution of Households as per their Land Tenurial Status

Type of land tenure	No. of households	%
Secure	354	71
Insecure	146	39
All	500	100

Table 20 (Burdwan)
Extent of Informal Finance

Extent of (%) informal finance*	No. of households	Percentage of total sample	Cumulative percentage
75 +	312	62.4	62.4
50 - 75	76	15.2	77.6
25 - 50	90	18.0	95.6
< 25	22	4.4	100
Total	500	100	-

* Informal Finance as % of total investment in housing.

Table 21 (Burdwan)

Extent of Informal Finance as per Annual Household Income

Extent of Informal Financing	Annual (Household) Income Range (Rs.)								
	30,000 +		18,001-30,000		8,401-18,000		upto 8,400		All
	a	b	a	b	a	b	a	b	
75 +	18 (16.4)	16.4	34 (35.4)	35.4	186 (84.9)	84.9	74 (98.7)	98.7	312 (62.4)
50-75	39 (35.5)	51.9	31 (32.3)	67.7	6 (2.7)	87.6	-	-	76 (15.2)
25-50	47 (42.7)	94.6	23 (24.0)	91.7	19 (8.7)	96.3	1 (1.3)	100	90 (18.0)
<25	6 (5.4)	100	8 (8.3)	100	8 (3.7)	100	-	-	22 (4.4)
Total	110 (100.0)	-	96 (100.0)	-	219 (100.0)	-	75 (100.0)	-	500 (100.0)

a = No. of households
b = Cumulative percentage

Table 22 (Burdwan)

Extent of Informal Finance as per Nature of Employment

Extent of informal finance (%)	Nature of Employment		All
	Formal sector	Informal sector	
75 +	244 (57.0)	68 (94.4)	312 (62.4)
50-75	73 (17.1)	3 (4.2)	76 (15.2)
25-50	90 (21.0)	-	90 (18.0)
<25	21 (4.9)	1 (1.4)	22 (4.4)
Total	428 (100.0)	72 (100.)	500 (100.0)

Table 23 (Burdwan)

Extent of Informal Finance as per Type of Land Tenure

Extent of informal finance (%)	Type of Land Tenure				All
	Secure		Unsecure		
	a	b	a	b	
75 +	179 (50.6)	50.6	133 (91.1)	91.1	312 (62.4)
50 - 75	76 (21.5)	72.1	-	-	76 (15.2)
25-50	82 (23.2)	95.3	8 (5.5)	96.6	90 (18.0)
< 25	17 (4.7)	100	5 (3.4)	100	22 (4.4)
Total	354 (100.0)	-	146 (100.0)	-	500 (100.)

a = No. of households.
b = Cumulative percentage.

Table 24 (Burdwan)

Extent of Informal Financing as per Housing Area Types

Extent of informal finance	Housing Area Type							
	High Income		Middle Income		Low Income		EWS/Slums	
	a	b	a	b	a	b	a	b
75 +	6 (12.0)	12	32 (32.0)	32	97 (64.7)	64.7	177 (88.5)	88.5
50 - 75	18 (36.0)	48	33 (33.0)	65	24 (16.0)	80.7	1 (0.5)	89.0
25 - 50	20 (40.0)	88	30 (30.0)	95	25 (16.7)	97.4	15 (7.5)	96.5
< 25	6 (12.0)	100	5 (5.0)	100	4 (2.6)	100	7 (3.5)	100
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-

a = No. of House holds
 b = Cumulative percentage.

Table 25 (Burdwan)

Level of Investment in Housing according to the
Extent of Informal Finance

*Level of investment	Extent of Informal Finance (%)									
	75+		50-75		25-50		<25		All	
	A	B	A	B	A	B	A	B	A	B
<10 Months	225 (72.1)	72.1	-	-	11 (12.2)	12.2	8 (36.4)	36.4	244 (48.8)	48.8
10-20	23 (7.4)	79.5	1 (1.3)	1.3	3 (3.3)	15.5	-	-	27 (5.4)	54.2
20-30	6 (1.9)	81.4	6 (7.9)	9.2	9 (10.0)	25.5	4 (18.2)	54.6	25 (5.0)	59.2
30-40	22 (7.1)	88.5	28 (36.8)	46.0	26 (28.9)	54.4	2 (9.1)	63.7	78 (15.6)	74.8
40+	36 (11.5)	100.0	41 (54.0)	100.0	41 (45.6)	100.0	8 (36.3)	100.0	126 (25.2)	100.0
Total	312 (100.0)	-	76 (100.0)	-	90 (100.0)	-	22 (100.0)	-	500 (100.0)	-

* Housing costs as equivalent to monthly household incomes.

A = Number of house holds+

B = Cumulative percentage

Table 26 (Burdwan)

Level of Investment in Housing according to the
Housing Area Types

Level of Investment	Housing Area Type								Total	
	High Income		Middle Income		Low Income		EWS/Slums		A	B
	A	B	A	B	A	B	A	B		
<10 Months HH Income	-	-	-	-	70 (46.7)	46.7	174 (87.0)	87.0	244 (48.8)	48.8
10 - 20	-	-	-	-	4 (2.7)	49.4	23 (11.5)	98.5	27 (5.4)	54.2
20 - 30	4 (8.0)	8.0	12 (12.0)	12.0	6 (4.0)	53.4	3 (1.5)	100.0	25 (5.0)	59.2
30 - 40	19 (38.0)	46.0	35 (35.0)	47.0	24 (16.0)	69.4	-	-	78 (15.6)	74.8
40 +	27 (54.0)	100.0	53 (53.0)	100.0	46 (30.6)	100.0	-	-	126 (25.2)	100.0
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-	500 (100.0)	-

HH = Household
A = No. of households
B = Cumulative percentages

Table 27 (Burdwan)

Investment Pattern in Housing as Per Housing Area Types

Investment (Rs.)	Housing Area Types				
	High Income	Middle Income	Low Income	EWS*/Slums	All
Upto 10,000	-	-	74 (49.3)	180 (90.0)	254 (50.8)
10,000 - 20,000	-	-	-	19 (9.5)	19 (3.8)
20,000 - 50,000	-	1 (1.0)	11 (7.3)	1 (0.5)	13 (2.6)
50,000 - 1,00,000	1 (2.0)	30 (30.0)	40 (26.7)	-	71 (14.2)
1,00,000 - 1,50,000	9 (18.0)	44 (44.0)	20 (13.3)	-	73 (14.6)
1,50,000 - 2,00,000	32 (64.0)	23 (23.0)	5 (3.4)	-	60 (12.0)
More than 2,00,000	8 (16.0)	2 (2.0)	-	-	10 (2.0)
All	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

* = Economically weaker section.

Town-wise Tables: Cochin

Table 1 (Cochin)

Sample Size

Housing area type	Number of sampled households
High-Income	50
Middle-Income	100
Low-Income	150
Slums and Economically Weaker Section	200
Total	500

Table 2 (Cochin)

Degree of Dependence of Sampled Households on
Different Sources of Housing Finance

Constituents	Households		Magnitude of Investment by source (Rs.in 000')	
	Number	%		
Saving only	85	17	Saving	4681
Formal & savings	189	38	a) Savings	10984
			b) Formal sources	10756
Informal & savings	134	27	a) Savings	1843
			b) Informal	822
Formal, Informal & savings	92	18	a) Savings	3002
			b) Formal	2775
			c) Informal	1060
All	500	100.0	a) Savings	20510 (57.0)
			b) Formal credit	13531 (37.0)
			c) Informal credit	1882 (6.0)
			d) Total	35923 (100.0)

Table 3 (Cochin)

Share of the Various Sources in Housing Finance

Sources	Amount (Rs. in 000')	Percentage
Formal Sources	13531	37.7
a) Provident Fund and Employer	1821	5.0
b) Banks and others	2292	6.3
c) Specialised HF Agencies	9418	26.4
Informal Sources	22392	62.0
a) Savings	20510	57.0
i) Cash savings	14679	40.8
ii) Liquidation of assets	5831	16.2
b) Loans from Friends and Relations	1641	4.5
c) Loans from Indigeneous Bankers	241	0.7
Total	35923	100.0

Table 4 (Cochin)

Degree of Dependence on the Major Sources of Housing Finance
by Income Categories of Households

Annual income groups (Rs.)	Number of households by major sources of housing finance				Total
	Own savings	Own savings and informal sources	Own savings and formal sources	Mix of own savings and formal and informal sources	
Upto Rs.8400	11	53	28	49	141 (28.2)
8401-18000	7	71	14	24	116 (23.2)
18001-30000	6	8	46	9	69 (13.8)
More than 30000	61	2	101	10	174 (34.8)
Total	85 (17.0)	134 (26.8)	189 (37.8)	92 (18.4)	500 (100.0)

Table 5 (Cochin)
Levels and Composition of Housing Investments

Income level of households (Rs.)	Amount of investment by sources (Rs.)			
	Savings	Informal	Formal	Average
Upto 8400	11985	1765	7093	20843
8401-18000	13000	3431	10344	26775
18001-30000	23463	4405	41885	69753
More than 30000	90189	5350	48512	144051
Average	41020	3764	27074	71858

Table 6 (Cochin)

Level of Investment in Housing according to the Annual Income Range

Level of Investment	Annual (Household) Income Range (Rs.)									
	30,000+		18,001-30,000		8,401-18,000		upto 8,400		All	
	a	b	a	b	a	b	a	b	a	b
<10 months	35 (20.1)	20.1	7 (10.1)	10.1	57 (49.1)	49.1	94 (66.7)	66.7	193 (38.6)	38.6
10-20	60 (34.5)	54.6	27 (39.1)	49.2	30 (25.9)	75.0	32 (22.7)	89.4	149 (29.8)	68.4
20-30	35 (20.1)	74.7	10 (14.5)	63.7	12 (10.3)	85.3	3 (2.1)	91.5	60 (12.0)	80.4
30-40	26 (14.9)	89.6	5 (7.2)	70.9	6 (5.2)	90.5	-	-	37 (7.4)	87.8
40+	18 (10.4)	100	20 (29.1)	100	11 (9.5)	100	12 (8.5)	100	61 (12.2)	100
Total	174 (100.0)	-	69 (100.0)	-	116 (100.0)	-	141 (100.0)	-	500 (100.0)	-

Table 7 (Cochin)

Levels of Investment According to the Nature of Employment

Level of Investment	Formal	Informal	All
< 10 months	47 (15.4)	146 (74.9)	193 (38.6)
10 - 20	120 (39.3)	29 (14.9)	149 (29.8)
20 - 30	53 (17.4)	7 (3.6)	60 (12.0)
30 - 40	33 (10.8)	4 (2.1)	37 (7.4)
40 +	52 (17.1)	9 (4.5)	61 (12.2)
Total	305 (100.0)	195 (100.0)	500 (100.0)

Table 8 (Cochin)

Level of Investment according to the Land Tenure in Cochin

Level of Investment	Type of Land Tenure					
	Secure		Insecure		All	
	a	b	a	b	a	b
<10 months	79 (21.9)	21.9	114 (82.0)	82.0	193 (38.6)	38.6
10-20	127 (35.2)	57.1	22 (15.8)	97.8	149 (29.8)	68.4
20-30	58 (16.1)	73.2	2 (1.4)	99.2	60 (12.0)	80.4
30-40	37 (10.2)	83.4	-	-	37 (7.4)	87.8
40+	60 (16.6)	100	1 (0.8)	100	61 (12.2)	100
Total	136 (100.0)	-	139 (100.0)	-	500 (100.0)	-

A = No. of House holds

B = Cumulative percentage

Table 9 (Cochin)
Composition of Rate of Interest

Rate of interest(%)	Formal credit				Informal credit		
	Housing finance	Commercial banks and others	Employer and others	All	Friends and Relatives	Indigeneous bankers	All
Unspecified					107	-	107
<u>Monthly</u>							
Up to 1					3	-	3
1 - 2					-	4	4
2 - 3					7	4	11
Above 3					71	30	101
<u>Annual</u>							
Up to 4	20	16	-	36			
4 - 6	-	-	-	-			
6 - 9	23	-	43	66			
9 - 12	66	-	-	66			
12 - 18	30	70	13	113			
All	139	86	56	281	188	38	225

Table 10 (Cochin)

Distribution of Households having Housing Loans
according to their size of Income and Rate of Interest

Rate of interest (%)	Size of HH income (Rs. per annum)				All
	Up to 8400	8401- 18000	18001 - 30000	300001 and above	
Unspecified	94	25	13	3	107
<u>Informal credit</u>					
Up to 1 p.m.	-	5	-	-	3
1 - 2	1	3	-	-	4
2 - 3	3	13	4	3	11
Above 3	4	49	-	6	101
All	102	95	17	12	226
<u>Formal credit</u>					
Up to 4 p.a	34	2	-	-	36
4 - 6	-	-	-	-	-
6 - 9	43	10	13	-	66
9 - 12	-	26	19	21	66
12 - 18	-	-	23	90	113
All	77	38	55	111	281

p.m. per month

p.a. per annum

Table 11 (Cochin)

Composition of Repayment Period for the Housing Loans

Repayment Period	Formal credit				Informal credit		
	Housing finance agencies	Commercial banks and others	Employer and others	All	Friends and Relatives	Indigeneous bankers	All
Unspecified					152	-	152
Up to 6 months					20	24	44
6 months - 1 year					8	13	21
1 - 3 years					8	1	9
3 - 7 years							
7 - 10 years	125	74	-	199			
Above 10 years	14	12	56	82			
	139	86	56	281	188	38	226

Table 12 (Cochin)
Income Status of the Borrowers

Sources of household loans	Size of income (Rs. p.a.)				Total
	Upto 8400	8401-18,000	18,001-30,000	Above 30,000	
Informal only	64 (29.0)	78 (36.0)	14 (6.0)	63 (29.0)	219 (100.0)
Formal and savings	28 (15.0)	14 (7.0)	46 (25.0)	101 (53.0)	189 (100.0)
Formal and Informal and savings	49 (53.0)	24 (26.0)	9 (10.0)	10 (11.0)	92 (100.0)

Table 13 (Cochin)

Employment Status of Borrowers

Sources of household loans	Informal sector employment	Formal sector employment	Total
Informal only	166 (75.8)	53 (24.2)	219 (100)
Formal and savings	5 (2.7)	184 (97.3)	189 (100)
Formal and Informal and savings	24 (26.0)	68 (74.0)	92 (100)
All	195 (39.0)	305 (61.0)	500 (100)

Table 14 (Cochin)
Tenurial Status of the Borrowers

Sources of household loans	Number and proportion of houseowners according to the land tenure		
	Insecured	Secured	Total
Informal only	131 (60)	88 (40)	219 (100)
Formal and savings	-	189 (100)	189 (100)
Formal and Informal and savings	8 (9)	86 (91)	92
All	139 (28)	361 (72)	500 (100)

Table 15 (Cochin)

Reasons for Seeking Housing Loans from Informal Sources*

Reasons	No. of borrowers	% of borrowers from informal market**
Easy accessibility	226	100
Quick processing	175	77
Flexible terms and conditions	93	41
Flexible collateral	226	100

* Multiple responses

** In all 226 households borrowed form informal market.

Table 16 (Cochin)

Reasons for Seeking Housing Loans from Formal Sources*

Reasons	No. of borrowers	% of borrowers from formal market**
Easy accessibility	45	16
Quick processing	72	26
Relatively lower rate of interest	270	96
Relatively longer repayment period	280	99
Facility provided by employer	56	20

* Multiple responses

** In all 281 households borrowed form formal sources.

Table 17 (Cochin)

Distribution of Households according to the Household Income

Annual Income Range (Rs.)	Housing Area Type				All
	High Income	Middle Income	Low Income	EWS*/ Slums	
30,000+	43 (86.0)	78 (78.0)	49 (32.7)	4 (2.0)	174 (34.8)
18,001- 30,000	5 (10.0)	7 (7.0)	46 (30.7)	11 (5.5)	69 (13.8)
8,401- 18,000	2 (4.0)	8 (8.0)	50 (33.3)	56 (28.0)	116 (23.2)
Upto 8,400	-	7 (7.0)	5 (3.3)	129 (64.5)	141 (28.2)
Total	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

* EWS = Economically Weaker Section

Table 18 (Cochin)

Distribution of Sampled Households as per the
Occupation of Their Head

Occupation	No. of households	%
Formal Sector Employment	305	61
Informal Sector Employment	195	39
All	500	100

Table 19 (Cochin)

Distribution of Sampled Household as per
Their Land Tenurial Status

Type of Land Tenure	No. of households	%
Secured	361	72
Insecured	139	28
All	500	100

Table 20 (Cochin)

Extent of Informal Financing

*Extent of (%) Informal Finance	No. of households	Percentage of Total Sample	Commulative Percentage
75+	200	40.0	40.0
50-75	64	12.8	52.8
25-50	116	23.2	76.0
<25	120	24.0	100.0
Total	500	100	-

* Informal Finance as % of total investments in housing.

Table 21 (Cochin)

Extent of Informal Finance as per Annual Household Income

Extent of Informal	Annual (Household) Income Range (Rs.)								All
	30,000+		18,000-30,000		8,400-18,000		< 8,400		
	a	b	a	b	a	b	a	b	
75+	45 (25.9)	25.9	7 (10.1)	10.1	24 (20.7)	20.7	124 (87.9)	87.9	200 (40.0)
50-75	45 (25.9)	51.8	8 (11.6)	21.6	4 (3.4)	24.1	7 (5.0)	92.9	64 (12.8)
25-50	54 (31.0)	82.8	26 (37.7)	59.4	35 (30.2)	54.3	1 (0.7)	93.6	116 (23.2)
<25	30 (17.2)	100	28 (40.6)	100	53 (45.7)	100	9 (6.4)	100	120 (24.0)
Total	174 (100.0)	-	69 (100.0)	-	116 (100.0)	-	141 (100.0)	-	500 (100.0)

a = No. of households,

b = Cumulative percentage

Table 22 (Cochin)

Extent of Informal Finance as per Nature of Employment

Extent of Informal Finance (%)	Nature of Employment		All
	Formal Sector	Informal Sector	
75+	60 (19.7)	140 (71.8)	200 (40.0)
50-75	56 (18.4)	8 (4.1)	64 (12.8)
25-50	111 (36.4)	5 (2.6)	116 (23.2)
<25	78 (25.5)	42 (21.5)	120 (24.0)
Total	305 (100.0)	195 (100.0)	500 (100.0)

Figures in brackets indicate percentage to total

Source : NIUA Survey, 1989.

Table 23 (Cochin)
Extent of Informal Finance as per Type of
Land Tenure

Extent of Informal Finance (%)	Type of Land Tenure				All
	Secure		Unsecure		
	a	b	a	b	
75+	63 (17.5)	17.5	137 (98.6)	98.6	200 (40.0)
50-75	63 (17.5)	35.0	1 (0.7)	99.3	64 (12.8)
25-50	116 (32.1)	67.1	-	-	116 (23.2)
<25	119 (32.9)	100	1 (0.7)	100	120 (24.0)
Total	361 (100.0)	-	139 (100.0)	-	500 (100.0)

a = No. of House holds

b = Cumulative percentages

Table 24 (Cochin)

Extent of Informal Financing as per Housing Area Types

Extent of Informal Finance	Housing Area Type							
	High Income		Middle Income		Low Income		EWS/Slums	
	a	b	a	b	a	b	a	b
75+	14 (28.0)	28	24 (24.0)	24	24 (16.0)	16	138 (69.0)	69
50-75	18 (36.0)	64	28 (28.0)	52	15 (10.0)	26	3 (1.5)	70.5
25-50	17 (34.0)	98	34 (34.0)	86	63 (42.0)	68	2 (1.0)	71.5
<25	1 (2.0)	100	14 (14.0)	100	48 (32.0)	100	57 (28.5)	100
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-

a = No. of House holds

b = Cumulative percentages

Table 25 (Cochin)

Level of Investment in Housing According to the
Extent of Informal Finance

Level of Investment*	Extent of Informal Finance (%)									
	75+		50-75		25-50		<25		All	
	a	b	a	b	a	b	a	b	a	b
<10 months	118 (59.0)	59	4 (6.3)	6.3	12 (10.3)	10.3	59 (49.2)	49.2	193 (38.6)	38.6
10-20	34 (17.0)	76	16 (25.0)	31.3	57 (49.1)	59.4	42 (35.0)	84.2	149 (29.8)	68.4
20-30	16 (8.0)	84	12 (18.8)	50.1	23 (19.8)	79.2	9 (7.5)	91.7	60 (12.0)	80.4
30-40	12 (6.0)	90	8 (12.5)	62.6	11 (9.5)	88.7	6 (5.0)	96.7	37 (7.4)	87.8
40+	20 (10.0)	100	24 (37.4)	100	13 (11.3)	100	4 (3.3)	100	61 (12.2)	100
Total	200 (100.0)	-	64 (100.0)	-	116 (100.0)	-	120 (100.0)	-	500	-

* Housing costs as equivalent to monthly household income range.

A = No. of households

B = Cumulative percentage

Table 26 (Cochin)

Level of Investment in Housing according to the Housing Area Types

Level of Investment	Housing Area Type									
	High Income		Middle Income		Low Income		EWS/Slums		Total	
	a	b	a	b	a	b	a	b	a	b
<10 months HH Income	-	-	7 (7.0)	7.0	28 (18.7)	18.7	158 (79.0)	79.0	193 (38.6)	38.6
10-20	4 (8.0)	8.0	20 (20.0)	27.0	93 (62.0)	80.7	32 (16.0)	95.0	149 (29.8)	68.4
20-30	14 (28.0)	36.0	27 (27.0)	54.0	14 (9.3)	90.0	5 (2.5)	97.5	60 (12.0)	80.4
30-40	12 (24.0)	60.0	17 (17.0)	71.0	5 (3.3)	93.3	3 (1.5)	99.0	37 (7.4)	87.8
40+	20 (40.0)	100.0	29 (29.0)	100	10 (6.7)	100	2 (1.0)	100	61 (12.2)	100.0
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-	500 (100.0)	-

HH = Household

a = Number of households.

b = Cumulative percentages.

Table 27 (Cochin)

Investment Patterns in Housing as per Housing Area Types

(House Owners)

Investment (Rs.)	Housing Area Type				
	High Income	Middle Income	Low Income	EWS*/ Slums	All
Upto 10,000	-	-	-	188 (94.0)	188 (37.6)
10,000- 20,000	-	-	-	2 (1.0)	2 (0.4)
20,000- 50,000	-	5 (5.0)	127 (84.7)	10 (5.0)	142 (28.4)
50,000- 1,00,000	-	31 (31.0)	22 (14.7)	-	53 (10.6)
1,00,000- 1,50,000	13 (26.0)	32 (32.0)	-	-	45 (9.0)
1,50,000- 2,00,000	5 (10.0)	19 (19.0)	1 (0.6)	-	25 (5.0)
More than 2,00,000	32 (64.0)	13 (13.0)	-	-	45 (9.0)
All	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

* Economically weaker section.

Town-wise Tables: Ghaziabad

Table 1 (Ghaziabad)

Sample Size

Housing area type	Number of sampled households
High-Income	50
Middle-Income	100
Low-Income	150
Slums and Economically Weaker Section	200
Total	500

Table 2 (Ghaziabad)

Degree of Dependence of Sampled Households on
Different Sources of Housing Finance

Constituents	Households		Magnitude of Investment by source (Rs. in 000')	
	Number	%		
Saving only	57	11	Saving	948
Formal & savings	58	12	a) Savings	4600
			b) Formal sources	3422
Informal & Savings	239	48	a) Savings	4530
			b) Informal	2398
Formal, Informal & Savings	146	29	a) Savings	12492
			b) Formal	3885
			c) Informal	4797
All	500	100.0	a) Savings	22570 (61.0)
			b) Formal Credit	7307 (20.0)
			c) Informal Credit	7195 (19.0)
			d) Total	37072 (100.0)

Table 3 (Ghaziabad)

Share of the Various Sources in Housing Finance

Sources	Amount (Rs. in 000')	Percentage
Formal Sources	7307	19.7
a) Provident Fund and Employer	1200	3.2
b) Banks and others	2814	7.5
c) Specialised HF Agencies	3293	9.0
Informal Sources	29765	80.3
a) Savings	22570	60.8
i) Cash savings	13345	35.9
ii) Liquidation of assets	9225	24.9
b) Loans from Friends and Relations	6503	17.5
c) Loans from Indigeneous Bankers	692	2.0
Total	37072	100.0

Table 4 (Ghaziabad)

Degree of Dependence on the Major Sources of Housing Finance
by Income Categories of Households

Annual income groups (Rs)	Number of households by major sources				Total
	Own savings	Own savings and informal sources	Own savings and formal sources	Mix of own savings and formal and informal sources	
Upto Rs. 8400	37	107	8	26	178 (35.6)
8401-18000	13	61	10	39	123 (24.6)
18001-30000	4	27	4	19	54 (10.8)
More than 30000	3	44	36	62	145 (29.0)
Total	57 (11.4)	239 (47.8)	58 (11.6)	146 (29.2)	500 (100%)

Table 5 (Ghaziabad)
Levels and Compositon of Housing Investments

Income level of households (Rs.)	Amount of investment by sources (Rs.)			
	Savings	Informal	Formal	Average
Upto 8400	6578	5618	2202	14398
8401-18000	16121	5692	7829	29642
18001-30000	47611	7037	11500	66148
More than 30000	116172	35276	36765	188213
Average	45140	14390	14614	74144

Table 6 (Ghaziabad)

Level of Investment in Housing according to the Annual Income Range

Level of Investment	Annual (Household) Income Range (Rs.)									
	30,000+		18,001-30,000		8,401-18,000		Upto 8400		All	
	a	b	a	b	a	b	a	b	a	b
<10 month	6 (4.1)	4.1	19 (35.2)	35.2	71 (57.7)	57.7	129 (72.5)	72.5	225 (45.0)	45.0
10-20	11 (7.6)	11.7	10 (18.5)	53.7	16 (13.0)	70.7	25 (14.0)	86.5	62 (12.4)	57.4
20-30	17 (11.7)	23.4	9 (16.7)	70.4	15 (12.2)	82.9	9 (5.1)	91.6	50 (10.0)	67.4
30-40	31 (21.4)	44.8	7 (13.0)	83.4	13 (10.6)	93.5	4 (2.2)	93.8	55 (11.0)	78.4
40+	80 (55.2)	100.0	9 (16.6)	100.0	8 (6.5)	100.0	11 (6.2)	100.0	108 (21.6)	100.0
Total	145 (100.0)	-	54 (100.0)	-	123 (100.0)	-	178 (100.0)	-	500 (100.0)	-

Table 7 (Ghaziabad)

Levels of Investment according to the nature of employment

Level of Investment	Formal	Informal	All
<10 months	10 (5.3)	215 (69.1)	225 (45.0)
10 - 20	27 (14.3)	35 (11.3)	62 (12.4)
20 - 30	35 (18.5)	15 (4.8)	50 (10.0)
30 - 40	39 (20.6)	16 (5.2)	55 (11.0)
40 +	78 (41.3)	30 (9.6)	108 (21.6)
Total	189 (100.0)	311 (100.0)	500 (100.0)

Table 8 (Ghaziabad)

Level of Investment according to the
Land Tenure

Level of Investment	Type of Land Tenure					
	Secured		Insecured		All	
	a	b	a	b	a	b
<10 month	10 (4.0)	4.0	215 (86.4)	86.4	225 (45.0)	45.0
10-20	48 (19.1)	23.1	14 (5.6)	92.0	62 (12.4)	57.4
20-30	46 (18.3)	41.4	4 (1.6)	93.6	50 (10.0)	67.4
30-40	47 (18.7)	60.1	8 (3.2)	96.8	55 (11.0)	78.4
40+	100 (39.9)	100.0	8 (3.2)	100.0	108 (21.6)	100.0
Total	251 (100.0)	-	249 (100.0)	-	500 (100.0)	-

a = No. of households

b = Cumulative Percentages.

Table 9 (Ghaziabad)
Composition of Rate of Interest

Rate of Interest (%)	Formal Credit				Informal Credit		
	Housing Finance	Commercial Banks and others	Employers and others	All	Friends and Relatives	Indigenous Bankers	All
Unspecified					223	-	223
<u>Monthly</u>							
Up to 1					6	-	6
1 - 2					-	7	7
2 - 3					42	5	47
Above 3					44	58	102
<u>Annual</u>							
Up to 4	18	18	-	36			
4 - 6	-	-	-	-			
6 - 9	-	-	56	56			
9 - 12	21	-	-	21			
12 - 18	21	42	28	91			
All	60	60	84	204	315	70	385

Table 10 Ghaziabad

Distribution of Households Having Housing Loans According to their Size of Income and Rate of Interest

Rate of interest (%)	Size of HH income (Rs. per annum)				All
	Up to 8400	8401 - 18000	18001 - 30000	30001 and above	
Unspecified	123	29	32	39	223
<u>Informal credit</u>					
Up to 1 p.m	-	6	-	-	6
1 - 2	1	6	-	-	6
2 - 3	7	19	2	19	47
Above 3	2	40	12	48	102
All	133	100	46	106	385
<u>Formal credit</u>					
Up to 4 p.a	34	2	-	-	36
4 - 6	-	-	-	-	-
6 - 9	-	35	10	11	56
9 - 12	-	-	1	20	21
12 - 18	-	12	12	67	91
All	34	49	23	98	204

p.m. per month

p.a. per annum

Table 11 (Ghaziabad)

Composition of Repayment Period for the Housing Loans

Repayment Period	Formal Credit				Informal Credit		
	Housing Finance Agencies	Commercial Banks and others	Employers and others	All	Friends and Relatives	Indigenous Bankers	All
Unspecified					131	-	131
Up to 6 months					135	64	199
6 months - 1 year					31	-	31
1 - 3 year					18	6	24
3 - 7 years							
7 - 10 years	52	20	-	72			
Above 10 years	8	40	84	132			
	60	60	84	204	315	70	385

Table 12 (Ghaziabad)
Income Status of the Borrowers

Sources of household loans	Size of income (Rs. p.a.)				Total
	Upto 8400	840-18,000	18,001-30,000	Above 30,000	
Informal only	144 (49.0)	74 (25.0)	31 (10.0)	47 (10.0)	296 (100.0)
Formal and savings	8 (14.0)	10 (17.0)	4 (7.0)	36 (62.0)	58 (100.0)
Formal and Informal and savings	26 (18.0)	39 (27.0)	19 (13.0)	62 (42.0)	146 (100.0)

Table 13 (Ghaziabad)
Employment Status of Borrowers

Sources of household loans	Informal sector employment	Formal sector employment	Total
Informal only	294 (99.3)	2 (0.7)	296 (100.0)
Formal and savings	5 (8.6)	53 (91.4)	58 (100.0)
Formal and Informal and savings	12 (8.2)	134 (91.8)	146 (100.0)
All	311 (62.0)	189 (38.0)	500 (100.0)

Table 14 (Ghaziabad)
Tenurial Status of the Borrowers

Sources of household loans	Number and proportion of houseowners according to the land tenure		
	Insecure	Secure	Total
Informal only	242 (82.0)	54 (18.0)	296 (100.0)
Formal and savings	- -	58 (100.0)	58 (100.0)
Formal and Informal and savings	7 (5.0)	139 (95.0)	146 (100.0)
All	249 (49.8)	251 (50.2)	500 (100.0)

Table 15 (Ghaziabad)

Reasons for Seeking Housing Loans from Informal Sources*

Reasons	No. of borrowers	% of borrowers from informal market**
Easy accessibility	385	100
Quick processing	294	76
Flexible terms and conditions	278	72
Flexible collateral	385	100

* Multiple responses

** In all 385 households borrowed form informal market.

Table 16 (Ghaziabad)

Reasons for Seeking Housing Loans from Formal Sources*

Reasons	No. of borrowers	% of borrowers from formal market**
Easy accessibility	92	45
Quick processing	96	47
Relatively lower rate of interest	192	94
Relatively longer repayment period	196	96
Facility provided by employer	84	41

* Multiple responses

** In all 204 households borrowed from formal sources.

Table 17 (Ghaziabad)
Distribution of Households according
to the Household Income

Annual Income Range (Rs.)	Housing Area Type				All
	High Income	Middle Income	Low Income	EWS*/ Slums	
30,000+	50 (100.0)	87 (87.0)	3 (2.0)	5 (2.5)	145 (29.0)
18,001- 30,000	-	13 (13.0)	24 (16.0)	17 (8.5)	54 (10.8)
8,401- 18,000	-	-	65 (43.3)	58 (29.0)	123 (24.6)
<8,400	-	-	58 (38.7)	120 (60.0)	178 (35.6)
All	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

*EWS = Economically Weaker Section

Table 18 (Ghaziabad)

Distribution of Households as per
the Occupation of thier Head

Occupation	No. of households	%
Formal Sector Employment	189	38
Informal Sector Employment	311	62
All	500	100

Table 19 (Ghaziabad)

Distribution of Household as per
their Land Tenurial Status

Type of Land Tenure	No. of households	%
Secure	251	50
Insecure	249	50
All	500	100

Table 20 (Ghaziabad)
Extent of of Informal Financing

* Extent of (%) Informal Finance	No. of Households	Percentage of Total Sample	Commulative Percentage
75+	422	84.4	84.4
50-75	42	8.4	92.8
25-50	24	4.8	97.6
<25	12	2.4	100
Total	500	100	-

* Informal finance as % of total investment in housing

Table 21 (Ghaziabad)

Extent of Informal Finance as per Annual Household Income

Extent of Informal Financing (%)	Annual (Household) Income Range (Rs.)									
	30,000+		18,001-30,000		8401-18,000		<8400		All	
	a	b	a	b	a	b	a	b		
75+	100 (69.0)	69.0	48 (88.9)	88.9	111 (90.3)	90.3	163 (91.6)	91.6	422 (84.4)	
50-75	22 (15.1)	84.1	4 (7.4)	96.3	9 (7.3)	97.6	7 (3.9)	95.5	42 (8.4)	
25-50	14 (9.7)	93.8	2 (3.7)	100.0	3 (2.4)	100.0	5 (2.8)	98.3	24 (4.8)	
<25	9 (6.2)	100.0	-	-	-	-	3 (1.7)	100.0	12 (2.4)	
Total	145 (100.0)	-	54 (100.0)	-	123 (100.0)	-	178 (100.0)	-	500 (100.0)	

a = No. of households

b = Cumulative percentage.

Table 22 (Ghaziabad)

Extent of Informal Finance as per Nature of Employment

Extent of Informal Finance (%)	Nature of Employment		All
	Formal Sector	Informal Sector	
75+	132 (69.8)	290 (93.2)	422 (84.4)
50-75	30 (15.9)	12 (3.9)	42 (8.4)
25-50	19 (10.1)	5 (1.6)	24 (4.8)
<25	8 (4.2)	4 (1.3)	12 (2.4)
Total	189 (100.0)	311 (100.0)	500 (100.0)

Table 23 (Ghaziabad)
Extent of Informal Finance as per Type of Land Tenure

Extent of Informal Finance (%)	Type of Land Tenure				All
	Secure		Insecure		
	a	b	a	b	
75+	176 (70.1)	70.1	246 (98.8)	98.8	422 (84.4)
50-75	40 (15.9)	86.0	2 (0.8)	99.6	42 (8.4)
25-50	23 (9.2)	95.2	1 (0.4)	100.0	24 (4.8)
<25	12 (4.8)	100.0	-	-	12 (2.4)
Total	251 (100.0)	-	249 (100.0)	-	500 (100.0)

a = No. of households

b = Cumulative percentage.

Table 24 (Ghaziabad)

Extent of Informal Financing as per Housing Area Type

Extent of Informal Finance	Housing Area Type							
	High Income		Middle Income		Low Income		EWS/Slums	
	a	b	a	b	a	b	a	b
75+	24 (48.0)	48.0	82 (82.0)	82.0	116 (77.3)	77.3	200 (100.0)	100.0
50-75	7 (14.0)	62.0	15 (15.0)	97.0	20 (13.3)	90.6	-	-
25-50	11 (22.0)	84.0	3 (3.0)	100.0	10 (6.7)	97.3	-	-
<25	8 (16.0)	100.0	-	-	4 (2.7)	100.0	-	-
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-

a = No. of households

b = Cumulative percentage.

Table 25 (Ghaziabad)

Level of Investment in Housing according to the
Extent of Informal Finance

Level of Investment*	Extent of Informal Finance (%)									
	75+		50-75		25-50		<25		All	
	A	B	A	B	A	B	A	B	A	B
<10 months	223 (52.8)	52.8	2 (4.8)	4.8	-	-	-	-	225 (45.0)	45.0
10-20	35 (8.3)	61.1	13 (31.0)	35.8	9 (37.5)	37.5	5 (41.7)	41.7	62 (12.4)	57.4
20-30	40 (9.5)	70.6	3 (7.1)	42.9	6 (25.0)	62.5	1 (8.3)	50.0	50 (10.0)	67.4
30-40	42 (10.0)	80.6	8 (19.0)	61.9	3 (12.5)	75.0	2 (16.7)	66.7	55 (11.0)	78.4
40+	82 (19.4)	100.0	16 (38.1)	100.0	6 (25.0)	100.0	4 (33.3)	100.0	108 (21.6)	100.0
Total	422 (100.0)	-	42 (100.0)	-	24 (100.0)	-	12 (100.0)	-	500 (100.0)	-

* Housing Costs as equivalent to monthly household income range.

A = Number of households

B = Cumulative percentage

Table 26 (Ghaziabad)

Level of Investment in Housing according to the Housing Area Type

Level of Investment	Housing Area Type									
	High Income		Middle Income		Low Income		EWS/Slums		Total	
	A	B	A	B	A	B	A	B	A	B
<10 months HH Income	-	-	-	-	26 (17.3)	17.3	199 (99.5)	99.5	225 (45.0)	45.0
10-20	3 (6.0)	6.0	11 (11.0)	11.0	48 (32.0)	49.3	-	-	62 (12.4)	57.4
20-30	5 (10.0)	16.0	11 (11.0)	22.0	33 (22.0)	71.3	1 (0.5)	100.0	50 (10.0)	67.4
30-40	7 (14.0)	30.0	26 (26.0)	48.0	22 (14.7)	86.0	-	-	55 (11.0)	78.4
40+	35 (70.0)	100.0	52 (52.0)	100.0	21 (14.0)	100.0	-	-	108 (21.6)	100.0
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-	500 (100.0)	-

HH = Households

a = No. of households

b = Cumulative Percentages.

Table 27 (Ghaziabad)

Investment Pattern as per Housing Area Types

(House Owners)

Investment (Rs.)	Housing Area Type				
	High Income	Middle Income	Low Income	EWS*/ Slums	All
Upto 10,000	-	-	42 (28.0)	200 (100.0)	242 (48.4)
10,000- 20,000	-	-	35 (23.3)	-	35 (7.0)
20,000- 50,000	-	-	58 (38.7)	-	58 (11.6)
50,000- 1,00,000	-	23 (23.0)	15 (10.0)	-	38 (7.6)
1,00,000- 1,50,000	4 (8.0)	18 (18.0)	-	-	22 (4.4)
1,50,000- 2,00,000	10 (20.0)	25 (25.0)	-	-	35 (7.0)
More than 2,00,000	36 (72.0)	34 (34.0)	-	-	70 (14.0)
All	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

* Economically weaker section

Town-wise Tables: Rajkot

Table 1 (Rajkot)

Sample Size

Housing area type	Number of sampled households
High-Income	50
Middle Income	100
Low-Income	150
Slums and Economically Weaker Section	200
Ttoal	500

Table 2 (Rajkot)
Degree of Dependence of Sampled Households on
Different Sources of Housing Finance

Constituents	Households		Magnitude of Investment by Source (Rs. in 000')	
	Number	%		
Savings only	101	20	Savings	3153
Formal & savings	141	28	a. Savings	3619
			b. Formal sources	
Informal & savings	226	45	a. Savings	4759
			b. Informal	1845
Formal, informal & savings	32	7	a. Savings	3589
			b. Formal	986
			c. Informal	1118
All	500	100.0	a. Savings	15120 (56.0)
			b. Formal credit	8718 (33.0)
			c. Informal credit	2963 (11.0)
			d. Total	26801 (100%)

Table 3 (Rajkot)

Share of the Various Sources in Housing Finance

Source	Amount (in Rs.000')	Percentage
Formal Sources	8718	32.5
a. Provident fund and employer	2361	8.8
b. Banks and others	5083	18.9
c. Specialised HF agencies	1274	4.8
Informal Sources	18083	67.5
a. Savings	15120	56.4
i. Cash savings	7944	29.6
ii. Liquidation of assets	7176	26.8
b. Loans from friends and relation	2038	7.6
c. Loans from indigeneous bankers	925	3.5
Total	26801	100.0

Table 4 (Rajkot)

Degree of Dependence on the Major Sources of Housing Finance
by Income Categories of Households

Annual income groups (Rs.)	Number of households by major sources of				Total
	Own savings	Own savings and informal sources	Own savings and formal sources	Mix of own savings and formal and informal sources	
Upto Rs. 8400	43	47	2	1	93 (18.6)
8401-18000	28	144	10	10	192 (38.4)
18001-30000	24	17	47	11	99 (19.8)
More than 30000	6	18	82	10	116 (23.2)
Total	101 (20.2)	226 (45.2)	141 (28.2)	32 (6.4)	500 (100.0%)

Table 5 (Rajkot)
Levels and Composition of Housing Investments

Income level of households (Rs.)	Amount of investment by sources (Rs.)			
	Savings	Informal	Formal	Average
Upto 8400	16548	1968	2322	20838
8401-18000	14895	2564	1270	18729
18001-30000	36626	9597	16979	63202
More than 30000	61163	10673	57560	129396
Average	30240	5926	17436	53602

Table 6 (Rajkot)

Level of Investment in Housing according the Annual Income Range

Level of Investment	Annual (HH) Income Range (Rs.)									
	30,000+		18,000-30,000		8,400-18,000		< 8,400		All	
	a	b	a	b	a	b	a	b	a	b
<10 month	18 (15.5)	15.5	25 (25.3)	25.3	49 (25.5)	25.5	11 (11.8)	11.8	103 (20.6)	20.6
10-20	6 (5.2)	20.7	15 (15.2)	40.5	65 (33.9)	59.4	27 (29.0)	40.8	113 (22.6)	43.2
20-30	23 (19.8)	40.5	8 (8.1)	48.6	34 (17.7)	77.1	15 (16.1)	56.9	80 (16.0)	59.2
30-40	32 (27.6)	68.1	12 (12.1)	60.7	17 (8.9)	86.0	15 (16.1)	73.0	76 (15.2)	74.4
40+	37 (31.9)	100.0	39 (39.3)	100.0	27 (14.0)	100.0	25 (27.0)	100.0	128 (25.6)	100.0
Total	116 (100.0)	-	99 (100.0)	-	192 (100.0)	-	93 (100.0)	-	500 (100.0)	-

a: No. of households

b: Cumulative percentage

Table 7 (Rajkot)

Levels of Investment according to the Nature of Employment

Level of Investment	Formal	Informal	All
< 10	84 (17.7)	19 (73.1)	103 (20.1)
10-20	110 (23.2)	3 (11.5)	113 (22.6)
20-30	78 (16.5)	2 (7.7)	80 (16.0)
30-40	74 (15.6)	2 (7.7)	76 (15.2)
40+	128 (27.0)	- (0.0)	128 (25.6)
Total	474 (100.0)	26 (100.0)	500 (100.0)

Table 8 (Rajkot)

Level of Investment According to of Land Tenure

Level of Investment	Type of Land Tenure					
	Secure		Insecure		All	
	a	b	a	b	a	b
<10 months	1 (0.6)	0.6	102 (29.6)	29.6	103 (20.6)	20.6
10-20	7 (4.5)	5.1	106 (30.7)	60.3	113 (22.6)	43.2
20-30	28 (18.1)	23.2	52 (15.1)	75.4	80 (16.0)	59.2
30-40	41 (26.5)	49.7	35 (10.1)	85.5	76 (15.2)	74.4
40+	78 (50.3)	100.0	50 (14.5)	100.0	128 (25.6)	100.0
Total	155 (100.0)	-	345 (100.0)	-	500 (100.0)	-

a = No. of households

b = Cumulative percentages.

Table 9 (Rajkot)
Composition of Rate of Interest

Rate of interest (%)	Formal credit				Informal credit		
	Housing finance institutions	Commercial banks and others	Employers and others	All	Friends and relations	Indigenous bankers	All
Unspecified					116	-	116
<u>Monthly</u>							
Upto 1					3	1	4
1-2					1	4	5
2-3					45	3	48
Above 3					21	64	85
<u>Annual</u>							
Upto 4	-	39	-	39			
4-6	-	-	-	-			
6-9	-	-	24	24			
9-12	-	-	-	-			
12-18	46	52	12	110			
All	46 (100.0)	91 (100.0)	36 (100.0)	173 (100.0)	186 (100.0)	72 (100.0)	258 (100.0)

Table 10 (Rajkot)

Distribution of Households Having Housing Loans according to their Size of Income and Rate of Interest

Rate of interest (%)	Size of HH income (Rs. per annum)				All
	Upto 8400	8401-18000	18001-30000	30001+	
Unspecified	43	42	19	12	116
<u>Informal credit</u>					
Upto 1 p.m.	-	4	-	-	4
1-2	1	4	-	-	5
2-3	4	33	5	6	48
Above 3	-	71	4	10	85
All	48	154	28	28	258
<u>Formal credit</u>					
Upto 4 p.a.	3	2	34	-	39
4-6	-	-	-	-	-
6-9	-	8	5	1	24
9-12	-	-	-	-	-
12-18	-	10	19	81	110
All	3	20	58	92	173

p.m. - per month
p.a. - per annum

Table 11 (Rajkot)

Composition of Repayment Period for the Housing Loans

Repayment period	Formal credit				Informal credit		
	Housing Finance Agencies	Commercial Banks and others	Employers and others	All	Friends and relatives	Indigenous bankers	All
Unspecified					160	-	160
Upto 6 months					12	55	67
6 months-1 year					10	10	20
1-3 years					4	7	11
3-7 years							
7-10	32	72	-	104			
Above 10 years	14	19	36	69			
All	46	91	36	173	186	72	258

Table 12 (Rajkot)
Income Status of the Borrowers

Sources of household loans	Size of income (Rs. p.a.)				Total
	(Percent)				
	Upto 8400	840-18,000	18,001-30,000	Above 30,000	
Informal only	90 (28.0)	172 (52.0)	41 (13.0)	24 (7.0)	327 (100.0)
Formal and savings	2 (1.0)	10 (7.0)	47 (33.0)	82 (58.0)	141 (100.0)
Formal and Informal and savings	1 (3.0)	10 (31.0)	11 (35.0)	10 (31.0)	32 (100.0)

Table 13 (Rajkot)
Employment Status of Borrowers

Sources of household loans	Informal sector employment	Formal sector employment	Total
Informal only	14 (4.2)	313 (95.8)	327 (100)
Formal and savings	4 (2.8)	137 (97.2)	141 (100)
Formal and Informal and savings	8 (25.0)	24 (75.0)	32 (100)
All	26 (5.2)	474 (94.8)	500 (100)

Table 14 (Rajkot)

Tenurial Status of the Borrowers

Sources of household loans	Number and proportion of houseowners according to the land tenure		
	Insecure	Secure	Total
Informal only	319 (98)	8 (2)	327 (100)
Formal and savings	-	141 (100)	141 (100)
Formal and Informal and savings	29 (91)	4 (9)	32 (100)
All	347 (69)	153 (31)	500 (100)

Table 15 (Rajkot)

Reasons for Seeking Housing Loans from Informal Sources*

Reasons	No. of borrowers	% of borrowers from informal market**
Easy accessibility	258	100
Quick processing	185	72
Flexible terms and conditions	196	76
Flexible collateral	258	100

* Multiple responses

** In all 258 households borrowed form informal market.

Table 16 (Rajkot)

Reasons for Seeking Housing Loans from Formal Sources*

Reasons	No. of borrowers	% of borrowers from formal market**
Easy accessibility	77	45
Quick processing	50	29
Relatively lower rate of interest	140	81
Relatively longer repayment period	150	87
Facility provided by employer	36	21

* Multiple responses

** In all 173 households borrowed form formal sources.

Table 17 (Rajkot)
Distribution of House Owners according to the
Household Income Range

Annual Income Range (Rs.)	Housing Area Type				All
	High Income	Middle Income	Low Income	EWS*/ Slums	
30,000+	32 (64.0)	71 (71.0)	2 (1.3)	3 (1.5)	108 (21.6)
18,000- 30,000	16 (32.0)	23 (23.0)	18 (12.0)	19 (9.5)	76 (15.2)
8,400- 18,000	2 (4.0)	6 (6.0)	85 (56.7)	122 (61.00)	215 (43.0)
<8,400	-	-	45 (30.0)	56 (28.0)	101 (20.2)
Total	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

* EWS = Economically Weaker Sections

Table 18 (Rajkot)

Distribution of Sampled Households as per the
Occupation of Their Head

Occupation	No. of households	%
Formal Sector Employment	474	95
Informal Sector Employment	26	5
All	500	100

Table 19 (Rajkot)

Distribution of Sampled Household as per
Their Land Tenurial Status

Type of Land Tenure	No. of households	%
Secure	153	31
Insecure	347	69
All	500	100

Table 20 (Rajkot)
Extent of Informal Financing

*Extent of (%) Informal Finance	No. of users	Percentage of Total Sample	Commulative percentage
75+	364	72.8	72.8
50-75	51	10.2	83.0
25-50	58	11.6	94.6
<25	27	5.4	100.0
Total	500	100	-

* Informal finance as % of total investment in housing.

Table 21 (Rajkot)

Extent of Informal Finance as per Annual Household Income

Extent of Informal Finance	Annual (Household) Income Range (Rs.)									
	30,000+		18,001-30,000		8,401-18,000		upto 8,400		All	
	a	b	a	b	a	b	a	b		
75+	33 (28.4)	28.4	68 (68.0)	69.0	173 (90.1)	90.1	90 (96.7)	96.7		364 (72.8)
50-75	29 (25.0)	53.4	12 (12.0)	81.0	7 (3.7)	93.8	3 (3.3)	100.0		51 (10.2)
25-50	40 (34.5)	87.9	10 (10.0)	91.0	8 (4.2)	98.0	-	-		58 (11.6)
<25	14 (12.1)	100.0	9 (9.0)	100.0	4 (2.0)	100.0	-	-		27 (5.4)
Total	116 (100.0)	-	99 (100.0)	-	192 (100.0)	-	93 (100.0)	-		500 (100.0)

a = No. of households.

b = Cumulative percentage

Table 22 (Rajkot)

Extent of Informal Finance as per Nature of Employment

Extent of Informal Finance (%)	Nature of Employment		All
	Formal Sector	Informal Sector	
75+	340 (71.7)	24 (92.4)	364 (72.8)
50-75	50 (10.5)	1 (3.8)	51 (10.2)
25-50	57 (12.0)	1 (3.8)	58 (11.6)
<25	27 (5.8)	-	27 (5.4)
Total	474 (100.0)	26 (100.0)	500 (100.0)

Table 23 (Rajkot)

Extent of Informal Finance as per Type of Land Tenure

Extent of Informal Finance (%)	Type of Land Tenure				All
	Secure		Insecure		
	a	b	a	b	
75+	52 (34.0)	34.0	312 (89.9)	89.9	364 (72.8)
50-75	34 (22.2)	56.2	17 (4.9)	94.8	51 (10.2)
25-50	46 (30.1)	86.3	12 (3.5)	98.3	58 (11.6)
<25	21 (13.7)	100.0	6 (1.7)	100.0	27 (5.4)
Total	153 (100.0)	-	347 (100.0)	-	500 (100.0)

a = No. of households

b = Cumulative percentage

Table 24 (Rajkot)

Extent of Informal Financing as per Housing Area Types

Extent of Informal Finance	Housing Area Type							
	High Income		Middle Income		Low Income		EWS/Slums	
	a	b	a	b	a	b	a	b
75+	8 (16.0)	16.0	40 (40.0)	40.0	133 (88.6)	88.6	183 (91.5)	91.5
50-75	7 (14.0)	30.0	26 (26.0)	66.0	7 (4.7)	93.3	11 (5.5)	97.0
25-50	20 (40.0)	70.0	27 (27.0)	93.0	7 (4.7)	98.0	4 (2.0)	99.0
<25	15 (30.0)	100.0	7 (7.0)	100.0	3 (2.0)	100.0	2 (1.0)	100.0
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-

a = No. of households

b = Cumulative percentage

Table 25 (Rajkot)

Level of Investment in Housing according to the Extent of Informal Finance

Level of Investment*	Extent of Informal Finance (%)									
	75+		50-75		25-50		<25		All	
	a	b	a	b	a	b	a	b	a	b
<10 months	96 (26.4)	26.4	2 (3.9)	3.9	4 (6.9)	6.9	1 (3.7)	3.7	103 (20.6)	20.6
10-20	96 (26.4)	52.8	6 (11.8)	15.7	7 (12.1)	19.0	4 (14.8)	18.5	113 (22.6)	43.2
20-30	57 (15.7)	68.5	13 (25.5)	41.2	8 (13.8)	32.8	2 (7.4)	25.9	80 (16.0)	59.2
30-40	43 (11.8)	80.3	9 (17.6)	58.8	19 (32.8)	65.6	5 (18.5)	44.4	76 (15.2)	74.4
40+	72 (19.7)	100.0	21 (41.2)	100.0	20 (34.4)	100.0	15 (55.6)	100.0	128 (25.6)	100.0
Total	364 (100.0)	-	51 (100.0)	-	58 (100.0)	-	27 (100.0)	-	500 (100.0)	-

* Housing costs as equivalent to monthly household Income Range.

a = No. of households

b = Cumulative percentage

Table 26 (Rajkot)

Level of Investment in Housing according to the Housing Area Types

Level of Investment	Housing Area Type									
	High Income		Middle Income		Low Income		EWS/Slums		Total	
	a	b	a	b	a	b	a	b	a	b
< 10 months HH Income	-	-	-	-	6 (4.0)	4.0	97 (48.5)	48.5	103 (20.6)	20.6
10-20	-	-	5 (5.0)	5.0	41 (27.3)	31.3	67 (33.5)	82.0	113 (22.6)	43.2
20-30	4 (8.0)	8.0	23 (23.0)	28.0	35 (23.3)	54.6	18 (9.0)	91.0	80 (16.0)	59.2
30-40	13 (26.0)	34.0	28 (28.0)	56.0	25 (16.7)	71.3	10 (5.0)	96.0	76 (15.2)	74.4
40+	33 (66.0)	100.0	44 (44.0)	100.0	43 (28.7)	100.0	8 (4.0)	100.0	128 (25.6)	100.0
Total	50 (100.0)	-	100 (100.0)	-	150 (100.0)	-	200 (100.0)	-	500	-

HH = Household

a = No. of households

b = Cumulative percentage

Table 27 (Rajkot)

Investment Patterns in Housing as per Housing Area Types

(House Owners)

Investment (Rs.)	Housing Area Type				
	High Income	Middle Income	Low Income	EWS*/ Slums	All
Upto 10,000	-	-	11 (7.3)	107 (53.5)	118 (23.6)
10,000- 20,000	-	-	46 (30.7)	73 (36.5)	119 (23.8)
20,000- 50,000	-	-	68 (45.3)	20 (10.0)	88 (17.6)
50,000- 1,00,000	8 (16.0)	33 (33.0)	24 (16.0)	-	65 (13.0)
1,00,000- 1,50,000	29 (58.0)	43 (43.0)	1 (0.7)	-	73 (14.6)
1,50,000- 2,00,000	7 (14.0)	21 (21.0)	-	-	28 (5.6)
More than 2,00,000	6 (12.0)	3 (3.0)	-	-	9 (1.8)
Total	50 (100.0)	100 (100.0)	150 (100.0)	200 (100.0)	500 (100.0)

* = Economically weaker section.

ANNEX - D

Salient Features of Revised RBI Guidelines for Housing Loans as Per
Its Circular Dated 2nd November, 1988

- The ceiling of Rs. 3 lakhs on individual housing loans has been removed.
- 'Margin' requirements have been reduced upto 20 to 35 per cent.
- Relaxations have been made in security requirements whereby the banks can accept at their discretion, security of adequate value in the form of LIC policies, Government promisory notes, shares and debentures, gold ornaments and so on.
- Repayment period has been extended from 10 to 15 years.
- Repayment can be accepted under graduated method if there is reasonable expectation of growth in the income of the borrowers in the coming years.

List of the Refinance Schemes of National Housing Bank
(As applicable to Housing Finance Companies)

Scheme	Scope	Size Parameter	Scale of Finance & Rate of Interest (%)	Period of refinance and Repayment to NHB by Banks	
1	2	3	4	5	
1. DIRECT LENDING	In respect of Direct Loan to individuals groups of borrowers (Formal & Informal Sectors including Co-op Housing Societies) and also for upgradation/major repairs (upto Rs.30,000)	Max. loan amt. limited to : a. Rs. 2 lacs of built up area not exceeding 40 sq.m. b. Rs. 1 lac for built-up area exceeding 40 sq. m. cost (including cost of land) not exceeding Rs.1.50 lacs.	Upto 7500 7501-15000 150001-25000 25001-50000 50001-100000 100001-200000	To be charged by* NHB's from borrowers 8.0 10.0 9.5 11.5 13.0 11.0 15.0 13.0 15.5 14.0 16.0 14.5 (Min.)	20 years in 80 equal quarterly instalments. Interest at quarterly rests. *Effective From 01/10/91
2. PUBLIC AGENCIES FOR LAND DEVELOPMENT & SHELTER PROJECTS	In respect of lending to Public Agencies for Land Development and Shelter Projects Not for acquisition of land alone. Preference for projects in rural and small medium towns.	75% of plots upto 60 sq.m. or cost not exceeding Rs.50000 (100 sq.m. in rural areas Max. 300 sq.m.) 75% of housing units with built up area upto 40 sq.m. or cost not exceeding Rs.15000 (Max. 120 sq.m.) A min. of 50% of net residential area built-up space should be allotted in plots housing units of 60/40 sq.m. For group housing min. density 100 housing units per hectare (125 in metros having population more than 10 lacs.)	Upto 7500 7501-15000 15001-25000 25001-50000 50001-100000 100001-200000	10.0 11.5 12.0 14.0 15.0 16.0	3 years (To be co-terminus with the period of implementation including allotment and handing over) If the agency opts to continue with hired-purchase system in respect of certain categories. The apportioned loans will be repayable in quarterly instalments over a period of 15 years from the date of completion

Contd....

1	2	3	4	5
3. PRIMARY CO-OP. HOUSING SOCIETIES	In respect of lending to Primary Co-op. Hsg. societies for Land Development and Housing projects for construction of houses on plotted development or for group housing or mix. of both i.e. integrated projects. (All members of the society should be HLA Depositors)	Average built-up area of the unit should be 60 sq.mts. or cost upto Rs.2.25 lacs (Max. 120 sq.m.) and average size of plot 100 sq.m. or cost upto Rs.0.75 lacs (Max. 200 sq.m.)	Weighted Average Interest to be charged based on rates applicable as under to individual component unit whether serviced plots or housing units. Upto 7500 10.0 7501-15000 11.5 15001-25000 12.0 25001-50000 14.0 50001-200000 15.0 Above 200000 min. 16.0 Interest spread to HFCs = 1% 100% refinance available.	3 years (To be co-terminus with the period of implementation including allotment and handing over) Interest at quarterly rests.
4. PROFESSIONAL DEVELOPERS	Lending to Professional Developers with a min. of 20 Dwelling units for Land Dev. and Shelter Projects. (Integrated projects only and not for acquisition of land alone) 20% of the saleable land built up space will be allowed (resale while 80% is to be sold at pre-determined prices to HLA members on preference. Preference for projects in small, medium towns.	No. of plots upto 60 sq. m. or cost not exceeding Rs. 50000 (100 sq.m. in rural areas Max. 200 sq.m.) 75% of hsg. units with built up area upto 40 sq.m. or cost not exceeding Rs.150000 (Max. 120 sq.m.) A min. of 50% of net residential areas built up space should be allotted to plots/hsg. units of 60/40 sq.m. For group hsg. min density 100 hsg. unit per hectare. (125 in metros having population more than 10 lacs).	HFCs to provide loan upto 80% of Project Cost Weighted Average interest to be charged based on rates applicable as under to individual component unit whether serviced plots or Hsg. units : Upto 7,500 10.0 7501-15000 11.5 15001-25000 12.0 25001-50000 14.0 500001-200000 15.0 Above 200000 100% refinance available 16.0	-do-
5. INSTITUTIONS FOR RENTAL HOUSING	Lending for Rental Housing projects including purchase of ready-built houses (costing not less than Rs. 25 lacs) undertaken by public & private institutions for their own employees (relaxable in case of specific groups (such as working women) with additional safeguards.	Average built-up area of the housing unit should be upto 60 m ² (max 120 m ²) relaxable where costs does not exceed Rs.2.25 lacs. Minimum density 100 Housing units (125 units in metros) per hectare.	HFCs to provide loans upto 100% of construction cost (excluding land cost) not exceeding 75% of project cost including cost of land. In case of specific disadvantaged group like working women, etc. any agency can avail this facility provided built-up area does not exceed 40 sq.m. or cost does not exceed Rs. 1.50 lacs.	10 years in half yearly instalments commencing 6 months from the last disbursement. Interest at quarterly rests.

1 ----- 2 ----- 3 ----- 4 ----- 5

6. ALLOTTEES OF
PLOTS DWELLING
UNITS UNDER LDSP

In respect of loan to allottees under NHB assisted LDSPs for requisition of plots houses.	Loan Amount	To be charged by	
		HFCs from borrowers	NHB
	Upto 7,500	10.0	8.0
	7501-15000	11.5	3.5
	15001-25000	12.0	10.0
	25001-50000	14.0	12.5
	50001-200000	15.0	14.0
	Above 200000	16.0	15.0

20 years in 80 equal quarterly instalments.

Interest at quarterly resis.

100% refinance available

- Note : 1. Schemes (other than Sl.No. 1 above) to have launced should be prior approval of the NHB, New Delhi.
2. Refinance in receipt of all the schemes will be granted by NHB, Bombay which will release refinance within a fortnight from the date of receipt of relative application.
3. Pre-payment of loans by HFCs to NHB can be by giving two months' notice.
4. Interest spread available to HFCs in case of refinance extended for LDSP : uniformity one percent p.a.
In case HLA deposits are utilised as automatic refinance the spread may be 6% of more.
5. The plots size of 60m can be relaxed marginally so long as the cost of developed plot does not exceed Rs. 50000.
6. Plot size of 100 sq. m. relaxable marginally, if the cost of the plot does not exceed Rs.75000.
7. The size of 40m can be relaxed marginally so long as the all inclusive cost does not exceed Rs. 1.5 lakhs.
8. The average plot-size can be relaxed marginally so long as the average cost per plot does not exceed Rs.75000.
9. The average size can be relaxed marginally so long as the average cost does not exceed Rs. 2.25 lakhs.
10. In case the plots are sold on out right sale basis, the borrowers can avail of loans from any agency they like even at a lower rate of interest e.g. the loans given under HLA (Home Loan Accounts) scheme carry a lower rate of interest.
11. The earlier ceiling of Rs. 3 lakhs on individual housing loans has now been removed.
12. Relaxations have been made in security requirements, where mortgage of property or government guarantee is not feasible, HFI's can accept, at their discretion, security of adequate value in the form of Life Insurance Policy, Government promissory notes, shares and debentures, gold ornaments or such other security as they may deem appropriate.

ANNEX - F

HOME LOAN ACCOUNT SCHEME

1. Any individual major or minor, not owing a house anywhere in India can open a HL Account.
2. Minimum contribution is Rs. 30 per month; could be made in quarterly, half yearly and annual instalments as well.
3. The Savings will earn an interest @ 10 per cent per annum which will be added in the account annually and treated as reinvested in the account.
4. After subscribing for a minimum period of five years the member will be eligible for a loan. However, this period is reduced to three years in case the subscriber is allotted a house/flat in any project financed by NHB.
5. The Loan amount will be a multiple of the amount of accumulated savings (including up-to-date interest) in following manner.

Loan as a multiple of accumulated savings	Amount of Loan (Rs.)	Rate of interest (%) p.a.
4 times	Upto 50,000	10.5
3 times	50001-100000	12.0
2 times	100001-200000	13.5
1.5 times	Above 200000	14.5

6. HLA members are entitled to have a preferential allotment under the schemes financed by NHB.
7. HLA deposits can be taken as auto-refinance by respective bank or HFI's.
8. It contains a variety of tax concessions.

GLOSSARY

Affordable (Supply of) Funds for Housing	Investments in housing equivalent to 40 months household income. This is based upon NHB's norms of repayment capacity (30 months household income) plus a down payment in a ratio of 3:1.
Annual Rates of Interest	Interest rates that are computed on an annual basis.
Consortium Lendings	Flow of credit from a pool of funds developed as a result of cooperation among a number of lending agencies/institutions.
Community/Group lending	Lending to an individual through a community or group collateral.
Differential Rates of Interest	Different rates of interest for different income groups.
Direct Lendings	Loans given directly to the borrowers.
Double Mortgage	Giving the claim on property to two lenders as a security for payment of a debt.
Economically weaker section	Households having monthly income upto Rs.700. (During the reference period 1984-89).
Eligibility	These include (1) possession of regular/verifiable source of income; (2) secured land tenure and acceptable security.
Formal Housing Finance	Housing credit from formal/institutional sources.
Formal Market	Buying and Selling within the net-work of formal, institutional sources.
Formal Institutional Sources	Sources that operate the formal/legal standards and specifications.

Flexible Collateral	Security mortgage decided on the basis of mutual agreement between the lender and the borrower.
High Income Households	Households having monthly income between Rs.1500-2500; (During the reference period 1984-89).
Housing Area Type	Type of area as determined by the local level development agency.
Housing Finance Borrowers	Persons who borrow the money for meeting the requirements of housing investments.
Housing Upgradation	Improvement in the existing levels of housing.
Housing Loan	Amount of money borrowed to meet the investment requirements into the housing sector.
Informal Housing Finance	Investments in housing from own savings and credit from informal sources.
Informal Market	Buying and selling within the frame-work of informal/non-institutional sources.
Informal/non-institutional sources	Sources that operate beyond the legal and formal frame-work.
Insecured land tenure	Illegal land title.
Land Terminal Status	Legal situation with regard to the land title.
Liquidation of Assets	Exchanging the physical and financial assets for money.
Loan to Cost Ratio	Amount of loan as a proportion of total cost.
Longer repayment period	Repayment of loan within a period of five years and more

Low Income Households	Household having monthly income upto Rs.1500. (During the reference period 1984-89).
Low Income Settlements	Settlements that by and large accommodate low income households.
Middle Income Households	Households having monthly income between Rs.1500-2500 (during reference period 1984-89).
Monthly Rates of Interest	Interest rates that are computed on a monthly basis.
Multiple Mortgage	Giving the claim on property to more than two lenders as a security for repayment of a debt.
Own Savings	Amount from cash and/or sale or liquidation of assets.
Rate-Structure	Rates of interest on which the loans are extended.
Secured land Tenure	Legal land title.
Short Repayment Period	Repayment of loan within a period of one year.
Specialised Housing Finance Agencies, Institutions	Institution/agencies that basically provide credit to the housing sector only.
Unspecified interest rates	Interest rates which are not specified in a loan transaction.
Unspecified Repayment Period	Repayment period which is not specified in a loan transaction.