

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1981-82)**

(SEVENTH LOK SABHA)

TWENTY-SIXTH REPORT

ON

**HOUSING & URBAN DEVELOPMENT CORPORA-
TION LTD.—RURAL HOUSING
(MINISTRY OF WORKS & HOUSING)**



*Presented to Lok Sabha on
and*

Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
NEW DELHI**

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(1981-82)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Twenty Sixth Report on Housing and Urban Development Corporation Ltd.—Rural Housing.

2. The Committee took evidence of the representatives of Housing and Urban Development Corporation Ltd. on 4 August 1981 and Ministry of Works and Housing on 6 August 1981.

3. The Committee considered and adopted the Report at their sitting held on 11 December, 1981.

4. The Committee wish to express their thanks to the Ministry of Works and Housing and the Housing and Urban Development Corporation Ltd. for placing before them the material and information they wanted in connection with the examination of the subject. They wish to thank in particular the representatives of the Ministry of Works and Housing and the Housing and Urban Development Corporation Ltd. who gave evidence and placed their considered views before the Committee.

BANSI LAL

Chairman,

Committee on Public Undertakings

NEW DELHI;

December 15, 1981.

Agrahayana 24, 1903 (S).

PART I

BACKGROUND ANALYSIS

Housing & Urban Development Corporation Ltd. was established in April, 1970 as an apex body to deal with the housing shortage by financing and undertaking housing and urban development programmes in the country. In furtherance of these objectives HUDCO finances the following schemes:—

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- (i) a. Urban development projects for construction of house and flats and development of plots including site and services scheme.
- b. Loans to private builders for construction of houses/flats for sale to general public.
- (ii) Rural Housing Projects, where loans are given to the agencies nominated by the State Governments.
- (iii) Staff Housing to Corporate employees both in the public and private sectors.
- (iv) Urban development schemes to provide, improve and augment urban services.
- (v) Manufacture of building material.
- (vi) Commercial projects of Housing Boards, Development Authorities, Improvement Trusts etc. for undertaking commercial ventures.
- (vii) Comprehensive consultancy services for Housing, Urban Development and building material projects.

A. Rural Housing Schemes.

2. As per the assessment made by the National Building Organisation, the Housing shortage in rural areas in April, 1980 in terms of sub-standard, dilapidated and crowded housing lacking in minimum living standards was 16.1 million units. Housing is a state subject. Several national level organisations like Life Insurance Corporation, General Insurance Corporation and Housing & Urban Development

Corporation however, assist in rural housing. Although HUDCO started financing housing schemes in urban areas since 1971-72 and it sanctioned gross loans of Rs. 286.18 crores upto 1976-77, it started financing rural housing scheme from the year 1977-78 only. As regards the reasons for not including rural housing in the activities of the HUDCO since inception, the Corporation stated that the HUDCOs' Board of Directors had in May, 1974 examined the feasibility of its financing rural housing projects but decided not to do so in view of the following reasons:—

- (1) Non-availability of adequate resources and consequential inability of HUDCO to branch off its activities to rural areas.
- (2) Per capita rural income in rural areas being even lower than in urban areas, the financing of rural housing schemes needed massive housing subsidy.
- (3) Immense bottlenecks existed in preparing suitable layouts and type designs for rural housing.
- (4) Lack of viable implemental Rural Housing Agencies.

3. Subsequently the Housing Minister's conference held in December, 1976 at Calcutta, however, desired that HUDCO should finance rural housing. The rural housing programme of HUDCO was thus launched in 1977-78. It provides for dwelling units for persons belonging to the economically weaker sections. According to the guidelines issued by HUDCO, the main terms and conditions of the Rural Housing Schemes are as follows:—

- (1) The total cost of the house including internal services, administration and supervision charges and interest during construction but excluding the cost of land should not exceed Rs. 4,000/-. For hilly region difficult and snow bound areas the limit is Rs. 6,000/-.
- (2) HUDCO's financial assistance is limited to 50% of the total cost. The remaining amount has to be met out of the loan/subsidy by the State Governments either in cash or kind.
- (3) Loans are released in three to four instalments with an interest of 5½% (with rebate of ½% for timely payment) for a period of 10 years.

B. Funds for Rural Housing

4. The Committee enquired whether HUDCO or any other agency had assessed the quantum of assistance needed for rural housing. They were informed that no assessment in terms of financial requirements had been attempted. Housing being a State subject the plan provision was being made in State Sector for Rural Housing and Social Housing Schemes. No provision was made in the Central Sector for direct assistance for rural housing. No specific resources allocation was also made by Govt. to HUDCO for financing the rural housing scheme. However, during the years 1977-78 to 1979-80 HUDCO has been earmarking around 10% of its total sanctions for rural housing. Since 1980-81 the Government has permitted HUDCO to devote 15% of its total loan sanctions for rural housing schemes which worked out to 50% of the total funds earmarked for the economically weaker sections.

5. The following table shows the loans sanctioned and released for rural housing during the years 1977-78 to 1980-81.

Year	Total loan sanctioned	Loan sanctioned for rural housing	%age of 3 to 2	Total loans released	Loan released for rural housing	%age of 5 to 4	No. of units sanctioned for rural housing	No. of units for which loan released	No. of units completed for rural housing
	2	3		4	5		6	7	8
1977-78	88.05	11.29	12.82%	48.78	—	—	85214	82943	63929
1978-79	107.98	5.74	5.32%	65.86	7.84	11.90%	32400	27200	20841
1979-80	139.20	14.62	10.50%	77.05	6.56	8.51%	1,05,998	90993	32801
1980-81	161.68	23.47	14.52%	89.97	10.04	11.16%	1,56,461	57500	24401
	496.91	55.12		281.66	24.44		3,80,023	2,58,641	1,45,972

(Rs. in crores)

6. The Committee enquired whether the present earmark 15% of funds for rural housing was adequate. The CMD, HUDCO stated:

“As a matter of fact, the entire housing, including rural housing, falls within the State sector. HUDCO provides funds and acts more as a catalytic agent. There are other agencies in the field of housing. In the States there is the Minimum Needs Programme under which house sites and funds for construction of houses are provided for. In addition to that, funds are provided to the State Governments by the Government of India through plan allocations for social housing in the rural sector. HUDCO embarked on this scheme of rural housing only about three years ago... We were told, to begin with, we should be cautious in this field of rural housing. With our experience we have placed plans before the Government of India and the Planning Commission and we were permitted to increase the funds from 10 to 15 per cent.”

7. The Secretary, Minister of Works and Housing stated in this connection as follows:—

“It is really a question of priorities because the total portfolio of HUDCO is just about Rs. 595 crores in the Sixth Plan and whatever the priorities which one has to attach to the different programmes, we have to find funds within the financial constraints which we have. This is the maximum which can be done.”

8. On being pointed out by the Committee that since majority of the population lives in rural areas and majority of rural population belongs to economically weaker sections, the rural housing needed greater attention, he stated that HUDCO's financial assistance was limited to 50% of the total cost and the remaining 50% had to be met out of loan or subsidy by the State Govts. Most of the State Governments were giving a high rate of subsidy. In rural areas the recoveries were rather poor and the planning commission had expressed an apprehension that if HUDCO was permitted to go in a big way, a lot of the State plan funds would get tied up and the State Governments may not be able to meet their commitments.

C. Release of Funds

9. While the loans actually sanctioned for rural housing ranged from 5.32% to 14.52% of the total loans sanctioned during 1977—81, the amount released for rural housing ranged from 8.51 to 11.90% of the total amount released. Asked about the policy regarding release of funds, the Corporation stated that the loan is released in 3 to 4

instalments, each instalment being restricted to 50% of the investment programme drawn up by the borrowing agency. The first instalment is released after (a) the Loan Agreement and other required formalities have been complied with and (b) necessary security by way of State Government Guarantee has been given to HUDCO. The release of second and subsequent instalment is subject to:

- (a) The progress of work being satisfactory;
- (b) Utilisation of the amount of loan already released and investment of an equal amount by the borrowing agency;
- (c) Submission of progress reports indicating the number of houses taken up for construction at each location and the number of houses completed and in progress; and
- (d) Compliance of other terms and conditions of the Loan Agreement.

D. Physical Targets

10. The Committee enquired whether the Corporation fixed any physical targets for rural housing. The CMD stated there is only financial target. Out of total funds of HUDCO, 30% were allotted for EWS schemes; out of which 50% were for rural housing. In view of low cost of rural housing the number of dwelling units turned out was more as compared to the houses in urban areas with the same amount. According to him it would therefore not be proper to fix targets in physical terms.

E. Ceiling Limit

11. The Committee pointed out that ceiling limit for rural housing unit was fixed in 1977 at Rs. 4000/- and wanted to know whether considering the fact that the prices of building materials had increased, the limit was not low. The CMD explained that by using locally available material, it was possible to construct a house within the limit of Rs. 4000/-. The average cost for HUDCO rural housing schemes was about Rs. 3500/- and in some cases Rs. 3000/-. However in the hilly, difficult and snow bound areas where transportation was difficult, the ceiling limit had been raised to Rs. 6000/-.

12. Asked whether the State Governments had approached HUDCO for raising the ceiling limit, the CMD stated that the State Governments had asked for it. There was no difficulty in raising the ceiling limit. But the questions to be considered were (i) the repaying capacity of the beneficiaries and (ii) the number of persons which could be granted loans out of the limited available funds.

F. Regional Imbalance

13. The following table shows the loans sanctioned and released for the various States under the Rural housing scheme of HUDCO during the years 1977-78 to 1980-81:—

(Rs. in crores)

State	Loan required	Loan sanctioned	Loan Released	No. of scheme received	No. of scheme sanctioned
A.P.	4.12	4.12	1.33	9	9
Bihar	2.00	2.00	—	5	5
Gujarat	14.82	8.96	1.54	30	24
Haryana	0.63	0.63	—	2	2
Karnataka	15.07	15.07	10.69	27	27
Kerala	17.50	17.50	9.01	17	17
M.P.	0.08	0.08	0.04	2	2
Punjab	3.65	3.65	1.03	6	6
Tamil Nadu	3.07	3.07	0.81	10	10
West Bengal	0.04	0.04	—	1	1
Orissa	2.37	—	—	2	0
Total :	63.35	55.12	24.45	111	103

14. As on 31-3-1981 HUDCO had sanctioned loans for rural housing for 10 States only. Out of total loan of Rs. 55.12 crores sanctioned to these States during the years 1977-78, 75% had gone to three States namely Karnataka (Rs. 15.07 crores), Kerala (Rs. 17.50 crores) and Gujarat (Rs. 8.96 crores).

The following 12 States and 8 Union Territories had not yet got the HUDCO assistance for rural housing:—

States	Union Territories
1. Assam	1. Andaman & Nicobar Islands
2. Himachal Pradesh	2. Arunachal Pradesh
3. Jammu & Kashmir	3. Chandigarh
4. Maharashtra	4. Delhi
5. Manipur	5. Dadra & Nagar Haveli

States	Union Territories
6. Meghalaya	6. Goa Daman & Diu
7. Nagaland	7. Laccadiv Minicoy & Amindivi Island
8. Orissa	8. Pondicherry
9. Rajasthan	
10. Sikkim	
11. Tripura	
12. U.P.	

15. The Committee enquired about the reasons for a large number of States not availing themselves of the assistance for rural housing. The CMD explained that they had got letters from some States saying that they had got grants and were not interested in taking loans. Some of the States wanted the entire money to be given to an individual as a subsidy. This matter was discussed in consultation with Planning Commission and the Government and it was decided that at least the loan that they take from the HUDCO should be recovered from the beneficiaries.

16. Asked whether there were any other reasons for the States inability to take HUDCO assistance for rural housing, the CMD stated that in some of the States there were no special organisations for undertaking rural housing. HUDCO had told them that the State Govt. could identify any of the existing organisations in the field of housing to undertake rural housing.

17. As regards action taken by the Corporation to extend its activities to those States which have not taken HUDCO's assistance for rural housing the Corporation in a written reply listed the following steps taken to promote rural housing:—

1. The State Governments|Agencies are persuaded to take rural housing through circulars and letters and personal visits by HUDCO officers as well as the Committee of the Board set up by HUDCO.
2. HUDCO sends roving appraisal teams to go to various States to help and prepare the schemes for the States Government Agencies.
3. HUDCO holds rural housing competitions and awards prizes with a view to encourage rural housing in the country.

4. HUDCO keeps close liaison with Research Institutes carrying out research in the field of rural and other housing and disseminates the same to the housing agencies in the field.
5. HUDCO organises Workshops/Training programmes to enlighten the borrowers about the latest techniques and development in the field of housing.
6. The Government of India has also impressed upon the State Government to set up rural housing cells/organisations for undertaking rural housing promotion programme in the States.

1.8. Asked about the role of Ministry in reducing the regional imbalance in HUDCO's assistance for rural housing, the Secretary of the Ministry informed the Committee in evidence:—

“So far as regional imbalance is concerned, I must say that this is one of the things to which we pay particular attention in the course of the review meetings which are taken in the Ministry. In fact, I take these review meetings—and as a part of the promotional effort of the HUDCO, we have prevailed on them to open development offices in the regions where the drawal from the HUDCO is rather poor.”

19. When asked about the places where these offices had been opened, the Secretary stated that one regional office had been opened in Calcutta about a year ago.

The Secretary of the Ministry also stated that some of the States which had not been able to draw assistance from HUDCO were fulfilled States, but they had not been able to build up either the infra-structure or the expertise to prepare the schemes and draw financial assistance from HUDCO. Where a particular State was lagging behind, teams went out from the HUDCO to help them prepare the projects.

20. The Ministry later listed the following further steps taken by them to see that the States not availing of HUDCO loans for Rural Housing are also persuaded to avail of HUDCO's scheme:—

1. Writing letters at the level of Housing Minister to Chief Ministers of some of the States.

2. Visits of Minister for Works and Housing to some of the States like U.P., M.P. and Maharashtra to persuade them to send Rural Housing Schemes to HUDCO.

3. Visits of the Joint Secretaries of the Ministry of Works and Housing accompanied by the Chairman-cum-Managing Director, HUDCO to various States like Orissa, Bihar, Nagaland, Mizoram and Manipur to discuss with them their difficulties and to persuade them to take advantage of the HUDCO finance for Rural Housing Schemes besides other schemes.

21. The Ministry also intimated that the issues related to HUDCO assisted Rural Housing Schemes were also raised in the Conference of the Ministers of Local Government and Urban Development and also attended by the Housing Ministers, held in Delhi on the 29th and 30th December, 1980. A resolution passed in the said meeting was that "a broad based group of officials representing the State Governments, HUDCO Planning Commission and also experts in the field, may be constituted by the Chairman to examine the feasibility of introducing some changes in the existing pattern of funding by the HUDCO in respect of the rate of interest, ceiling cost and the period of repayment and the percentage of funding in urban and rural areas." In pursuance of this resolution, a Group was set up in February, 1981 whose composition was as follows:—

Chairman

1. Secretary and in his absence Joint Secretary (HUD), Ministry of Works and Housing.

Members

2. Joint Secretary (HUD), Ministry of Works and Housing.
3. Joint Secretary (Finance) or Deputy Financial Adviser, Ministry of Works and Housing.
4. Joint Secretary or Director/Deputy Secretary (Plan Finance) Ministry of Finance.
5. Chairman-cum-Managing Director Housing and Urban Development Corporation Ltd.
6. Deputy Adviser (Housing), Planning Commission.
7. Secretary, Housing Development or Chief Executive, State Housing Board, Government of Gujarat.
8. Secretary, Housing Development or Chief Executive State Housing Board, Government of Tamil Nadu.

9. Secretary, Housing Development or Chief Executive State Housing Board, Government of Haryana.
10. Vice-Chairman, Delhi Development Authority.
11. Director General (Works), CPWD or his representative of the rank of Chief Engineering.

Member Secretary

12. Deputy Secretary (Housing), Ministry of Works and Housing.

The Group was expected to submit its report to the Minister for Works and Housing within a year from the date of its constitution.

G. Beneficiaries of Rural Housing Schemes

22. The Committee enquired about the percentage of loans sanctioned to economically weaker sections, scheduled castes and scheduled tribes for rural housing. The Corporation intimated "rural housing scheme of HUDCO is exclusively meant for economically weaker families with monthly income not exceeding Rs. 350/-.... HUDCO has been concentrating on the provision of houses to the EWS of the Society without any differentiation as to the Caste. However, there are some agencies in certain States where the schemes are prepared exclusively or predominantly for the SC and ST" When the Committee enquired whether it would not be desirable to earmark funds for rural housing for SC/ST just as some other State agencies have done, the Chairman and Managing Director stated:

"As far as HUDCO is concerned it looks at the economic status of the person concerned but we do not specifically lay down the percentage for SC/ST because every State has its quota for the housing and other schemes. But we had taken this corrective step from the current financial year. From 1st of April, 1981 we do insist that every State should state in the loan application form itself how much percentage of houses they are actually going to reserve for the Scheduled Castes and Scheduled Tribes."

23. As regards the percentage of houses built for SC/ST, the witness stated that in the schemes of some of the States for Rural Housing, by and large, 40 percent to 60 percent houses went to the scheduled castes and the scheduled tribes. Some of the States like Kerala and Andhra Pradesh had set up special organisations for providing houses for SC/ST.

H. Assistance for L.I.G. Housing Schemes

24. At present in rural areas HUDCO assist construction of houses only for the economically weaker sections. The Committee enquired whether there was any proposal to extend this to lower income groups and other groups in rural areas. The CMD stated:

"At the present moment, we do not have any such proposal. We restrict our finances in the rural housing only to the economically weaker sections, because about 70 per cent of the population in the rural areas comprise of economically weaker sections. We also wanted to tie up this programme with the rural landless which the Government had in mind under the 6th Plan where they had given free site to the rural landless. As the position improves, we can consider it.....Our initial experience indicate that the people who fall under this category (Low Income Group) largely belong to the organisations which are government organisations and semi-government organisations. They are teachers and patwaris who may come and get transferred to another village. In that context, we are thinking whether we can give finance to the State Governments for setting up houses for this population."

Asked about the views of the Ministry in this regard, the Secretary of the Ministry stated "The view has been taken that it should be confined to economically weaker sections."

I. Loans to Co-operatives

25. According to the guidelines issued by HUDCO for rural housing, the financial assistance for rural housing schemes is available to any agency nominated by State Government such as Housing Board, Rural Housing Board, District Board, etc. The Committee wanted to know whether the Corporation thought of giving direct assistance for Co-operative housing in rural areas where no State agencies were functioning. The CMD stated in evidence that for rural housing, it was for the State Government to identify the agency as the 50 per cent of the account came from the State Government funds. The identification by the State Government was therefore necessary. Asked whether the Corporation could not finance the Co-operative housing societies in rural areas where the societies could themselves find the matching funds the CMD stated "The State Government has to approve it."

26. On being asked by the Committee, as to why should the State Government come into the picture if the Corporation was satisfied about the solvency of the Co-operative Society, the CMD stated:

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"According to our information, there is no such society in the rural areas. We should try to have a method which is workable and practicable. The identification can be by the State Government even for a Zilla Parishad. There is no constraint. But up till now, this has been only a hypothetical question. We have not received any such demand. If we receive it, we will certainly be prepared to examine it."

J. Development Activities

(i) Building Material Industries

27. One of the objectives of the HUDCO is to finance or undertake the setting up of building material industries. The Committee enquired whether keeping in view the fact that in rural housing the accent was on utilising locally available material for rural housing the Corporation had assisted in setting up of building material industries in rural areas.

The CMD stated:

"All the building material industries are in urban areas, but that material is used in rural areas also. There is no restriction by the HUDCO for setting up these industries in rural areas. The Corporation wants that such industries should be set up in rural areas. The industries are set up in Urban Areas because of transportation facilities. Our funds are available even for manual preparation of bricks. These agencies have to come to us. We have been not only pressing but we have been asking all the agencies to come to us and take the money and set up the building material industry."

28. In this connection, the Secretary, Ministry of Works & Housing explained that "There is no bar to their being set up in rural areas. But there is economic advantage in setting them up in the periphery of the towns, such as transportation facilities etc. It is difficult for HUDCO to lay down that it must be set up in rural areas. After all economic viability is the important factor."

(ii) *Strengthening of Housing Agencies*

29. One of the objectives of HUDCO is to subscribe to the debentures and loans to be issued by the State Agencies for the purpose of financing housing. The Committee wanted to know whether the Corporation considered the possibility of either promoting or strengthening financially the existing agencies operating in rural areas by subscribing to the debentures and loans issued by them. The Corporation intimated:

"HUDCO has primarily been concentrating on providing to the housing agencies all over the country project linked loans with a view to ensuring deployment of resources for the Economically Weaker Sections and Lower Income Groups of the society. It has also helped the agencies to control costs and build a larger number of dwellings within the available resources. By contributing to their debentures or by providing bulk loans, those objectives could not have been achieved."

K. External Assistance

30. In the context of shortage of funds with HUDCO to finance various schemes, the Committee enquired whether HUDCO tried to get any assistance for rural housing from international agencies. The Corporation had stated in a written reply:

"HUDCO's proposal to seek Rs. 25 crores from Government of U.K. to finance site & services, EWS low cost housing (Urban & Rural) programme is under consideration of the Government. The U.K. aid mission had visited India and held detailed discussion with the Government of India & HUDCO apart from inspecting some of the HUDCO sanctioned low cost housing projects. The decision of the U.K. Government in this regard is awaited."

31. In the course of examination of the representatives of the Corporation the Committee enquired whether there has been any move to secure any other bilateral aid or international agencies aid, the CMD stated:

"When these international organisations offer aid unilaterally or bilaterally for rural housing we may accept it. But some do not exactly offer for the purpose of housing itself. Some offer for water supply etc. only. We do explore the possibilities. But some time we have also to pay heavy interest even for the sites and services scheme. And the Central Government is not interested in taking aid at

such a high rate of interest. In the case of U.K. Government we had negotiations and talks and ultimately it has been approved by the Board and the Government."

32. To a question, whether any approach was made to the Asian Development Bank or any other similar organisation, the CMD replied:

....

"In Asian Development Bank India is one of the bigger donors and the assistance that we get in turn is limited to certain fields only and rural housing is not included".

33. The Committee also enquired from the Ministry whether the possibility of getting external aid. The Ministry stated:

"Frequent dialogues have been held by the Department of Economic Affairs and the Ministry of Works and Housing with the International Organisations like the World Bank, UNIDO, UNICEF and WHO etc. and also with U.S. (AID) and other foreign countries for bilateral assistance. So far neither these organisations nor the countries have come up with any assistance for Rural Housing though their assistance covers programme on Rural Water Supply and Sanitation."

L. Co-ordination among Central agencies

34. It had been stated by the Ministry that the Government of India had been providing financial assistance by way of loan through the financial organisations like HUDCO, LIC, GIC etc. with increasing emphasis on programmes of rural housing. In the case of GIC the entire amount is earmarked for EWS and rural housing. The Committee enquired whether there was any system under which activities of these organisations for rural housing were coordinated. The Ministry stated:—

"The LIC/GIC loans for housing are allocated State-wise by this Ministry after it is decided in a Joint meeting of the Ministry of Finance (Insurance Division), Planning Commission and the Ministry of Works and Housing. The criteria for allocation are on the basis of performance and requirements of the States. The total quantum of the amount and the proportionate allocation between LIC and GIC are made by the Finance Ministry (Insurance Division). The Ministry's role in this regard is mainly to act as the link between the State Governments and the Government of India. The Ministry is responsible for keeping in

touch with the State Governments to ascertain the demands, and ensure utilisation and also provide guidelines for utilisation of the funds. Though the Ministry cannot by itself decide on the allocation of the funds and has to do so in consultation with the Planning Commission and the Finance Ministry it has an important role to play in the from of collecting and collating the information and also in issuing the actual allotment order, issue of guidelines, getting the feed back etc."

35. The Committee enquired whether the Ministry noticed any regional imbalance in the funds allocated by GIC and LIC and how it ensured that the plan targets for housing had been achieved. The Secretary stated:—

"Taking into consideration the requirement of various social housing schemes, these funds are allocated to the different States. I must, however, submit that there is no imbalance as such because depending on the size and requirements of the State, the funds are made available to them."

36. As regards achievement of plan targets the witness stated:—

"It is only in respect of the distribution of house sites and construction of houses that specific monitoring is done, otherwise there is no feed back as to how many houses the States have constructed."

According to the guidelines issued to the State Governments in respect of LIC/GIC loans, the scheme-wise distribution in regard to the LIC loan amount and the following information in regard to GIC loan amount was required to be furnished to the Ministry by the States:—

- (i) the scheme-wise distribution of the amount;
- (ii) the number of houses sanctioned under the above schemes and their cost;
- (iii) the unit cost of each house;
- (iv) the number of houses completed so far;
- (v) the number of houses to be completed with this loan.

However when asked about the targets and achievements State-wise in regard to loans sanctioned by GIC and LIC for rural housing, the Ministry stated that "the upto-date information of State-wise utilisation and achievements in respect of LIC/GIC loans is not available with the Ministry."

37. The Committee wanted to have the views of the Corporation on assigning the role of principal financing institution in the matter of housing and urban developmet to HUDCO by making it statutory body with powers of coordination on the lines of IDBI. The CML stated:—

“The difference between a statutory corporation and a government company would not make any fundamental change or would not give us any additional responsibilities or powers according to which HUDCO could do this. Ultimately it depends on which is the top most organisation which is having control on all the different funds. For example, LIC's earmarking is done not even by the Ministry of Works and Housing but by the Planning Commission, when the Plan is finalised; similar is the case with GIC. But the Ministry of Works and Housing is the nodal Ministry to have an overall bird's eye-view and control and monitor as to how these funds should be spent. If the suggestion is that a charter may be given by the Government that the entire funding may be done through us, the only point that will have to be got over—if the charter is given to us—is who will decide how much money and at what rate of interest I will take from LIC etc. To-day, for example, I get money from the LIC and GIC at a very high rate of interest—nearly 10-1/2 per cent—and I give in turn to the State Governments at as low a rate as four or five per cent. If we were given that function, we would like to iron out these things and say that the organisation that is doing real social housing should be given funds at the lower rate of interest, so that benefit can be passed on in turn to the beneficiary which is the common man.”

38. The Secretary, Ministry of Works and Housing stated in this connection as follows:—

“There are certain functions which only the government agencies are supposed to do. In the agricultural sector, we have an organisation called the Agriculture Refinance Development Corporation. If it sanctions some refinance it goes into the health of the institution which takes up the programme of development, but it does not take on itself the work of giving direction or acting as a sort of coordinator in that sense. Whether it will be acceptable to the State Governments, I have grave doubts. So far as collection of information for promotion of housing is concerned, HUDCO is performing that role and it does give a picture what is the state of affairs in different States.

So far as the housing boards are concerned, HUDCO can do it. But so far as the programmes which are to be financed out of the State budget are concerned I am not sure. But so far as other financing institutions are concerned, as an apex body, on the same lines as IDBI does, it HUDCO can do that."

M. Subsidy by Govt. to HUDCO

39. During the examination of the Ministry, the Committee pointed out that HUDCO had been given subsidy by Central Government and wanted to know the basis thereof. The Ministry intimated later:

"The decision to give subsidy to HUDCO was taken by Government to meet the difference between the borrowing and lending rates of HUDCO because of giving loans at subsidised rates of interest to the Economically weaker Sections of the Community and Low Income Group, to meet the social objectives of the Government. The question of subsidy to HUDCO has been examined in a number of meetings held by this Ministry. In these meetings after examining the question of either elimination or reducing the subsidy it was ultimately decided that it will not be desirable to do away with the subsidy straightaway but it should be slowly reduced over the years. In an inter-Ministerial meeting held between the representatives of the Planning Commission, Ministry of Finance (Plan Finance) and the Ministry of Works and Housing and HUDCO it was decided that in respect of loans sanctioned after 1-4-1980 the subsidy component will be reduced from $2\frac{1}{2}$ per cent to 2 per cent of loans advanced and remaining outstanding each year."

40. The Ministry further intimated that it was ensured that HUDCO utilised its reserves by ploughing back those reserves in its housing operations a large proportion of which is proposed for houses for EWS and low income groups which was of the order of nearly 85 per cent of the total houses sanctioned by HUDCO. The amount of subsidy received during the year 1980-81 was Rs. 7.22 crores and the reserves created by HUDCO out of the overall profits stood at Rs. 28.46 crores at the end of the Year 1980-81.

41. The Committee were informed by CMD, HUDCO, that they got money from LIC and GIC at a very high rate of interest nearly $10\frac{1}{2}$ per cent and gave it to the State Governments at as low a rate as four or five per cent. The LIC provided funds to the State Governments for housing at $8\frac{1}{2}$ per cent.

42. The Committee enquired as to why LIC charged higher rate of interest from HUDCO than the State Governments, the CMD stated:—

“That is the question that I have been asking. I do not have the answer. As a matter of fact, we have submitted that, since in rural housing our scheme is limited only to the economically weaker sections—last year the percentage was higher than 87; more than 90 per cent of the houses went to EWS and LIG—to such an organisation there is a better case for giving funds at a lower rate of interest.”

PART II

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

1. Decent housing is one of the minimum needs of any civilized society. Majority of our population lives in rural areas and majority of the rural population belongs to economically weaker section. As per an assessment of National Building Organisation the housing shortage in rural areas was of the order of 16.1 million units as on 30 April, 1980. Housing is a State subject. However, several national level organisations including Housing & Urban Development Corporation (HUDCO) render financial assistance for housing. In view of the importance of rural housing the Committee examined the activities of the HUDCO in this regard.

2. Although HUDCO was established in 1970 as an apex body to deal with housing shortage by financing and undertaking housing, it extended its activities to the rural areas only from 1977-78 as an outcome of the Housing Ministers Conference held in December 1976. The number of building units for which loans have been sanctioned upto 1980-81 is just 3.8 lakhs out of which loans have been released for 2.58 lakh units and only 1.46 lakh units have been completed. The Committee understand that no physical target is set for HUDCO's assistance. In view of the huge housing shortage of 161 lakhs units in rural areas the Committee desire that there should be national level coordination with a view to set physical targets for State level and Central level agencies as part of our national plans and the progress reviewed periodically against such targets.

3. At present there is no feed-back as to how many houses the States have constructed. There is thus no knowing of the progress made in remonvng the shortage of rural housing. The picture that has come out of the HUDCO in respect of its assistance is disappointing. The assistance covered so far only 10 States of which 3 States (Karnataka, Kerala and Gujarat) received 75 per cent of the total loans of Rs. 55.12 crores sanctioned. 12 States and 8 Union Territories have not received any assistance. Despite the steps stated to have been taken to extend the assistance to all the regions the result is a highly skewed pattern. In this connection the Committee note that only one regional office has been opened in the region where little or no assistance has been rendered. The Committee are of the view

that there must be a balanced assistance by all the Central institutions together. The HUDCO should step up its promotional efforts and open more regional offices to help achieve balanced regional development in the matter of rural housing.

4. On the whole the Committee's examination has revealed that the operation of HUDCO in the field of rural housing has been marked by an unduly cautious approach instead of being development oriented. Paucity of funds has been adduced as one of the reasons for the late starting of the operation and poor allocation of funds therefor. Rural housing accounted for only Rs. 55.12 crores out of the total loan of Rs. 762.09 crores sanctioned by HUDCO upto 1980-81 which worked out to 7.2%. At present 15 per cent of the resources is earmarked for rural housing. Considering the late start of this activity and the magnitude of requirement this allocation seems inadequate. A ratio of 85:15 for allocation of resources between urban and rural areas it to say the least not doing justice to the rural areas. The Committee therefore, feel that within the financial resources available the rural areas ought to get a higher allocation of atleast 50 per cent.

5. The rural housing schemes of HUDCO do not seem to be quite attractive to the States. For instance, the general ceiling limit of cost of construction of Rs. 4,000 per unit and the 10 years repayment period of the loan are considered to be low by the States. The Committee feel that the ceiling limit of Rs. 4,000 fixed in 1977 requires a review.

6. At present the rural housing scheme of HUDCO is confined to economically weaker sections. There ought to be earmarking of funds of the HUDCO for assistance to SC/ST sections of the rural population. Further the HUDCO could diversify its lending operations in rural areas to cover low income groups as in urban areas.

7. HUDCO's assistance is now channelised through the State Governments or the agencies nominated by them as the matching assistance of 50 per cent has to come from the State Government resources. The Committee recommend that direct assistance to Rural Housing Cooperative Societies in the setting up of which HUDCO could help should be considered provided the societies are willing to find the matching funds on their own.

8. Although the emphasis is on assisting housing schemes utilising locally available material there has been no building material industry developed in rural areas with the assistance of HUDCO so

far. The Committee are of the view that the HUDCO could usefully enter this field and promote such industries without waiting for entrepreneurs to come up for help.

9. Another area to which the Committee would like to refer is the need for developing and strengthening specialised housing agencies in the States, the lack of which is responsible for a number of States not availing themselves of HUDCO's assistance. This should become part of developmental activity of the HUDCO.

10. HUDCO raises funds from sources like LIC at a higher rate of interest ($10\frac{1}{2}$ per cent) and lends money for rural housing at a lower rate (4-5 per cent). The LIC also provides funds directly to the State Governments for housing at $8\frac{1}{2}$ per cent. The Committee see no reason why LIC should charge a higher rate of interest from the HUDCO for the same purpose. The propriety of this and the advisability of LIC directly providing finance for housing rather than routing it through a specialised agency like the HUDCO should be considered for an appropriate policy decision in the larger national interest.

11. Despite grant of loans at concessional rate of interest to the economically weaker sections of the community and the low income group, which is subsidised to some extent by the Government, the HUDCO has built up considerable reserves out of the overall profits. In view of this position, the Committee would suggest that the possibility of reduction in the lending rates of the HUDCO should be considered.

12. The Committee have been informed that the issues related to HUDCO assisted rural housing schemes were raised in the Conference of the Ministers of Local Government and Urban Development in December, 1980 which was also attended by the Housing Ministers. In pursuance of a resolution passed therein a group of officials representing the State Governments, HUDCO and the Planning Commission and experts in the field has been set up in February, 1981 to examine the feasibility of introducing some changes in the existing pattern of funding by the HUDCO in respect of the rate of interest, ceiling cost and the period of repayment and the percentage of funding in urban and rural areas. The Group is expected to submit its report within a year of its setting up. The Committee desire that their observations contained in the foregoing paragraphs should be borne in mind by the Group and for this purpose if its terms of reference are required to be widened it should be done. The Group

should report promptly before the end of March 1982. Thereafter the follow-up action should be initiated with expedition. The Committee would like to be informed of the changes effected.

13. The Committee learn that no international funding agency, not even the World Bank, is interested in financing rural housing at a reasonable rate of interest. This is somewhat surprising. The Committee are left with the impression that perhaps a case has not been made out by the developing countries to commit the international agencies to assisting such a crucial area of development as rural housing. They, therefore, desire that the possibility thereof should be explored by our country as early as possible.

14. In view of the growing need for housing, both urban and rural and the possibilities of expansion of HUDCO, which is the main instruction with the Central Government in the matter of housing, the Committee recommend that the role of HUDCO should be enlarged to make it the principal financial institution for coordination and development in the matter of housing and urban development with adequate powers on the lines of IDBI and the proposed NBARD. If necessary, the HUDCO could be put on a statutory basis.

BANSI LAL

Chairman,

Committee on Public Undertakings :

NEW DELHI;
December 15, 1981.