CHAPTER-III
HABITAT POLICIES AND GOVERNMENT INITIATIVES

A. National Urban Housing & Habitat Policy

The National Urban Housing & Habitat Policy 2007\(^1\) seeks to promote various types of public-private partnerships for realizing the goal of affordable housing for all with special emphasis on the urban poor. This was stated by Kumari Selja the then Minister of State for Housing and Urban Poverty Alleviation, Government of India while briefing media persons, after tabling the policy in both houses of the Parliament in the year 2010.

The Minister said that the new policy had been formulated keeping in view the changing socio-economic parameters of the urban area and growing requirement of shelter and related infrastructure.

Elaborating on the policy Kumari Selja further said that the policy intended to promote sustainable development of habitat in the country with a view to ensuring equitable supply of land, shelter and services at affordable prices to all sections of society.

Given the magnitude of the housing shortage and budgetary constraints of both the Central and State Governments, the National Urban Housing and Habitat Policy, 2007 focuses the spotlight on multiple stake-holders including the private sector, the cooperative sector, the industrial sector for labour housing and the services/institutional sector for employee housing.

In this manner, the policy seeks to promote various types of public-private partnerships for realizing the goal of “affordable housing for all,” she emphasized.

Detailing the procedure followed for formulating the new policy she said that the formulation of the National Housing Policy was an ongoing process which started in 1986 and since then there had been major changes in habitat and human settlement issues. Particularly, the urban housing sector has been facing emerging challenges

\(^1\)GOI Ministry of Housing Website
with regard to availability of affordable shelter, growth of slums, and gaps in provision of basic services to the urban poor.

A task force was constituted in January 2005 and a National Urban Housing and Habitat Policy was drafted. This was circulated amongst various stakeholders. Based on wide ranging inputs received, the National Urban Housing and Habitat Policy, 2007 had been finalized and laid in the Parliament.

**Salient features of the National Urban Housing & Habitat Policy, 2007:-**

a. Focus of the Policy is on affordable urban housing with special emphasis on the urban poor.

b. Role of Housing and provision of basic services to the urban poor has been integrated into the objectives of the Jawaharlal Nehru Urban Renewal Mission (JNNURM).

c. Special emphasis has been laid on scheduled castes / tribes / backward classes / minorities, empowerment of women within the ambit of the urban poor.

d. The policy focuses on a symbiotic development of rural and urban areas in line with the objectives of the 74th Constitution Amendment Act.

e. Within the overarching goal of “Affordable Housing for All,” emphasis has been laid on urban planning, increase supply of land, use of spatial incentives like additional Floor Area Ratio (FAR), Transferable Development Rights, etc., increased flow of funds, healthy environment, effective solid waste management and use of renewal sources of energy.

f. Encouraging integrated townships and special economic zones.

g. Between 10 per cent and 15 per cent of land in every new public / private housing projects or 20 per cent to 25 per cent FAR whichever is greater to be reserved for EWS/LIG Housing through appropriate spatial incentives.

h. Private Sector to be permitted land assembly within the purview of master plans. action plans for urban slum dwellers and special package for cooperative housing, labour housing and employees housing is to be prepared.

i. States to be advised to develop 10 years perspective plan for housing of economically weaker sections and low income groups.
j. Policy gives primacy to provision of shelter to urban poor at their present
location or near their work place.

k. Approach will be in-situ slum rehabilitation. Relocation will be considered
only in specific cases.

l. Micro finance institutions to be promoted at state level to expedite flow of
finances to urban poor.

m. Model municipal laws to be prepared by the central government.

n. Detailed city maps to be prepared based on GIS, aerial survey and ground
verification.

o. Use of proven cost effective technology and building materials to be
encouraged.

p. Development of mass rapid transit system at sub-regional level envisaged.

q. Green cover for cities to be encouraged for balanced ecological development.

r. All States to be encouraged to develop a “habitat infrastructure action plan”
for all cities with a population of over one lakh.

The action plan stated in the National Urban Housing & Habitat Policy, 2007:

a. Encouragement and support to be provided to state governments by the central
government for preparation of state urban housing and habitat policy and
action plan. State / union territories action plans to focus on accelerated flow
of funds. State / union territories level policy to provide road map for
institutional, legal and financial incentives.

b. State / union territories’ plans to indicate concrete steps for encouraging a
participatory approach.

c. Periodic review of implementation of Policy and Action Plan at State level to
be carried out.

d. Preparation of 15-20 years perspective plans in the form of City Development
Plans (CDPs) based on spatial planning at the city level.

e. Setting up a high level monitoring committee for periodic review and
implementation of the policy and for making amendments, modifications
wherever considered necessary.
The policy\(^2\) has been formulated keeping in view the changing socio-economic parameters of the urban areas and growing requirement of shelter and related infrastructure. The Policy seeks to promote various types of public-private partnerships for realizing the goal of “Affordable Housing for All” with special emphasis on the urban poor. Given the magnitude of the housing shortage and budgetary constraints of both the Central and State Governments, the NUHHP-2007 focuses the spotlight on multiple stake-holders namely, the Private Sector, the Cooperative Sector, the Industrial Sector for labour housing and the Services/Institutional Sector for employee housing.

The action plan of the NUHHP-2007 states that the Central Government will encourage and support the States to prepare a State Urban Housing and a concomitant State Urban Housing and Habitat Action Plan, which may include passing of specific Acts the States/UTs for realizing the policy objectives through legal and regulatory reforms, fiscal concessions, financial sector reforms and introduction of innovative instruments, for mobilizing recourses for housing and related infrastructure development at the State/UT level.

The Policy envisages specific roles for the Central Government, State Governments, Local Bodies, Banks & Housing Finance Companies, Public Agencies. The roles of these agencies are as under:

1. **Role of Central Government:**
   a. To act as a ‘facilitator’ and ‘enabler’.
   b. To advise and guide respective State Governments to adopt and implement the National Urban Housing & Habitat Policy in a time bound manner.
   c. To promote balanced regional development in the country by suitably decentralizing functions relating to development of the Housing Sector and promotion of an ecologically sound habitat
   d. To develop suitable financial instruments for promotion of housing for the EWS and LIG groups serviced by basic amenities.
   e. To promote action plans for creation of adequate infrastructure facilities relating to water, drainage, sanitation, sewerage, power supply and transport connectivity.

\(^2\) The National Urban Housing & Habitat Policy, 2007 (NUHHP-2007).
f. To develop economically viable housing promotion models and standards for provision of physical, social and economic services.
g. To develop suitable fiscal concessions in collaboration with the Ministry of Finance for promotion of housing and urban infrastructure with special focus on EWS/LIG beneficiaries

2. Role of State Government
   a. To prepare the State Urban Housing and Habitat Policy.
   b. To act as a facilitator and enabler in collaboration with ULBs³/Parastatals/Private Sector/Co-operative Sector/NGOs with regard to Integrated Slum Development Projects as well as Integrated Township Development Projects.
   c. To ensure suitable flow of financial resources to potential EWS/LIG beneficiaries as well as undertake viability gap funding of large housing and habitat development projects.
   d. To prepare medium term and long term strategies for tackling problems relating to provision of adequate water supply, drainage, sewerage, sanitation, solid waste management, power supply and transport connectivity.
   e. To promote and incentivise decentralized production and availability of local building materials.
   f. To prepare and update Master Plans along with Zonal Plans, Metropolitan Plans, District Plans and the State level Regional Plan by respective agencies with provision of adequate land for urban poor.
   g. To promote well designed Public-Private Partnerships for undertaking housing and infrastructure projects.
   h. To encourage Cooperative Group Housing Societies, Employees Organizations, labour housing promotion organization, Non-Government Organizations (NGO) and Community Based Organizations (CBO) to have Partnerships with Urban Local Bodies/Parastatals in relation to housing related micro-finance and housing development.
   i. To promote in-situ slum upgradation with partnership between the Central Government, State Government, Urban Local Bodies, Banks/MFIs and potential beneficiaries.

³ Urban Local Bodies
3. Role of banks and housing finance institutions

a. Reassess their strategies with a view to make them more inclusive in terms of EWS and LIG segments.

b. Promote innovative financial instruments like development of Mortgage Backed Securitization Market (MBSM), and Secondary Mortgage Market.

c. Enhance/ strengthen the income spread of housing loans portfolio to increasingly cover BPL\(^4\) and EWS beneficiaries.

d. Adopt a more flexible and innovative approach in relation to credit appraisal norms.

e. Develop financial products which encourage EWS and LIG beneficiaries to take insurance cover.

f. Ploughing part of their resources towards financing slum improvement and upgradation programmes.

g. Devise innovative housing finance schemes for targeting the EWS and LIG segments, with suitable subsidy support from the government.

h. Promote MFIs and SHGs for mobilizing savings and playing a significant role in housing finance sector.

4. Initiatives by the State Governments – Role of NHB

Under the NUHHP-2007 the State Governments are also expected to formulate and implement their respective State Housing Polices. Having actively contributed in formulation of NUHHP-2007, NHB approached all the State Governments and offered help in formulation of their respective State Housing Polices.

In consultation with NHB, Housing Policy for the States of Kerala & Rajasthan have been prepared and finalized. State Housing Policy for Punjab has been submitted for final approval to the State after consultation with NHB.\(^5\).

Outlines of Housing and Habitat Policies of Uttar Pradesh and Bihar have been submitted for preparing the final policy with special emphasis on EWS/LIG segments. It is also learnt that the Karnataka Housing Board will submit a comprehensive housing policy for the State shortly and that the Board will provide the residential sites and houses to the poor and middle-class people across the State, with focus on

\(^4\) Below Poverty Line

\(^5\) www.nhb.org.in

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villages. Accordingly, the State Government is being approached with an offer of assistance in formulation of the State Housing Policy, along with broad outlines of the Housing policy and a concomitant implementation plan. Furthermore, in accordance with role envisaged for banks and housing finance institutions under the NUHHP-2007, and also earlier Housing Policies, the role and involvement of NHB in this regard is discussed as under:

**5. Development of Secondary Mortgage Market**

The housing sector has been historically capital deficient which has resulted in housing shortage. The Government of India has accorded considerable importance to the development of secondary residential mortgage market in the country in order to enhance the flow of funds into the housing sector, increase the number of housing stock and thereby facilitate affordable home loans to the population. The National Housing and Habitat Policy of Government of India have envisaged a lead role for National Housing Bank to promote and develop the process. The National Housing Bank Act, 1987 provides for undertaking the Residential Mortgage Backed Securitization (RMBS) activities. RMBS enabled flow of funds from the capital market into the housing sector, thus enabling greater access and affordability to the borrowers of housing loans.

Stamp duty is a crucial issue for RMBS transactions. The stamp duty rates ranges from 0.1 to 14 per cent in different States in the country. Presently, the process of securitization is limited to only a few States (Delhi, Karnataka, Maharashtra, Gujarat, West Bengal etc.) which have rationalized their stamp duty structure (0.1% ad valorem, with a cap of Rs. 1.00 Lakh). NHB is planning to take up the matter with the Finance Commission so as to consider the issue in the context of devolution revenues to the States.

**6. NHB’s Policy for Financing Slum Upgradation**

National Housing Bank, with its focus on the unserved and underserved segments of the society, is targeting providing financial support for slum redevelopment / rehabilitation / upgradation projects.

NHB’s Project finance assistance is available for such projects to public housing agencies like Housing Boards, Development Authorities, Municipal Bodies, State
Slum Clearance Boards/Authorities, Public Private Partnership entities, Community Based Organizations such as MFIs/NGOs constituted as Societies/ Trusts/ Section 25 Companies etc., and to private sector agencies. Till now, the Bank has financed only one such project, but efforts are underway to identify other viable projects which could be supported.

The Bank has a four fold strategy in this imitative (i) actively market Project Finance through suitable MFIs/NGOs etc., an exercise in rating non-profit organizations is also being undertaken, (ii) develop refinance products with approval of the Board, (iii) offer financing as top-up to Government schemes such as JNNURM and (iv) use technical assistance either with Bank’s own funds or from any other national/international agency for capacity building, borrower education etc.

B. Refinance policy of construction finance for ‘Affordable Housing’

The Scheme draws on the National Urban Housing & Habitat Policy 2007 (NUHHP-2007) which has laid stress on measures to respond to the housing needs in the urban areas and the growing pressure on housing and related infrastructure facilities. The Policy seeks to promote various types of public-private partnerships for realizing the goal of “Affordable Housing for All” with special emphasis on the urban poor. The Policy aims at sustainable development of habitat in the country with a view to ensuring equitable supply of land, shelter and services at affordable prices to all sections of society. The ultimate aim is to shift to a demand driven approach through proactive financial sector interventions.

To encourage and support the banking sector’s involvement in this endeavour and as part of its developmental role, NHB intends to lend support to the housing activities aimed at those segments of the society who may afford a moderately priced dwelling unit by way of refinance support. NHB wishes to refinance banks’ financing, low and lower middle income housing, slum housing, industrial worker housing, working women hostels and old age homes, housing projects financed under the JNNURM along with rental housing schemes for migrant labour or any other similar Central Government/State Government scheme including housing affected by natural disaster.
Salient features

1. Purpose
To facilitate availability of affordable homes through construction financing for residential housing. Financing is available for new construction i.e. construction and basic housing related infrastructure as well as for up-gradation /repairs of existing properties. The following housing projects are eligible for refinance support:
   a. Residential housing projects for EWS/LIG categories.
   b. Slum redevelopment projects.
   c. Rental housing projects for migrant labour in metro and other cities.
   d. Community bulk loans provided by the PLIs. (With tenancy rights ensured by the municipal authorities) i.e. PLIs could also finance Housing projects undertaken by community based financial institutions.
   e. Up-gradations/additions to existing dwelling units along with strengthening and modernization of the housing infrastructure.
   f. The carpet area of the dwelling unit to be financed should be upto a maximum of 700 square feet.

2. Eligible Primary Lending Institutions (PLIs)
Scheduled Banks, RRBs, HFCs, MFIs and other eligible institutions as maybe notified by the Government of India.

3. Sanction Parameters
   i. Long Term Debt - Equity ratio of developers should not exceed 2:1 as per the latest annual audited accounts.
   ii. Margin from the developer: Min. 20% of project outlay.
   iii. Security offered to the PLI shall be mortgage of property and other security that PLI may obtain as collateral.
   iv. FACR-Min Asset coverage should be 1.33:1 based on market value arrived through independent third party valuation.

4. Eligible Areas
Urban and Rural Centers including metropolitan cities i.e. Mumbai, Delhi, Kolkata, Chennai, Bengaluru and Hyderabad. Focus will be on Tier II and Tier III cities and slum redevelopment projects in metros.
5. Eligible End Users
Public Housing agencies, Private Developers in Housing, Public-Private Partnerships (PPPs), Co-operative Societies, and Employee Housing Organisations like AWHO, CGEWHO, IRWO, and AFNHB.

6. Eligible Amount
Additionally, the maximum selling price of each dwelling unit of the project to be financed not to exceed Rs.15 lakhs with maximum inbuilt price escalations of 10%.

7. Extent of Refinance
100% of loan sanctioned by the eligible Primary Lending Institutions (PLIs) for Affordable Housing.

8. Period of Refinance
Co-terminus with the PLI’s loan to the Developer/Builder subject to a maximum of 5 years.

9. Repayment
To be fixed on a case to case basis depending on the project size, typically in instalments with an initial moratorium of one year. Bullet repayment of refinance may be permitted in exceptional cases.

10. Nature of Interest Rate
Fixed/ Floating linked to PLR\(^6\) or a market benchmark: Fixed/ Floating linked to PLR or a market benchmark.\(^7\) PLIs have the option to choose floating rate or fixed rate interest. Conversion from fixed rate to floating rate and vice versa is permissible on payment of conversion fee. Generally Sub-PLR\(^8\) loans will not be extended except to Public Agencies. Not for Profit community based organization.

11. Disbursement
Refinance disbursements will be made as per the request for release of refinance. The refinance shall be released on staggered basis subject to completion of previous phases. (to be certified)

\(^6\) Prime lending Rate (The prime interest rate is what banks charge their best customers).

\(^7\) A standard by which something can be measured or judged is called ‘benchmark’.

\(^8\) Some banks provide loans and advances at a rate lower than the BPLR (Prime Lending Rate) of the bank to customers availing finance for business purposes or short-term funds for various needs (usually large companies, major exporters and some individuals etc.) with high credit ratings. This enables them to attract bigger clients.
repayment period stipulated by the PLI to the end borrower depending on the project size, typically in instalments with an initial moratorium of one year. Bullet repayment may be permitted in exceptional cases.

12. Prepayment schedule
Prepayment shall be considered as per policy in vogue.

13. Other conditions
i. All the security obtained / to be obtained by NHB from time to time from its constituents availing financial assistance under the limit in question will be held for and on behalf of NHB and any realisation or recovery from the said constituents under the said limit will be applied as required.\(^9\)

ii. All statutory clearances/approvals have to be obtained by the PLI in respect of housing loans, before disbursement.

iii. All other rules as per the refinance scheme applicable to Scheduled Banks and HFCs as amended from time to time.

iv. Prior to the sanction of refinance, the borrower (developer, society etc.) should have ownership of the land for the proposed project i.e. finance for land acquisition will not be provided.

v. The project should be financially viable and should be designed to generate full cost recovery with surplus.

vi. The loan will be released on pro-rata basis in accordance with the physical progress of the project.

vii. The refinance so extended will be part of NHB’s exposure to the PLIs and will not be additional to the exposure limit sanctioned for individual housing loans.

C. Reverse Mortgage Loan Scheme (RML)
Reverse Mortgage in India still at an infancy stage. The reverse mortgage loan came into existence in the United Kingdom during the crash of 1929. Having evolved genetically from the developed countries and mainly the United State of America, reverse mortgage is a scheme formulated to benefit the senior citizens the most. Although applicable for the younger people also, ‘reverse mortgage loan products for

\(^9\) The National Housing Bank Act, 1987, s.16B
senior citizens’ is the basic that every bank/ financial institution follows.

Understanding concept of reverse mortgage loan:

i. **Definition of Reverse Mortgage**: Reverse mortgage is a Home Loan product designed for the senior citizens by converting their fixed asset - their home or in banking terms their equity in any house property into an income channel without having to liquidity your equity in case of any requirement.

ii. **The Dealing Parties**: Reverse mortgage loan involves two parties, the borrower (the senior citizen) and the lender, i.e. any bank or housing finance institution.

iii. **Security for the Lender**: The borrower pledge their home property to a lender.

iv. **Payment of the Loan to the Borrower**: In return of the house property pledged, the borrower gets a lump sum amount or periodic payments spread over the borrower’s lifetime that can be utilized by the borrower (senior citizen) as per needs and not for speculative purposes.

v. **Repayment of Reverse Mortgage Loan**: The home owner is not required to repay the loan during his lifetime, if he so desires. On his death or leaving the house permanently, the loan along with the accumulated interest is repaid through the sale of the property.

vi. **Home Value Falling Short**: In case the accumulated interest and loan amount is larger than the value of the mortgaged property, the mortgage loan is capped at the value of the home equity only and the lender is at loss. This is the specialty of the scheme.

vii. **Home Value in Excess**: Any excess amount by the sale of the property is duly paid to the borrower incase of permanent leaving of the house or his heirs in case of the death of the borrower.

viii. **Freening the property from reverse mortgage**: In case if one get an additional income and accumulate an amount to repay loan, he free his property in mid term and can also apply for re-reverse mortgage if required on the same property.
In the usual mortgage loan, the borrower begins with a large loan and lower equity in his house. In reverse mortgage however, the borrower has a very high equity in his house and a non-recourse loan secured by the home property. In the usual mortgage system, as the regular mortgage payments are made the outstanding loan decreases and the house equity increases. Reverse is the case in reverse mortgage, the loan amount increases with time and the home equity decreases with time. The reverse mortgage pros and cons should be measured carefully before subscribing to it. Since, the bulk of the savings for the average Indian are typically locked away in a house or other property at the time of retirement, and in case of requirement it cannot be encashed except by selling the home or moving out. This is where reverse mortgage comes as an answer. Taking the usual mortgage loans in lieu of your home as a security will not be feasible in the age above 50 years as the repayment of the loan is not feasible. The Banks And Financial Institutions also won’t be of any help in case of no income source. This is where the house property proves as an asset and brings in reverse mortgage that allows one to be the home owner as long as he live. Home ownership is an area most Indians are sensitive in the matter and they do not want to loose home thought the life.

According to projections, reverse mortgage loan products could be a hit among the metros and also in areas like Kerala, Tamil Nadu, Goa and Chandigarh in India. With hardly any old age social security schemes and financial helplines, reverse mortgages have a potential market. Loans are available in the form of reverse mortgage without any income criteria at an age where normal loans are not available. Reverse mortgage for senior citizens is a social assurance post-retirement.

The major reverse mortgage lenders in India or the banks and financial institutions are as under:

i. Dewan Housing Finance Limited (DHFL)
ii. State Bank of India (SBI)
iii. Punjab National Bank (PNB)
iv. Indian Bank
v. Central Bank of India
Reverse mortgage is a way of getting the benefits of home equity by retaining the home ownership and also without having to make any repayments. The senior citizens in India definitely find reverse mortgage a solution for their financial needs after retirement and help them in regaining their feeling of independence. Reverse mortgage is a financial product that enables senior citizens (60+) who own a house to mortgage their property with a lender and convert part of the home equity into tax-free income without having to sell the house. Instead of one making monthly payments to a lender, as with a regular loan, the lender makes payments to him. Multiple options are available for repayment of the loan in lump sum at the end of the loan term. Maximum period of loan is of twenty years. The loan is not required to be serviced as long as the borrower is alive and in occupation of the property. On the borrower’s death, the loan is repaid through sale of property.

D. SCHEME OF INTEREST SUBSIDY FOR HOUSING THE URBAN POOR (ISHUP)

1. Background
Affordable Housing for All’ is an important policy agenda of the Government of India. The Government has sought to create an enabling and a supportive environment for expanding credit flow to the housing sector and increasing home ownership in the country. A major initiative has been launched for provision of housing for the Economically Weaker Sections (EWS) and Low Income Groups (LIG) through the captioned scheme to be implemented by the primary lending institutions viz. Scheduled Commercial Banks and Housing Finance Companies. The Scheme has been designed with a view to address the housing needs of the EWS/LIG segments in urban areas. The Scheme envisages the provision of interest subsidy to EWS and LIG segments to enable them to buy or construct houses.

2. Purpose
2.1 The Scheme seeks to provide home loan with Central Government subsidy to EWS/LIG persons for acquisition of house as also for construction of house to such beneficiary, who does not own a house in his/her name or in the name of his/her spouse or any dependent child. Such beneficiaries who own land in any urban area but
do not have any pucca house in their name or in the name of their spouse or any dependent child will also be covered under the Scheme.

**Eligibility**

2.2 Borrowers eligible under the scheme must be persons belonging to the EWS or LIG categories and must have a plot of land for the construction or should have identified a purchasable house. The economic parameter of EWS is defined as households having an average monthly income up to Rs.3,300/- and the economic parameter of LIG is defined as households having an average monthly income between Rs.3,301 up to Rs.7,300. This will be subject to revision by the Steering Committee of the Scheme from time to time.

2.3 The Scheme seeks to accord preference (subject to beneficiaries being from EWS/LIG segments) to the following in accordance with their proportion in the total population of City / urban agglomerate during the 2001 Census.

i. Scheduled Caste;

ii. Scheduled Tribe;

iii. Minorities;

iv. Persons with disabilities; and

v. Women beneficiaries.

2.4 The Scheme also provides that the Applicants planning to form cooperative group housing societies or organizations like Employees Welfare Housing, Labour Housing, etc. should be given preference and wherever possible construction of houses by such cooperatives by way of 1+3 storeyed buildings should be promoted so that cost of land is shared among beneficiaries. However, this is not a mandatory requirement. Both individuals as well as Group Housing borrowers are equally eligible under the scheme. The banks are advised to undertake appropriate due diligence in all such cases of group housing/cooperatives for the ownership, title verification, mortgageability and valuation, etc.

**Identification & Selection of Beneficiaries**

2.5 Identification of the beneficiaries will, be undertaken by the State Governments / Urban Local Bodies (ULBs) or the local nodal agency identified by the State for the purpose with the aim of assisting the borrowers in paperwork and procedure of the
bank loan. Where the beneficiary directly approaches a lender, the beneficiary will be
guided to contact the ULB or the local nodal agency identified by the State for getting
his / her loan application forwarded with the necessary certification.

2.6 The banks are advised to recognize that the ULB or the local agency identified
by the State may under the scheme possible identify clusters in which land has been
allotted and housing can be supported through this scheme within such clusters. In all
such cases, the banks must engage in proper due diligence in respect of the ownership
documents and mortgageability of the property, etc.

2.7 Borrowers would be free to approach and negotiate a loan under the Scheme
directly with the lender. However, the banks are advised to coordinate with the State
Governments / ULBs to identify borrowers in the eligible category with land and also
in preparation of papers and documents, etc.

2.8 The Scheme provides that the borrowers selected by State / ULBs / banks should
as far as possible be in the ratio of 70:30 respectively for EWS and LIG categories.

**Loan amount admissible**

2.9 For an EWS individual: The scheme provides for a subsidized loan of a
maximum amount of Rs.1,00,000 for 15 – 20 years for a house of at least 25 sq.mts.
Additional loans, if needed would be at unsubsidized rates.

2.10 For an LIG individual: The scheme provides for a subsidized loan of a
maximum amount of Rs.1,60,000 for 15 – 20 years for a house at least of 40 sq.mts.
However, subsidy will be available for loan amount up to Rs.1 lakh only. Additional
loans, if needed would be at unsubsidized rates.

2.11 All such loans extended by the banks and conforming to the above criteria will
be eligible for inclusion under the Scheme. The terms and conditions for such loans
may be accordingly amended in consultation with the borrowers.

**Rate of interest**

2.12 The agreed rate of interest would be fixed by the lending banks keeping in view
the RBI guidelines for lending by banks for loans up to Rs.2 lakhs. While deciding on
the interest rates, the banks will have due regard for the affordability of the loan to the
ultimate borrower keeping in view the spirit of the scheme.
2.13 The interest on the loans under the Scheme will not be greater than the lowest interest rate charged by the banks for such loans under the priority sector category.

2.14 Beneficiary borrowers may choose fixed or floating rates (the consequences clearly explained to the borrowers by PLIs). An additional 1% p.a maximum will be permitted to be charged by banks, if fixed rate loans are extended which will be subject to reset after a minimum period of 5 years.

**Period of Loan**

2.15 Loan repayment periods will be permissible generally ranging from 15-20 years. The Scheme will close in 2012, the last year of the 11th Five Year Plan Period (2007-12). However, the loans extended in the last year will also have repayment period up to 20 years.

**Security**

2.16 Mortgage of the dwelling unit may be accepted as primary security. However, there would be no collateral security / third party guarantee for loans up to and inclusive of Rs.1 lakh. The banks should not charge any prepayment levy on such loans.

**Subsidy**

2.17 Interest subsidy of 5% p.a. on the admissible loan amount for EWS and LIG would be provided over the full period of the loan for construction or acquisition of a new house. The Net Present Value (NPV) of the subsidy will be arrived at on the basis of notional discount rate of 9% p.a. for the period of the loan.

3 **ADMINISTRATION OF SUBSIDY**

3.1 The National Housing Bank (NHB) and Housing & Urban Development Corporation Ltd. (HUDCO) will be the Central Nodal Agencies (NAs) for disbursement of the subsidy and monitoring the progress. The banks are advised to maintain necessary coordination with the selected Nodal Agencies.

3.2 The subsidy will be given upfront by the Government to the lenders through its nodal agencies on quarterly basis in advance, based on the number of housing loans sanctioned by the lenders who join the scheme.

3.3 On receipt of information regarding the total loan disbursed by a primary lending institution to EWS and LIG beneficiaries during a 3 month period, the NHB
or HUDCO will release the subsidy amount to them directly at the end of each quarter.

3.4 The subsidy will be passed on by the lender to the borrower by deducting the subsidy amount from the principal loan amount of the borrower and charging interest on the net amount of loan at the agreed rate of interest.

3.5 The loan application can be made directly or through the Urban Local Bodies or the local agency identified by the State for the purpose, who will ensure that it is complete with the necessary certification. Banks are advised to maintain necessary liaison with the state/ULBs.

4 INSTRUCTIONS & GUIDELINES

4.1 The loans granted under the Scheme should be treated as advances under priority sector.

4.2 The banks have been advised to follow the appraisal, documentation, etc as per their approved policies and procedures. The banks will appraise/sanction the loan as per their own risk assessment and procedural requirements.

4.3 In case of beneficiaries availing loan for construction of houses, release of loan will be linked to the pace of construction, which ideally is to be completed in one year. The banks will be expected to monitor the progress of construction for the purpose of loan and subsidy disbursements.

4.4 The banks are also required to ensure proper end-utilization of the funds and submit such certificates to the NAs/other designated authorities. The banks shall provide them ‘utilization certificates’ in relation to completion of housing units within a one year period from the start of construction. In case certain housing units are not completed within a one year period, the banks may ask for specific extensions while giving reasons for delay in construction.

4.5 Accordingly, in all such cases, banks may maintain necessary coordination with the local nodal authorities for their certification of the required documents.

4.6 The banks will clearly explain to the borrowers the features of the Scheme in a simple and transparent manner as also the implications and the consequences of availing loan on fixed/floating rates of interest.
4.7 In all such cases of lending under the Scheme, the extant Prudential norms and Regulations as determined by the Reserve Bank of India and as amended from time to time will apply.

5 MONITORING & REVIEW

5.1 The NHB and HUDCO will monitor the construction of the housing units financed in terms of the aforesaid subsidy for their respective jurisdictions, by directing their officers to undertake suitable visits during the process of construction with a view to verifying the expenditure incurred as well as the quality of construction. The banks may render all necessary assistance to NHB and HUDCO for facilitating such inspections and verification of their books of accounts.

5.2 Banks will have to provide Utilisation / End use Certificate to NHB / HUDCO on a half yearly basis.

5.3 Banks will provide each loanee a statement which will make him/her understand the amount given as subsidy, how the subsidy has been adjusted and the impact of the subsidy on his/her EMI.

E. Housing and Urban Development Corporation (HUDCO) in Nation Building-
INDIVIDUAL LOAN SCHEME

HUDCO is offering financial assistance to individuals to enable them to acquire a home of their own through its HUDCO NIWAS HOME LOANS Scheme offers Individual housing loan for:

a. Construction of a House;
b. Purchase of House or Flat;
c. Purchase of a plot from public agencies/Co-op. societies of Government employees/ reputed developers;
d. Extend or improve the exiting House or Flat:
e. Registration of existing house including conversion from leasehold to free hold;
f. Refinancing of existing housing loan from other financial institutions/banks.
g. Loan to Professionals for non-residential premises;
h. Loan against residential property.
ELIGIBILITY FOR LOAN

a. An applicant must be in service or engaged in any profession or business with regular income for servicing the loan.

b. The loan amount will be up to 85% of the cost of the housing unit including incidental cost like stamp duty and registration. The maximum loan amount will be Rs. One Crore.

c. The actual loan amount will be determined on the bases of repayment capacity. Repayment capacity takes into account such as income, age, spouse’s income, assets, liabilities, stability and continuity of occupation and savings history with details of bank accounts.

LOAN APPLICATION

An application for loan shall be submitted in any HUDCO NIWAS HOME LOANS office in the prescribed form along with supporting documents. This form with a list of supporting documents is available at all HUDCO NIWAS HOME LOANS offices.

RATE OF INTEREST – Prevailing rates at the time of sanction.

LOAN REPAYMENT PERIOD

Loan repayment period up to 25 years. The period will not extend beyond the age of 65 years (relaxable by 5 years on the merits of each case) of the applicant. However, HUDCO NIWAS HOME LOANS will endeavor to determine the repayment period to suit the convenience of the applicant.

For loan to professional for non-residential premises & loan against residential property a maximum period of 10 years will be allowed for repayment of loan subject to age of the applicant not exceeding 65 years and repayment capacity.

SECURITY FOR THE LOAN

Security for the loan is the first mortgage of the housing unit to be financed normally by way of deposit of original title deeds and or such other collateral security as may be necessary. In some cases, interim security may be required. In all cases the applicant will be required to provide guarantee of one individual acceptable to HUDCO NIWAS HOME LOANS. In respect of other HUDCO NIWAS HOME LOANS applicant who have already availed House Building Advance form their employers, may accept second mortgage of housing unit subject of (a) central and
state Govt. employees – assignment of benefits under central/state Govt. Group Insurance scheme of else the repayment of the loan is completed before superannuating.

Public sector undertaking employees-loan is repaid by employer through salary deduction/post dated cheques (PDCs) and repayment of loan is completed before superannuation of employee. In respect of house or flat purchased on power of attorney, HUDCO NIWAS HOME LOANS may extend loan provided alternate tangible security of adequate value is made available to Hudco. Alternate security can be third party mortgage, mortgage of other property owned by applicant/co-applicant, pledge of UTI units, National Saving Certificates, LIC policies etc.

**ADMINISTRATIVE CHARGES**
The administrative charges shall be 0.25% of the loan amount sanctioned.

**LOAN REPAYMENT**
Loan will be repayable in Equated Monthly Installments (EMI) comprising principal and interest. The interest is calculated on monthly reducing balance method. The monthly installment depends on quantum of loan, interest rate applicable and the term of repayment of the loan. Repayment by way of EMI commences from the month following the month in which the last installment of the loan is disbursed by HUDCO NIWAS HOME LOANS. Until the loan is fully disbursed, Pre-EMI interest is payable only on the portion of the loan availed, as on the last day of every month.

**DISBURSEMENT OF THE LOAN**
The loan will be disbursed after a technical appraisal has been made and on completion of legal documentation and after investment of the applicant’s own contribution & submission of fire & natural calamity insurance policy assigned in favour of HUDCO by the borrower. Own contribution is the total cost of the housing unit, less the loan amount from HUDCO NIWAS HOME LOANS.
The loan will be disbursed in full or in suitable installments taking into account the requirements of funds and progress of construction.

**OTHER ATTRACTIVE FEATURES/VALUE ADDED BENEFITS**

a. Most competitive interest rate

b. No processing fee.
c. No charge on account of repayment/prepayment of loan.
d. Facility or resetting of existing loan from fixed loan from fixed to floating & vice-versa on nominal charges.
e. Free personal accidental insurance cover to borrowers. (Death only)
f. Waiver of last two EMIs for loan above 5 years under fixed rate.
   (Provided all other installments are received as per schedule without delay)
g. Transparency & No hidden cost.

MODE OF PAYMENT
Applicant can make payment for fees, charges and towards loan repayment (EMI & Pre EMI) by cheque marked “Payees account only” favoring “Housing and Urban Development Corporation Ltd.” Drawn on a bank in a city where HUDCO has an office, or by demand draft (payable at par to HUDCO).

TAX BENEFITS
Tax benefits on principal repayment (u/s 80-c up to Rs. 1,00,000/-) and interest (u/s 24 up to Rs.1,50,000/-) components of loans are available under the Income Tax Act, 1961. All these benefits could vary each year, current benefits may be checked.

LIST OF DOCUMENTS TO BE SUBMITTED ALONG WITH
1. Latest pay slip(s)/certificate(s) showing all the allowances, deductions and details of outstanding loan (if any), in respect of the applicant/co-applicant(s).
2. Short note on the nature of business, form of organization (in self-employed cases only).
3. Copies of profit and loss account and balance sheet for the last three years in respect firm’s business/profession (only in self-employed cases certified by a chartered accountant)
4. Statement showing computation of individual taxable income and tax returns for the last three years (only in self-employed cases).
5. Copy of the pension certificate in case of retired applicants.
6. Copy of the rent/lease agreement with supporting bank statements and/or Income Tax return if any additional income is accruing.
7. Letter from employer mentioning that they will deduct the monthly installment payable to HUDCO from the salary and remit the same to HUDCO every month.

8. Photocopy of the registered sale deed/lease deed/allotment letter/share Certificate of the co-operative society, agreement for sale as executed on applicable stamp paper.

9. Copy of the house plan, approved by the local competent authority (only in construction cases)

10. Detailed cost estimate for the proposed construction prepared by a civil Engineer/Registered Architect (in case of construction / extension / improvement) or a letter from the society, in case the house is of a co-operative society.

11. Photocopy of the house building advance (HBA) sanction letter (if HBA has been taken from the employer) including the loan amount and the repayment terms.

12. Bank account statement indicating transactions for the last six months or a photocopy of your bank passbook (duly updated)

13. Particulars of Guarantor of comparable age and income (if required)

14. Age proof and proof of residence (for applicant and co-applicant).

F. Draft Rural Housing Policy and Housing Schemes of Government of India

The Government of India has prepared a draft rural housing policy, which has been circulated to State Governments for their comments.

Indira Awas Yojna is an ongoing allocation-based scheme. State-wise physical targets are fixed based on the housing shortage in rural areas and the poverty ratio in the state. The housing shortage is intimated by the Office of Registrar General of India based on 2001 Census.

Investment in housing accelerates the pace of development and has a high multiplier effect on income and employment. The National Habitat Policy (NHP) of 1998 did not adequately address the specific concerns of the rural areas. The NHP deals with housing for urban areas only. The country clearly needs a ‘Rural Housing & Habitat
Policy’ to ensure that the specific character, priorities and potential of life in rural India are adequately and realistically addressed.

Adequate housing is not just the mere provision of four walls and a roof but implies, inter alia, access to basic services such as water, sanitation, clean fuel, electricity, healthcare, education and livelihood – all of which are essential for dignified living, personal growth and social well-being in a productive society. Making these services available as part of habitat development needs to be ensured through convergence of schemes and joint efforts of all the stakeholders. Besides, it is essential to promote the creation of sustainable and inclusive habitats to ensure balanced utilization of available resources for all sections of the society including vulnerable sections. The concerns of affordability, quality and sustainability need to be addressed by harnessing appropriate technology.

The task of addressing rural housing needs presents unique challenges. Large segments of rural population have low levels of income and the poorest may not own house-sites. Financing options for the rural populace are either exploitative in nature or are inaccessible. The Central and State Governments, working as partners, need to resolve the issue of homestead plots and house sites, as also to strengthen and expand the existing government support for housing for the poorest and the vulnerable. At the same time, ensuring greater credit flow into rural areas would require administrative, legal and fiscal reforms.

The goal of the policy is to ensure adequate and affordable housing for all and to facilitate development of sustainable and inclusive habitats by expanding Government support, promoting community participation, self-help and public-private partnership within the framework of Panchayati raj.

**The aims of National Rural Housing and Habitat Policy are as follows:**

a. To set up systems to facilitate and maintain a sustained growth of the housing stock to ensure adequate and affordable housing for all.

b. To create within the timeframe of the Twelfth Five Year Plan, adequate and affordable rural housing stock that would cater to the rural housing shortage to the extent of existing kutcha houses.
c. To provide homestead plots for the poorest and the vulnerable who do not have agricultural land or house sites.
d. To promote adequate flow of grant from Government to support housing for the poorest and the vulnerable.
e. To promote larger flow of funds from Governmental and private sources for fulfilling housing and infrastructure needs by designing innovative financial products, concessions and instruments which are correctly targeted and utilized and to also facilitate access to such funds.
f. To address the special needs of marginal and weaker sections of the society such as Scheduled Castes, Scheduled Tribes, other backward classes, minorities, disabled, women-headed households, single women etc., in relation to housing serviced by basic amenities.
g. To develop planned rural habitats with an assembly of basic services and livelihood infrastructure that provide for dignified living and that promote healthy environment in a sustainable manner.
h. To develop, promote and transfer use of appropriate, environment-friendly, energy-efficient and disaster-resistant technology.
i. To develop required technical and managerial capacity of delivery agents including upgradation of construction skills.
j. To strengthen the functioning of Panchayati Raj Institutions (PRIs) and encourage strong partnership among civil society, public and private sectors to ensure that aims of the policy are achieved in a well coordinated manner.

3. Specific Areas of Action

3.1 The recommendations in critical areas of concern are as follows:

Land – Access and Management

An essential pre-requisite to accessing shelter in rural areas is ownership of house site. The poorest who are landless get marginalized and are unable to avail opportunities with regard to housing. Concrete and focused action alone can help achieve the goal of homestead for all in a time-bound manner. Access to land for the poorest will also trigger asset creation thereby alleviating long-term vulnerability and poverty. Land use planning and management is a first step for habitat development. This would
promote effective utilisation of village land for housing, agriculture and industry while factoring in concerns of sustainability.

PRIs need to have a clear role in making land available for the poorest and vulnerable while being responsible for sustainable usage of land.

a. Gram Panchayats will have a complete record of Government, surplus, waste and community land available and its uses within its areas. For this purpose, a ‘land and resource inventory’ will be developed and maintained by the Gram Panchayats.

b. Gram Panchayats will also maintain a record of the landless and houseless. These records will be available at the village level for easy access and understanding by all.

c. PRIs will have a major role to play in land use planning and management for housing, civic infrastructure, community and livelihood infrastructure, development of greeneries and afforestation, energy plantations, water bodies, earmarking land for industrial and institutional uses.

d. State Governments will develop aggregated database of available land collected at the gram panchayats. This will help in reallocation of land suitably to accommodate the demand for homestead land and habitat development.

e. Existing land use policy will be reviewed and statutory support will be given to gram panchayats for simplified land assembly and development particularly for enabling land allocation for the poorest and the vulnerable and for sustainable habitat development.

f. Attempt will be made to allot in the first instance homestead plots for the landless poorest and the vulnerable and then the below poverty line (BPL) families. Homestead plots will provide additional space in addition to mere house-sites. Such plots will cater to local requirements of livelihood, dairying, kitchen garden, etc. Only, if adequate land is not available, house sites will be allotted.

g. Government will facilitate the gram panchayats to allot homestead plots / house sites to the poorest and the vulnerable.
h. State Government will be encouraged to regularize the land on which kutchha houses have been built by landless BPL families if otherwise permissible as per existing Acts and Rules.

i. Wherever suitable Government land is not available, State Governments will be encouraged and incentivized to acquire/purchase land for allotting homestead plots/house sites for the poorest and the vulnerable.

j. Central Government will in addition also collaborate with States to fund acquisition/purchase of land where government land is not available for distribution as homestead plots.

k. Land and housing will be allotted in the name of the woman of the household.

l. Persons affected by natural disasters and relocated due to development projects will be provided appropriate land for housing by the State Government in accordance with the National Rehabilitation Policy.

3.2 Access to Finance

In the rural areas, informal sources of finance continue to be exploitative, especially for the poor. Formal finance options, on the other hand, are still few and mostly remain inaccessible to the rural population. The poorest of the poor and the marginalized require grant support for housing. For those in the rural areas who do not have access to grant funding for housing, access to credit is critical. It is important to create conditions that encourage financial institutions to lend in rural areas. Emerging successes of community-based finance mechanisms provide reasons for optimism. There is need for flexible and easily accessible credit products and appropriate institutional mechanisms that respond to the needs and conditions of the rural areas such as irregular and seasonal income streams and low cash surpluses. Success in repayment of housing loans can be enhanced through dovetailing of habitat development with income-generating opportunities for the poor.

a. The Centre/States/UTs will clearly spell out the definition of the poorest, vulnerable, BPL and Economically Weaker Sections (EWS). Rural areas will be defined as the areas under Gram Panchayat.
b. With regard to rural housing, the need for providing grant for the poorest and vulnerable and financial concessions for the BPL and EWS and access to credit by the rural populace will be recognised.
c. Central Government along with State Governments will provide grant assistance for the poorest and the vulnerable.
d. Differential Rate of Interest (DRI) will be extended to all BPLs for purpose of Rural Housing.
e. Interest Subsidy Scheme will be introduced to enable borrowers in the category of EWS to get loan at concessional and affordable rates.
f. A National Rural Shelter Fund, to be administered by the National Housing Bank (NHB) will be created to provide financial assistance to primary lending institutions (PLIs) to enable them to lend for rural housing at lower interest rates and to provide equity and debt for rural housing for small and marginal farmers, small village artisans, self-employed, etc. through institutions recognised for the purpose.
g. NHB will be allowed to access further funds through special provisions such as floatation of Capital Gains Bonds / Special Bonds as also access to Rural Infrastructure Development Fund (RIDF).
h. Mechanisms will be developed to encourage PLIs to enhance their credit flow to the rural populations.
i. Rural Housing and Sustainable Habitat Development will be recognised as a sub-target of the Priority Sector Lending for PLIs and target will be set for this sector.
j. In case of non-fulfilment of priority sector target for rural housing, funds will be deposited with NHB.
k. Pay-back cycles as also norms for non-performing assets will be reviewed.
l. Appropriate risk mitigants will be evolved and introduced, to enable PLIs to increase their lending for rural housing. These will include title indemnity scheme, rural risk fund and credit guarantee scheme.
m. The Risk Weight on Rural Housing Loans will be reduced.
n. Rural housing loans will be brought under insurance so that in the event of death / permanent disability of borrower, the claims of banks are met from insurance companies, and the house is available to the legal heirs of the borrower.

o. Banks will be allowed to create Special Reserves in proportion to their lending for rural housing.

p. Income earned through rural housing and rural infrastructure loan portfolio will be exempt from Income Tax.

q. Stamp-duty and registration charges will be rationalised.

r. Equitable mortgage created by PLIs in rural areas will be allowed to be registered without any stamp duty.

s. PLIs will actively involve Self-help groups (SHGs) and microfinance institutions (MFIs) to extend credit to the rural population.

t. Rural Housing micro-finance set ups will be encouraged through private sector participation with partnership arrangements with reputed Financial Institutions.

u. Appropriate and customized housing loan products will be introduced to cater to the different requirements of various segments of the rural households, SHG federations, housing cooperatives and village institutions for infrastructure development.

v. Productive housing schemes will be introduced where loan is provided both for housing and income generation. Productive housing-cum-livelihood loans will be considered at same rate of interest as housing loan, and at DRI for the BPL.

w. Government and civil society partnership will be encouraged to extend necessary support to BPL to improve their livelihood opportunities and income levels that will enable them in due course to invest in housing.

x. Livelihood and income generating schemes will be linked with savings for housing and habitat development.

y. Incentives in the form of lower interest rates for rural housing loans for energy efficient, eco-friendly habitat development by individual home owners and
village mechanism will be provided by evolving appropriate rating 
mechanism.
z. Fiscal incentives will be extended to producers of eco-friendly appropriate 
construction materials in order to promote the use of these materials.

aa. A National Technical Assistance Fund will be created by MoRD for technical 
support, capacity building, upgradation of skill etc.

bb. Rural housing and infrastructure plan will be included in the district credit 
plan to be monitored by bankers coordination committees at different levels. 
These plans will take into consideration the need for housing and 
infrastucture development as projected through annual village, block and 
district development plans prepared by the PRIs.

c. A cess on construction industry for projects of value 50 lakh and above will be 
imposed and this cess will contribute towards building up the Credit 
Guarantee Fund for rural housing and infrastructure lending.

dd. Rural Housing will be considered on par with infrastructure in order to 
encourage investments in the sector.

ee. Public – private partnership for development of rural housing and habitats 
with suitable checks and balances will be encouraged.

ff. Private sector will be encouraged through fiscal concessions to invest in rural 
infrastucture development for provision of power, water, sanitation, waste 
management and other infrastructure.

3.3 Infrastructure & Habitat Development
There is need to promote access to housing, water, hygienic environment, power 
supply, medical care, education, livelihood and community infrastructure – all woven 
into a basket of facilities that contribute to an improved quality of life and a habitat 
that facilitates dignified living, with self respect. Any one of these, without the 
others, is ineffective in improving the quality of life, while together their impact is 
much greater. At the same time, rural infrastructure development will enhance local 
skills and capacities leading to development of rural areas.

a. Habitat development will be promoted and will necessarily include provision 
of drinking water, sanitation, waste disposal, power supply and roads. Attempt
will also be made to provide for clean fuel, education, healthcare, recreation and livelihood infrastructure in the neighborhood.

b. To enable planned development, Master Plans along with Regional and District plans will be prepared and updated by concerned agencies at State and district level.

c. Gram panchayats will be responsible for developing, and managing the village infrastructure for the purpose of habitat development. Technical support will be provided to the gram panchayats on need basis.

d. Infrastructure planning will be based on local needs and will involve consultation of the community. It will be sensitive to needs of women, elderly, children and disabled persons and will take into account diversities in lifestyle of rural communities.

e. Civil society organizations, academic and professional institutions will be involved to extend professional support for habitat development.

f. Infrastructure will be designed and implemented in tandem with relevant policies and guidelines of corresponding departments and other line ministries.

g. Flexible access to resources from various schemes will be encouraged and permitted for the development and maintenance of basic infrastructure.

h. Gram panchayats will be empowered to mobilize finances for habitat development through the generation of revenue from common lands, forests and other community resources including economic infrastructure.

i. Investment by Central, State and Local Governments will be enhanced to improve the availability of basic infrastructure and services in the rural areas.

j. Various strategies will be devised to encourage the flow of private sector funds to develop rural housing and infrastructure. These could include increase of FSI norms, tax exemption on steel and cement, tax benefits during construction, single window clearance, providing land etc.

3.4 Sustainability Concerns

One cannot afford to ignore the present day crisis of depletion of natural resources and degradation of the environment caused mainly due to human activities. Housing
and habitat development will have to be designed keeping in mind efficient and sustainable management of resources.

a. Sustainability will include recycling of waste materials, efficient use of energy, use of renewable sources of energy, rainwater harvesting, water conservation, use of local materials, afforestation and conservation of natural resources.

b. Panchayats and other stakeholders will be sensitised about the need for sustainability and will be responsible for developing sustainable housing and habitats.

c. Efforts will be made to promote local building materials based on recycling of agricultural and industrial waste.

d. Use of locally available, sustainable materials such as bamboo, wherever it can be grown in abundance will be particularly encouraged.

e. Use of renewable resources for decentralized power generation will be encouraged.

f. Water bodies / water channels need to be conserved with special emphasis on keeping the flood plains of tropical rivers free from construction or encroachment. Efforts will be made to protect large depressions from being filled up since they are natural drainage points for conservation of water and can be developed as suitable water bodies.

g. Social forestry will be encouraged and plantation will be taken up on community lands. Besides families will be motivated to take up plantation in and around their homes.

h. Home owners using sustainable / low energy building materials will be given incentives like credit at a rate lower than the prevalent market rates.

i. Small and micro enterprises involved in the production of sustainable / green building materials will be given rebate on taxes / duties.

j. Innovative strategies like carbon credits will be leveraged to promote sustainable practices in habitat development.
3.5 Technology support and its transfer

Appropriate designs for houses should involve adequate consideration for cultural, geo-climatic, environmental and livelihood concerns. Such designs result in houses that are culturally acceptable, durable, safe, healthy, environmentally sustainable, affordable and are equipped with basic amenities. Construction of such houses will involve the adaptation of indigenous technologies, the use of locally appropriate building materials and cost effective technologies. There is need to develop technology and equip the local communities, delivery agents and government agencies with adequate knowledge and skills with regard to various alternative technologies and processes.

a. While no type designs will be prescribed, designs which provide for basic amenities (water, toilet and electricity), good ventilation, smokeless chulhas and kitchen garden, suit occupational requirements and meet local needs of dairying, storage of agricultural produce, etc., will be promoted.

b. Technology based on local materials, affordability, sustainability and norms for disaster safety will be encouraged.

c. Central and State Government will invest in technology development, promotion, application and dissemination of these technologies.

d. Panchayats will be equipped with suitable knowledge bank of technological inputs for the effective monitoring of house and habitat construction.

e. Skilled workers like masons, plumbers, carpenters and construction related artisans will be identified and trained.

f. Women are major participants as labour, both skilled and unskilled in the house construction industry and will be given special training.

g. Standardisation of various building components, based on local conditions will be emphasised so as to get better quality products.

h. Local enterprises for supply of cost-effective materials will be promoted to play a greater role in rural habitat development.

i. Special attention will be given to disaster prone areas which have been identified by the vulnerability atlas of the country through the incorporation of disaster resistant designs in house construction.
j. Disaster resistant practices will be included in all habitat and housing schemes promoted by the government as well as Housing Financial Institutions.

k. Regional nodal agencies will be designated to provide advice on disaster resistant construction practices.

l. The Rural Building Centres spread all over the country will be geared up so that the building technologies that they specialise in are employed.

m. Transfer of proven cost-effective building materials and technologies, from ‘lab to land’ will be intensified through institutions at the village or district level.

n. Networking of implementing agencies with R&D institutions will be promoted to bridge the gap between the availability, dissemination and deployment of the latest technologies.

o. Technology business incubator centres will be set up for commercialisation of new sustainable technologies for habitat development.

3.6 Delivery Mechanisms and Capacity Development

State and district functionaries play a central role in the housing and habitat development in rural areas. The PRIs have to take a lead in micro-planning and prioritising housing and habitat development needs. The potential of self-help groups in rural housing needs to be recognised. NGOs have been reluctant to enter the area of rural housing and they need to be involved and activated. The critical role played by the targeted beneficiaries has to be recognised. The role of private sector and manufacturing units will have to be harnessed suitably. Effective delivery will require capacity building of all the stakeholders involved in housing and habitat development.

a. The district / block functionaries will play a central role in the delivery mechanism and their capacity will be enhanced for planning and effective delivery of house and habitat development. For this purpose, a rural housing and habitat cell will be created at the district level and at each sub-divisional level.
b. The capacity of Panchayats will be enhanced to deepen the understanding of housing and habitat needs and the linkage with sustainability and livelihood, the availability of resources and the role to be played by them.

c. SHGs will serve as a useful link in orienting people to various financing options for accessing housing and also for extending credit for rural housing. As one of their many activities, self-help groups can also take up housing and habitat with the sites and services coming under their common ownership.

d. NGOs can play the role of facilitator for all the aspects related to rural housing and habitat i.e., design, technology, finance and supervision. Government will recognise the role of NGOs, and provide them the necessary technical and financial support in their facilitation.

e. Government agencies will be identified / set up and private developers involved for developing wherever feasible, group housing schemes along with sites and services.

f. Capacity development of households for participating in planning, design and monitoring of construction through Panchayats with the support from technical institutes will be promoted.

g. Rural Housing will require greater participation of engineers, architects and masons and their services will be made available.

h. Availability of adequate number of manufacturing units will be ensured.

i. States will provide decentralised training. Several schemes of the government for imparting training and skill enhancement will be converged to integrate efforts in this direction. Building centres will provide decentralised training, both for men and women. Capacity building of producers of building materials will be serviced through technical institutions at the State and District levels.

j. Besides training and capacity development programmes, exposure visits and experience sharing programmes will be organised.

k. Innovative building materials, cost-effective, environment–friendly house construction practices, construction techniques, and energy optimising features will be made an integral part of the curricula in architecture, engineering
colleges, polytechnics and training institutions in order that their use and application can be mainstreamed.

1. The private sector, especially large construction companies, the cement manufacturing industry and related corporate agencies, will be encouraged to support the development of improved skill base.

m. Flexibility at all levels will be promoted in planning, implementation, technology choices and accessing financial resources.

n. Marginalized groups and the various stakeholders at all levels of decision will be involved in planning, design and management of housing and habitat development.

o. The State Governments will prepare an Action Plan to implement the National Policy. The State Government may also formulate the State Policy in line with the National Policy.

3.7 Monitoring and Access to Information

Several problems related to effective housing & habitat development can be addressed through consistent monitoring and transparent information flow. At the field level social audit is a powerful means of monitoring. IT solutions can be very effective both for monitoring and information flow.

a. High level Monitoring Committees will be set up at the Central and State Government level to periodically review the implementation of the National Policy and the various related Schemes.

b. A Management Information System in the housing and habitat sector based on IT systems will be set up to strengthen monitoring.

c. Village and block level data will be collated at the district and state level and fed into the national level MIS, to keep track of the progress.

d. Panchayats will be enabled to play an effective role in information dissemination and monitoring through extensive use of information and communication technologies.

e. Participatory monitoring at the local level with representation from the households, Panchayats and civil society as part of social audit will be set in place.
f. The planning of housing and habitat infrastructure at various levels will be available for public scrutiny under the Right to Information framework.

g. Complete information related to local building codes, norms and specifications especially in relation to sustainable habitat building and safe construction will be made available.

h. Information related to land, pricing, local resources and materials will also be made available.

i. A Rural Housing and Habitat Report will be prepared every two years that will keep track and report on the progress in developing of rural housing habitats and their quality. Evaluation will be done at district level and the findings will be aggregated at the State and National levels.

4. **Agency Roles and Responsibilities**

4.1 Central Government will

1. Set up institutional arrangements to operationalise National Rural Housing and Habitat Policy.
2. Advise and guide respective State Governments to adopt and implement the National Rural Housing and Habitat Policy in a time bound manner.
3. Continue to pursue land reforms with focus on revision of laws, simplification of procedural framework and allotment of homestead plots.
4. Devise macroeconomic policies to enable flow of resources to the housing and infrastructure sector.
5. Make the necessary arrangements for enabling flow of fund under National Rural Shelter Fund, Credit Guarantee Fund and Technical Support Fund.
6. Ensure integration of the habitat policy with land use policy, water policy, mining policy, environment policy and other related policies.
7. Support and promote R&D in Housing and Habitat technology and capacity building systems.
8. Set up and monitor a nation-wide Management Information System on Rural Housing.
9. Set up a high level Monitoring Committee at the Central Government level to periodically review, monitor and oversee processes of planning and implementation of National Rural Housing and Habitat Policy.

4.2 State Governments

1. Formulate and prepare the State Rural Housing and Habitat Policy (SRHHP) and the Action Plans and monitor progress.
2. Facilitate allotment of homestead plots to the poorest and the vulnerable.
3. Provide State contribution towards schemes of Government of India and provide State contribution towards support for BPL housing in rural areas.
4. Prepare and update Master Plans along with District Plans and Regional Plans through concerned agencies.
5. Promote and provide incentives to the local private sector and corporate sector for undertaking rural housing and habitat development projects in the states.
6. Prepare medium term and long term strategies for tackling problems relating to provision of adequate water supply, drainage, sewerage, sanitation, waste management, power supply and transport connectivity.
7. Promote decentralized production of building materials, and facilitate training of habitat services providers.
8. Ensure development and adaptation of indigenous building technologies to ensure disaster safety and environmental sustainability in buildings.
9. Review defunct Building Centres and bolster their capacity to function as habitat resource centres at the block / district level in a financially self-sustaining mode.
10. Facilitate training of Panchayats for effective design, implementation and monitoring of habitat and livelihood initiatives of the State.
11. Develop appropriate Management Information System for different level of governance.

4.3 District level Governments

Compile Habitat Action Plans at district level and monitor implementation.

1. Ensure allotment of homestead plots to the poorest and the vulnerable.
2. Facilitate access to credit for rural housing.
3. Facilitate planning of infrastructure services including safe water supply, water disposal, roads, energy, public transport, power supply, and health, educational and recreational facilities.

4. Facilitate implementation of habitat development programmes sponsored by the government.

5. Effectively enforce regulatory measures for planned development.

6. Facilitate decentralized supply of building materials and skills and capacity building programmes of masons and other artisans.

7. Devise capacity building programmes for district and village level functionaries.

8. Ensure establishment and effective functioning of Information Centres at block and village levels for disseminating information related to technology and habitat development.

4.4 Panchayats and Local Bodies

1. Develop, maintain, update the “Land and Resource Inventory” and the list of landless/houseless/poorest/vulnerable/BPL/EWS households eligible for government support.

2. Identify specific housing shortage and consolidate village level Housing and Habitat Action Plans based on housing, infrastructure and related livelihood needs of the people.

3. Provide homestead land through land assembly and sharing of Panchayat lands under its jurisdiction.

4. Play a significant role in accessing finance for the housing sector.

5. Participate in the implementation of government schemes at the local level and monitor quality.

6. Facilitate and monitor development of sustainable housing and infrastructure through convergence, mobilising resources, usage of appropriate technology and capacity building.

7. Promote participation of rural families in planning and implementation of housing and habitat infrastructure development.
8. Undertake management of village and community infrastructure, including water bodies, roads and energy infrastructure.

9. Promote a healthy environment with special emphasis on plantation.

10. Develop suitable models for private sector’s participation in assembly of land and its development for housing in accordance with the Master Plan.

4.5 Financial Institutions

1. Reassess their strategies to be more inclusive in terms of both the poor and coverage of backward areas.

2. Ensure inclusion of rural housing and habitat requirements in the annual district plans.

3. Develop flexible, customized finance products that address the needs of the rural housing and facilitate easy repayment by the rural clients.

4. Adopt a more flexible and innovative approach in credit appraisal norms.

5. Facilitate use of safe and sustainable construction practices and building systems by offering financial incentives for application of these practices.

4.6 Civil Society

1. Promote common public opinion in favour of safe and healthy habitat environment and re-orient the people, government functionaries and other stakeholders towards holistic habitat development.

2. Aggregate rural customers for making large scale housing and habitat interventions effective and manageable and also private investments viable.

3. Participate in Social Audits of habitat development initiatives at the village level.

4. Facilitate exposure and access to innovative technological and institutional solutions for habitat development by panchayats.

5. Provide services related to capacity development of Panchayats, SHGs, artisans and other agents of planning and implementation at the village and district levels.

6. Provide monitoring support to Rural infrastructure development programmes at village level.
4.7 Private Sector

1. Develop innovative ways to realize the potential of rural areas as viable markets for private sector products and services with regard to habitat development.
2. Customize habitat related products and services for rural markets and promote local entrepreneurship for the same.
3. Work with panchayats and Government for developing viable rural habitat initiatives that can be effectively implemented.
4. Invest in the development of habitat infrastructure in village in partnership with panchayats and Government.
5. Use the Corporate Social responsibility mandate to promote housing and habitat development in rural areas.
6. Partner with academic and technology development agencies for research and development for low-cost building material and sustainable technology development.
7. Provide services related to capacity development of rural work-force as well as their absorption in industry.

4.8 Research and Technology Transfer Agencies

Integrate new sustainable technology with conventional and traditional building practices.

1. Develop regionally applicable technologies that promote use of locally available raw materials and reduce the use of scarce resources.
2. Develop guidelines and new technical options for safe construction in regions vulnerable to natural disasters for new constructions as well as strengthening of the existing ones.
3. Share information and technologies with the stakeholders and facilitate awareness creation on new, innovative and sustainable methods of construction.
4. Work with Panchayats / Government / NGOs / SHGs for imparting training and knowledge to rural communities and other stakeholders.
5. Lead the standardization of various building components based on local conditions.

6. Work with the Financial Institutions to develop guidelines and eco-rating for materials and technologies for obtaining incentives.

7. Help transfer proven cost-effective building materials and technologies, from ‘lab to land’, through institutions at the village or district level.

5. **Action Plan**

1. The Central Government will encourage and support the States / UTs in preparing the Action Plan to implement the “National Rural Housing and Habitat Policy” as also in preparing the “State Rural Housing and Habitat Policy”.

2. The Central Government will enable and facilitate the States / UTs in implementing their Action Plans.

3. The Centre and States / UTs will undertake the necessary legal, fiscal and administrative reforms to achieve the objectives of the National & State’s Policy.

4. The Centre and States / UTs will make an assessment of the budget support required as per the policies and action plans and provide for the same.

5. The financial institutions led by NHB will set in motion the development of appropriate rural housing and habitat financial products as well as the setting up of mechanisms to deliver and monitor the utilization of these products for the various sections of rural society.

6. In order to ensure effective and time-bound implementation of the policy, the National Rural Housing and Habitat Mission (NRHHM) will be set up. The NRHHM will comprise of seven sub-missions. The objectives of the mission and the sub-missions are detailed in the annexure.

7. A monitoring framework at the Centre / States / UTs level will be set up to periodically review the implementation of the Policy and the concomitant Action Plan.

8. A high level monitoring committee at the Central Government level will be set up to periodically review the implementation of the Policy and to suggest modifications to the policy as deemed necessary.
G. National Rural Housing and Habitat Mission, Govt. Initiative

The National Rural Housing and Habitat Mission will ensure the provision of adequate, affordable safe basic housing, services and habitat for all the poorest, and vulnerable BPL households in rural India by 2018, in a mission mode through a mix of Central and State assistance and banking sector DRI support. It will also create the institutional capacity; appropriate financial arrangements; incentives and enabling conditions for the building materials, skill upgradation and technology supply to enable the extension of these houses and sustainable provision of housing to other rural households via self-help, small entrepreneurs and other private providers.

The NRHHM will be composed of seven sub missions:

1. House-sites for the landless Sub-Mission will provide house-sites to the rural BPL households that do not possess a house site or agricultural land. This priority will be targeted at the poorest and the vulnerable groups. Such groups will be identified by the States.

2. In-situ Kutcha House Reconstruction Sub-Mission will provide for the in-situ construction of basic core house built out of appropriate permanent materials with a minimum plinth area of 20 sqm on existing house-sites, where the building is kutcha. The definition of a kutcha house will be based on State Government norms.

3. Upgradation of the Vulnerable Houses Sub-Mission will be targeted at the upgradation and strengthening of vulnerable rural houses in multi-hazard prone regions as defined by the National Vulnerability Atlas of India. This Sub-Mission will also draw upon resources from the National Seismic Safety Programme and the National Cyclone Risk Mitigation Programme.

4. Village Infrastructure and Habitat Development Sub-Mission will enable the provision and access of basic village infrastructure and services for water supply, sanitation, road and power in a planned manner at cluster and household level as per the norms of Bharat Nirman programme. In addition,

10 Direct Rendering Infrastructure
access to clean fuel, education, health, social and telecom infrastructure will be facilitated.

5. Building Livelihood and Technology Development Sub-Mission: will enable the creation of sustainable employment via the construction and upgradation of NRHHM houses. The Sub-Mission will focus on the creation of village, sub-Block and Block level micro and mini-building enterprises that will produce appropriate building materials to ensure that supply bottlenecks do not constrain programme functioning. It will also provide on-the-job training and certification of semi-skilled and skilled building construction artisans and workers and the integration of appropriate building technologies into mainstream building practice. It will enable the development and dissemination of appropriate building technology packages for each major region of each state.

6. Financial Mobilisation and Delivery Sub-Mission will focus on development and delivery of financial products via SHGs, micro-credit organizations and the banking system as deemed appropriate at local level.

7. Institutional Capacity Building and Community Mobilisation Sub-Mission will focus on the establishment, management and coordination of the Mission at national, state, district, block and village level. It will also provide incentives and enabling conditions for the building materials, skill upgradation and technology supply.

H. Indira Awas Yojna, Government Initiatives.

1. Introduction

The Estimates Committee of the Lok Sabha in its 37th Report pointed out that “the Committee are distressed to note that although 83% of India’s population live in villages and about 73% of the rural population reside in unsatisfactory kutcha structure, the problem of rural housing has not received the close attention of the Government.” Following this, certain initiatives were undertaken by Government including the launching of the House Sites cum Construction Assistance Scheme which began as Central Scheme in the 4th Plan and was transferred to the State Sector
with effect from 1.4.74 on the recommendation of the National Development Council (NDC).

The genesis of the Indira Awas Yojana can be traced to the programmes of rural employment which began in the early 1980s. Construction of houses was one of the major activities under the National Rural Employment Programme (NREP) which began in 1980 and the Rural Landless Employment Guarantee Programme (RLEGP) which began in 1983. There was, however, no uniform policy for rural housing in the states.

2. Objective
The objective of Indira Awaas Yojana is primarily to help construction of dwelling units by members of Scheduled Castes/ Schedule Tribes, freed bonded labourers and also non-SC/ST rural poor below the poverty line.

3. Target Group
The target group for houses under Indira Awaas Yojana is people below poverty line living in rural areas belonging to Scheduled Castes/ Scheduled Tribes, freed bonded labourers and non-SC/ST Categories. A maximum of 40% of the total IAY allocation during a financial year can be utilised for construction of dwelling units for non-SC/ST BPL categories.

From 1995-96, the IAY benefits have been extended to widows or next-of-kin of defense personnel and para military forces killed in action irrespective of the income criteria subject to the condition that (i) they reside in rural areas; (ii) they have not been covered under any other scheme of shelter rehabilitation; and (iii) they are houseless or in need of shelter or shelter upgradation. Benefits have also been extended to ex-servicemen and retired members of the paramilitary forces as long as they fulfill the normal eligibility conditions of the Indira Awaas Yojana and have not been covered under any other shelter rehabilitation scheme. The priority in the matter of allotment of houses to the ex-serviceman and paramilitary forces and their dependents will be out of 40% of the houses set apart for allotment among the non-SC/ST categories of beneficiaries.

Funds to the tune of 3% is earmarked for the benefit of disabled persons below poverty line. This reservation of 3% under IAY for disabled persons below the
poverty line would be horizontal reservation i.e., disabled persons belonging to sections like SCs, STs and Others would fall in their respective categories.

4. Identification of Beneficiaries

District Rural Development Agencies (DRDAs) / Zilla Parishads on the basis of allocations made and targets fixed shall decide the number of houses to be constructed Panchayat wise under IAY during a particular financial year. The same shall be intimated to the Gram Panchayat. Thereafter, the Gram Sabha will select the beneficiaries from the list of eligible households according to IAY guidelines and as per priorities fixed, restricting this number to the target allotted. No approval of the Panchayat Samiti is required. The Panchayat Samiti should however, be sent a list of selected beneficiaries for their information.

5. Priority in Selection of Beneficiaries

i. Freed bonded labourers.

ii. SC/STHouseholds
   1. SC/ST households who are victims of atrocity.
   2. SC/ST households, headed by widows and unmarried woman.
   3. SC/ST households affected by flood, fire, earthquake, cyclone and similar natural calamities.
   4. Other SC/ST households.

iii. Non- SC/ST households

iv. Physically handicapped

v. Families and Widows of personnel from defence services/ para-military forces, killed in action, ex-servicemen and retired members of the paramilitary forces.

vi. Displaced persons on account of developmental projects, nomadic, semi-nomadic and de-notified tribal and families with disabled members, subject to the condition that these households belong to below poverty line category.

6. Allotment of Houses

Allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife.
7. Location of Indira Awaas Yojana

Indira Awaas Yojana dwelling units should normally be built on individual plots in the main habitation of the village. The houses can also be built in a cluster within a habitation, so as to facilitate the development of infrastructure, such as, internal roads, drainage, drinking water supply etc., and other common facilities. Care should always be taken to see that the houses under IAY are located close to the village and not far away so as to ensure safety and security, nearness to work place and social communication.

8. Upper Limit for Construction Assistance

Ceiling on construction of assistance under Indira Awaas Yojana is as given below:

<table>
<thead>
<tr>
<th>Hilly/ Difficult Areas (In Rupees)</th>
<th>Construction of house including Sanitary Latrine and Smokeless Chulla Cost of providing infrastructure and common facilities</th>
<th>Rs. 17,500</th>
<th>Rs. 19,500</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>Rs. 2,500</td>
<td>Rs. 2,500</td>
</tr>
<tr>
<td></td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>Rs. 20,000</td>
<td>Rs. 22,000</td>
</tr>
</tbody>
</table>

In case the houses are not built in cluster/ micro-habit approach, Rs. 2,500/- provided for infrastructure and common facilities should be given to the beneficiary for construction of his house.

9. Involvement of Beneficiaries

The beneficiary should be involved in the construction of the house. To this end, the beneficiaries may make their own arrangements for construction material, engage skilled workmen and also contribute family labour. The beneficiaries will have complete freedom as to the manner of construction of the house. This will result in economy in cost, ensure quality of construction, lead to greater satisfaction and acceptance of the house by the beneficiary. The responsibility for the construction of the house will thus be on the beneficiary himself/ herself. A Committee of the beneficiaries may be formed, if so desired, to coordinate the work.
10. Ban on Contractors or Departmental Construction
No contractor is to be engaged for the construction of dwelling units under IAY, by the DRDA/ ZP. If any case of construction through contractor comes to notice, Government of India will have a right to recover the allocation made to the State for those IAY houses. The house should also not be constructed by any Government Department. Government departments or organisations can, however, give technical assistance or arrange for coordinated supply of raw materials such as cement, steel or bricks if the beneficiaries so desire. The spirit of IAY is that the house is not to be constructed and delivered by any external agency. On the other hand, the house is to be constructed by the beneficiary himself/ herself.

11. Appropriate Construction Technology and Local Materials
Effort should be made to utilise, to the maximum possible extent, local materials and cost effective technologies developed by various institutions. The implementing agency should contact various organisations/ institutions for seeking expertise and information and information on innovative technologies, materials, designs and methods to help beneficiaries in the construction of durable and cost effective houses. The State Government may also arrange to make available information on cost effective environment friendly technologies, materials, designs etc., at block/ district level. Technologies using bricks, cement and steel on large scale should be discouraged. As far as possible, cement should be substituted by lime and lime surkhi manufactured locally. Brick manufactured by beneficiaries themselves instead of its purchase may also be undertaken to reduce costs and increase opportunities for wage employment.

12. Type Design
No type design should be prescribed for IAY dwelling units, except that the plinth area of the houses should not be less than 20 sq. Mts. The layout, size and type design of IAY dwelling units should depend on the local conditions and the preference of the beneficiary. The houses, should be designed in accordance with the desire of the beneficiaries keeping in view the climatic conditions and the need to provide simple space, kitchen, ventilation, sanitary facilities, smokeless chulha etc., and the community perceptions, preferences and cultural attitude.
The barrier free concept may be incorporated in the construction of houses meant for the disabled with a view to facilitate his smooth and free movement in the house. In areas frequented by natural calamities such as fire, flood, cyclones, earthquake etc., incorporation of disaster resistant feature in the design should be encouraged.

13. Fuel Efficient Chulhas

It should be ensured that all Indira Awaas Yojana dwelling units are provided with a smokeless chulha which are fuel efficient and being smoke free are healthy and more convenient to use.

14. Drinking Water Supply

The availability of drinking water supply should be ensured by the agencies responsible for the implementation of the Indira Awaas Yojana. Where necessary, a hand-pump should be installed on the site before the work is started, from the funds available under Rural Water Supply or other similar programmes.

15. Sanitation and Sanitary Latrines

Construction of sanitary latrine forms an integral part of Indira Awaas Yojana dwelling unit. It has, however, been observed that in a large number of cases, that the sanitary latrine in these houses is not constructed. The Government of India attaches considerable importance to the construction of sanitary latrines as a sanitation measure and therefore, sanitary latrines should be ensured. A system of drainage from the house should also be provided to avoid overflow from the kitchen, bathroom etc.

16. Environmental Improvement and Social Forestry

Plantation of trees in the entire habitat or around the individual house should be taken up simultaneously. Trees may be planted near the housing clusters so that, in due course, enough trees are available nearby, to enable the beneficiaries to get fuel/fodder/small timber. Such plantations can be taken up under the social forestry programme. Some of the popular indigenous species whose plantation can be undertaken include Neem (Azadirachta indica); Mahuva (Madhuca indica); Amla (Emblica officianlis); coconut (cocos nucifera); Deodar (Credrees deadora); Mango (Magnifera indica); Oak (Quercus & Spp); Rose wood( Dalbergia latifolia); Chandan (Santalum album); Pipal (Fiscus neligiosa) etc. This list is merely illustrative and not
exhaustive. Species vary region-wise and geo-agro-climatic conditions and this may be kept in view while identifying species for propagation.

17. Involvement of Non-Governmental Organizations
Suitable local voluntary agencies with proven good track record wherever available may be associated indirectly with the construction of Indira Awaas Yojana dwelling units. The supervision guidance and the monitoring of construction can be entrusted to these non-governmental organizations.

18. Inventory of Houses
The implementing agencies should have a complete inventory of houses constructed under IAY, giving details of the date of start and the date of completion of construction of dwelling unit, name of the village and Block in which the house is located; name, address, occupation and category of beneficiaries and other relevant particulars.

19. Display of Indira Awaas Yojana Board and Logo
On completion of an IAY dwelling unit, the DRDA concerned should ensure that for each house so constructed, a display board is fixed indicating the IAY logo, year of construction, name of the beneficiary.

20. Monitoring
Officers dealing with IAY at the State headquarters should visit districts regularly and ascertain through field visits whether the programme is being implemented satisfactorily and whether construction of houses is in accordance with the prescribed procedure. Likewise, officers at the district, sub-division and block levels must closely monitor all aspects of IAY through visits to work sites. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level from the State level to the block level should be drawn up and strictly adhered to.

The State Government should prescribe the periodical reports/returns through which it should monitor the performance of IAY in the districts and also get appropriate reports and returns prescribed, to be called by the DRDA/ZPs. The monitoring of the programme at the State level will be the responsibility of the State Level Coordination Committee (SLCC) for Rural Development Programmes. A representative or nominee of the Ministry of Rural Areas & Environment, Government of India should invariably be invited to participate in the meetings of the Committee.
The following reports and returns should be submitted to the Government of India by the States/UTs separately in respect of the Indira Awaas Yojana.

i. A monthly progress report to be furnished by Telex/ Fax/ E-mail/ Nicnet in Proforma-1, on or before 10th of every succeeding month.

ii. A detailed Annual Progress Report to be submitted on or before 25th April of the succeeding financial year in proforma- II.

21. Evaluation Studies
The States/UTs should conduct periodic evaluation studies on the implementation of Indira Awaas Yojana. Evaluation studies may be conducted by reputed institutions and organisation on issues thrown up by the concurrent evaluation, detailed studies by the States/UTs as well as the Government of India. Copies of the reports of these evaluation studies conducted by the States/UTs should be furnished to the Government of India. Remedial action should be taken by the States/UTs on the basis of the observations made in these evaluation studies and also in the concurrent evaluation conducted by or on behalf of Government of India.

22. Transparency in Implementation of Indira Awaas Yojana
It is utmost importance that Centrally Sponsored Schemes are properly implemented and misutilisation and other irregularities are minimised. This requires greater transparency in the implementation of IAY at various levels and hinges on the assumption that people should have access to information about implementation of these programmes in all their aspects. The disclosure of information should be the rule and withholding of information an exception.

List of items (illustrative not exhaustive) on which information should invariably be made available to people to bring about greater transparency at village, block and district level is given below.

Village-Level

- List of people below poverty line in the village.
- List of beneficiaries identified during preceding year and current year including details of SC/ST, women beneficiaries and disabled persons under Indira Awaas Yojana.
- Allocation made to the village under Indira Awaas Yojana.
Guidelines of Indira Awaas Yojana/ criteria of selecting beneficiaries

Display of Indira Awaas Yojana sign board on the allotted houses.

Block -Level
Details of houses taken up at Block Level with cost, sources of funds, implementing agency.

- Access to muster rolls.
- Distribution of funds village-wise for the scheme.
- Allocation/ Availability of funds and progress in implementation of Indira Awaas Yojana.

District Level

- Distribution of IAY funds block-wise/ village-wise for the scheme.
- Criteria for distribution of funds to blocks/ villages including norms for its selection under Indira Awaas Yojana.

23. Pattern of Funding

Indira Awaas Yojana is a Centrally Sponsored Scheme funded on cost-sharing basis between the Government of India and the States in the ration of 80:20. In the case of Union Territories, the entire resources under this scheme are provided by the Government of India.

I. Golden Jubilee Rural Housing Finance Scheme- Govt. initiatives

1.0 Genesis of the Scheme

1.1.1 While announcing the Budget for the year 1997-98, the Hon’ble Finance Minister stated:

“In consultation with the National Housing Bank (NHB) and others, I have worked out a Plan. Loans upto Rs. 2 lakhs will be given for building houses in freehold land in rural areas at normal rates of interest, subject to the borrower putting in one-third of the value of the house. NHB has been requested to prepare a scheme in which other organizations will also participate. The Prime Minister will launch the scheme on August 15, 1997 and it is our goal to sanction 50,000 loans in the first year”.

1.1.2 The same announcement was made in light of the housing situation in the rural areas at that time:
As per 1991 census, there are 152.01 million households comprising of 111.59 million (73.4%) in rural areas and 40.42 million (26.6%) in urban areas. The average growth of rural households is estimated to be 1.94 % per annum as against the national average of 2.4 %. The total housing stock i.e. occupied residential houses is estimated at 147.01 million of which 107.94 million (73.4%) are in rural areas. Of the total households in rural areas, about 10.31 million live in unserviceable kutcha houses and 3.41 million are without independent shelter. In total, the housing shortage in rural areas as per 1991 census is estimated at 13.72 million dwelling units. Further, it is estimated that another 10.75 million houses would be needed in rural areas to cover the population/households growth between 1991-2002 A.D. Therefore, the total rural housing shortage has been estimated at 24.47 million houses by 2002 A.D. According to the estimates, about 6.8 million houses have been added in the rural areas during the period 1991-97. Therefore the rural housing shortage to be tackled during the 9th Five Year Plan period (1997-2002) has been estimated as 17.67 million units, of which 7.36 million units are to be constructed and 10.31 million existing units, to be repaired and upgraded.

1.1.3 Accordingly, the National Housing Bank (NHB) prepared a draft scheme for Rural Housing in pursuance to the Budget Speech by the Hon’ble Finance Minister. Inputs for the Scheme were received from various Ministries of the Government of India, Reserve Bank of India, Public Sector Banks, Housing Finance Companies and the Co-operative sector institutions. The salient features of the Scheme are as under:

1.2 The Objective of the Scheme

1.2.1 The objective of the Scheme is to address the problem of rural housing through improved access to housing credit which would enable an individual to build a modest new house or to improve or add to his old dwelling in rural areas. “Rural Area” for the purpose of the Scheme is the area comprised in any village including the area comprised in any town, the population of which does not exceed 50,000 as per the 1991 Census.

1.3 Scope

1.3.1 The Scheme envisages at normal rates of interest, the provision of institutional credit to individuals desirous of constructing/acquiring new dwelling units and for improving or adding to existing dwelling units in rural areas.
1.4 Operation of the Scheme

1.4.1 There will be two channels. The first channel will comprise exclusively the commercial banks and the second channel will comprise institutions like the ARDBs, ACHFS, RRBs and HFCs.

1.4.2 At the time of formation of the Scheme, was envisaged that the commercial banks being the largest mobilisers of savings in the economy and having a vast network of branches, including “rural” would play an important and extensive role in successful implementation of the Scheme. It was therefore, envisaged that they may take a major share of the proposed disbursements under the Scheme.

1.5 Monitoring of the Scheme

1.5.1 The performance under the Scheme is being closely monitored by the NHB. The Primary Lending Institutions (PLIs) were required to report the progress on quarterly basis to the NHB in the prescribed format.

1.5.3 Besides, the Reserve Bank of India advised the Conveners of all State Level Bankers Committee (SLBC) to closely monitor the progress of the scheme in the SLBC meetings.

1.6 Lending Norms

1.6.1 The lending norms relating to security, margin, interest rates etc. are followed as per the guidelines issued by the RBI from time to time.

1.7 Support from NHB

1.7.1 Besides providing refinance assistance, NHB also provides necessary professional/specialist inputs by way of guidelines on technical, financial and legal appraisal, construction methodologies including design options and cost estimates thereof, training etc.

1.8 Targets and Achievement

1.8.1 The annual targets under the Scheme (in terms of number of units to be financed) are set by the Government of India and NHB sub-allocates the targets to implementing agencies and monitors its implementation.

1.9 Golden Jubilee Rural Housing Refinance Scheme

The National Housing Bank also provides refinance of loans under the Scheme for loan upto Rs. 15 lakhs.
1.10 Performance Under the Scheme

The annual targets under the Scheme (in terms of number of units financed) are set by the Government of India and NHB sub-allocates the targets to implementing agencies and monitors its implementation. The targets under the Scheme have been increased in a phased manner from 50,000 units in 1997-98 to 250,000 units in 2004-05 and further to 350,000 units in 2008-09.

J. Productive Housing in Rural Areas (PHIRA) – NHB Initiatives

Housing is normally considered as a consumption activity. However, house is a catalyst or a primary agent for a change in socio-cultural pattern and other characteristics of human life, including economic development, since it forms a nucleus for the operations of many human activities and is an essential contributory factor for improvement in life. Hence, housing can be used for productive purposes by combining housing with income generation. Thus, housing and productive activity combines to form a virtuoso cycle, feeding each other, for the benefit of the family.

2. The SOHO – “Small Office, Home Office’ concept has worked well in urban areas, leading to increase in per capita income and saving and improvement in life style. The data released by the Census of India on House, Households, Amenities and Assets for 2001, indicate that total number of households in rural areas is 138.27 million as against the availability of 135.05 million houses (used as residences and residences-cum-other purposes).

3. Majority of these houses used for residences-cum-other purposes are often without any demarcation, leading to sacrificing the habitat conditions. If places for residence and economic activity are demarcated, there will be improvement not only in habitat conditions but also in working environment. This will help in improving the productivity leading to increased income, saving, etc. thereby helping improvement of the life style of rural people, which will have a long term significant impact on health, education and standard of rural living.

4. Home workers, particularly in rural areas, constitute a significant potential workforce, which if harnessed can generate additional economic growth in the rural areas. Also, majority of these home workers are women. It is estimated that home workers constitute 51% of the women workforce in the country.
5. National Housing Bank, an all India financial institution, set up under the Act of parliament and a wholly owned subsidiary of Reserve Bank of India, has launched a new programme called Productive Housing in Rural Areas (PHIRA) under which a composite loan of housing and income generation is extended.

6. The objective of this scheme for rural housing is to facilitate construction of houses for rural families and also to provide a source of sustainable income to the rural poor which would develop their repayment capacity.

**Target Market**

7. Persons marginally above the poverty line in rural areas

**Purpose of Loan**

8. Purpose of loan is to provide financial assistance for construction of a decent house and thereafter starting or augmenting income generating activity in one of the following categories so as to enable the borrower to repay the loan.
   i. Small business/ Trade,
   ii. Tiny/ cottage industry or service activity,
   iii. Artisan activities,
   iv. Agricultural and allied activities
   v. Any other productive activity

9. **Quantum of loan**
   i. Under the Scheme, a composite loan of Rs.70,000 will be extended, of which an amount to the extent of 25% of the loan i.e. Rs. 17,500 if for the income generating activity and an amount of Rs.52,500 is for construction of housing unit plus work area, including purchase of land. The limits are indicative and may be modified by NHB.
   ii. An incremental loan of Rs.25,000 could also be considered to be extended after a period of 3 years from the date of disbursement of earlier loan for upgradation of house built.
   iii. Besides, a life insurance policy will also be taken for the borrower’s life either individually or through a group insurance plan to ensure recovery of the outstanding loan in case of the death of the borrower.
10. Tenure of Loan
The loan will need to be repaid within a maximum period of 15 years from the date of disbursement of loan, with an initial moratorium of one year for income generated from the business activity in which he/she is engaged.

11. Implementing Agency
NHB would provide housing loan component through banks/HFCs/Microfinance Institutions having reach in rural areas by way of 100% refinance. The banks/HFCs/Microfinance institutions will further finance the target group either directly or through SHGs. NHB can also consider direct finance to SHGs/Societies/Federations with appreciate legal constitution.

12. Economic Benefits
PHIRA has potential for scalability, NHB’s estimates of PHIRA benefits, if implemented on a national scale by the banking system are as follows:

- Loan disbursement per annum Rs.6,700 Crores
- Loan disbursement in XI Plan Period (2007-2012) Rs.33,600 crores
- Number of families covered 5 million
- Additional family income generated Rs.5,000 crores
- Additional income generated on account of Multiplier effect of housing construction Rs.160,000 crores
- Additional jobs created 1.1 million jobs p.a.

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