

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1982-83)**

(SEVENTH LOK SABHA)

FIFTY-SECOND REPORT

**Action taken by Government on the recom-
mendations contained in the Twenty Sixth Report
of the Committee on Public Undertakings (Seventh
Lok Sabha)**

ON

**HOUSING AND URBAN DEVELOPMENT COR-
PORATION LTD.—RURAL HOUSING**

MINISTRY OF WORKS & HOUSING

Presented to Lok Sabha on... 1.5.NOV. 1982

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Report of Committee on Public
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(1982-83)

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PUBLIC UNDERTAKINGS**

(1982-83)

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9. Shri Syed Sibtey Razi

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 52nd Report on Action Taken by Government on the recommendations contained in the 26th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Housing and Urban Development Corporation Ltd.—Rural Housing.

2. The 26th Report of the Committee on Public Undertakings was presented to Lok Sabha on 21 December, 1981. Replies of Government to all the recommendations were received by 21 June, 1982. Further information in respect of seven recommendations was also called for from the Ministry and this was received by 31 July, 1982. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 5th October, 1982. The Report was finally adopted by the Committee on Public Undertakings on 8 October, 1982.

3. Analysis of Action Taken by Government on recommendations contained in the 26th Report of the Committee is given at Appendix.

NEW DELHI;

21 October, 1982.

29 *Asvina* 1904 (*Saka*).

MADHUSUDAN VAIRALE,

Chairman,

Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government, this allocation seems inadequate. A ration of 85.15 for allocation (Seventh Lok Sabha) of the Committee on Public Undertakings on Housing and Urban Development Corporation Ltd.—Rural Housing which was presented to Lok Sabha on 21st December, 1981.

2. Action Taken notes have been received from Government in respect of all the 14 recommendations contained in the Report. These have been categorised as follows:—

(i) *Recommendations/observations that have been accepted by Government.*

S. Nos. 1, 2, 3, 5, 7, 8, 9, 12 and 13.

(ii) *Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.*

S. Nos. 6 and 11

(iii) *Recommendations/Observations in respect of which the Government's replies have not been accepted by the Committee.*

S. Nos. 4 and 14.

(iv) *Recommendations/Observations in respect of which final replies of Government are still awaited.*

S. No. 10.

The Committee will now deal with the action taken by Government on some of their recommendations.

A. Poor allocation of funds for rural housing (Recommendation S. No. 4)

3. The Committee had observed that on the whole their examination had revealed that the operation of HUDCO in the field of rural housing had been marked by an unduly cautious approach instead of being development oriented. Paucity of funds had been adduced as one of the reasons for the late starting of the operation and poor allocation of funds therefor. Rural housing accounted for only Rs. 55.12 crores out of the total loan of Rs. 763.09 crores sanctioned by HUDCO upto 1980-81 which worked out to 7.2 per cent. At present 15 per cent of the resources is earmarked for rural housing. The Committee had further observed that, "considering the late start of this activity and the magnitude of require-

ment, this allocation seems inadequate. A ratio of 85:15 for allocation of resources between urban and rural areas is to say the least not doing justice to rural areas. The Committee, therefore feel that within the financial resources available, the rural areas ought to get a higher allocation of at least 50 per cent."

4. In their reply the Government have stated that the recommendation of the Committee on Public Undertakings was noted by the Working Group constituted by the Government to study the existing financing pattern of HUDCO and suggest changes therein. The Working Group felt that if HUDCO's lending for rural housing is raised from the existing 15 per cent of the total loan allocations to 50 per cent as recommended by the Committee on Public Undertakings, about 90 per cent of the HUDCO's funds would be earmarked for lending at subsidised rates of interest. This will seriously affect HUDCO's lending programme as it would not be in a position to borrow further funds from the financial institutions. The earmarking of funds for rural housing was raised from 10 per cent to 15 per cent in December, 1980. Since raising it further would reduce HUDCO's capacity to borrow unless a heavy subsidy is provided, the Working Group was of the view that the funds earmarked for rural housing may be kept at 15 per cent.

5. HUDCO has since decided that if in any year surplus funds are available with HUDCO, these would be diverted to augment the loans for rural housing schemes. The Working Group also noted that during 1977—81 out of 7,06,000 dwelling units sanctioned by HUDCO, 3,80,000 were in the rural areas. This accounts for 53 per cent of the total dwelling units sanctioned by HUDCO.

6. The Committee are not quite satisfied with the reply furnished by the Ministry. Having regard to the fact that the majority of the population lives in rural areas and majority of the rural population belongs to Economically Weaker Section, the number of dwelling units sanctioned in Rural areas (which was 53 per cent for the years 1977—81) should bear some relation to the percentage of population in rural areas. The Committee feel that there is a clear case for increasing the allocation for rural housing if not to the extent of 50 per cent at least to the extent that would help to achieve this purpose. The efforts of HUDCO in this regard ought to be development oriented.

B. Loan from LIC (Recommendation S. No. 10).

7. The Committee noted that HUDCO raised funds from sources like LIC at a higher rate of interest (10½ per cent) and lent money for rural housing at a lower rate (4—5 per cent). The LIC also provided funds

directly to the State Governments for housing at 8½ per cent. The Committee saw no reason why LIC should charge a higher rate of interest from the HUDCO for the same purpose. They suggested that the propriety of this and the advisability of LIC directly providing finance for housing rather than routing it through a specialised agency like the HUDCO should be considered for an appropriate policy decision in the larger national interest.

8. In their reply, the Government have stated that the recommendations of the Committee were considered by the Working Group set up by Government to consider the existing financing pattern of HUDCO and suggest changes therein. The Working Group felt that this should be placed before a higher forum and decided to place it before the Central Council for Local Self Government and Urban Development. The Central Council in its 19th meeting held in New Delhi on 4th and 5th February, 1982, resolved that the question of routing funds from LIC, GIC and Commercial Banks through HUDCO be decided in consultation with the concerned Ministries of the Government of India, the Planning Commission and the State Governments. As regards routing of funds from commercial banks through HUDCO the views of the Ministry of Finance (Banking Division) are being ascertained. As regards routing of LIC/GIC funds through HUDCO, the views of Planning Commission/Ministry of Finance (Insurance Division) and the State Governments are being ascertained.

9. The Committee regret to note that the priority of LIC charging higher rate of interest from HUDCO than that charged from the State Governments for rural housing has not been dealt with by the Ministry in their reply. The Study Group constituted by Government to examine the existing financing pattern of HUDCO, have however, agreed with the Committee's observation that LIC should not charge higher rate of interest from HUDCO. The Committee reiterate their recommendation and desire that an early decision be taken both in regard to the interest charges and routing of LIC/GIC funds through HUDCO.

C. Need for enlarging the role of HUDCO (Recommendation S. No. 14)

10. The Committee had recommended that in view of the growing need for housing, both urban and rural, and the possibilities of expansion of HUDCO, which was the main instrument with the Central Government in the matter of housing, the role of HUDCO should be enlarged to make it the principal financial institution for coordination and development in the matter of housing and urban development with the adequate powers on the lines of Industrial Development Bank of India and the proposed National Bank for Agricultural and Rural Development. If necessary, the HUDCO could be put on a statutory basis.

11. In their reply the Government has stated that the Housing and urban Development Corporation continues to play a key role in providing housing finance to different State level institutions including the co-operative sector. Its lending programme is primarily oriented towards the EWS and the LIG. As the major public sector housing financial institution, it has a major role to play in formulating policies and programmes relating to housing. It also maintains constant liaison with the State Housing Boards and other State Level institutions. To ensure better coordination between the State level institutions, HUDCO has mooted a proposal for setting up an All India Housing Association consisting of HUDCO and other concerned agencies, on the lines of the Indian Roads Congress. However, since housing finance is available from other sources as well including the Government of India and the State Governments and HUDCO's investment programmes form a part of the Plan Programmes and targets, coordination and monitoring should continue to be done by the Ministry of Works and Housing in consultation with the concerned Ministries where the performance of HUDCO will be one of the inputs.

12. The existence of several institutions providing loans is not peculiar to housing finance. Similar is the position in the case of industrial finance and rural credit. Even then the IDBI functions as the principal financial institution for coordinating the working of institutions engaged in financing, promoting or developing industry. Similarly the Act establishing National Bank for Agricultural and Rural Development provides that the National Bank shall coordinate the operations of various institutions engaged in the field of rural credit. The Committee, therefore, reiterates that the role of HUDCO should be enlarged to make it the principal financial institution for coordination and development in the matter of Housing and urban development.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (So. No. 1)

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

(Paragraph 1 of Part II)

Reply of Government

No action is called for.

[Ministry of Works & Housing O.M. No. 0-17029/11/81-PS/Hi dated 19-6-1982].

Recommendation (Sl. No. 2)

Although HUDCO was established in 1970 as an apex body to deal with housing shortage by financing and undertaking housing, it extended its activities to the rural areas only from 1977-78 as an outcome of the Housing Ministers Conference held in December 1976. The number of building units for which loans have been sanctioned upto 1980-81 is just 3.4 lakhs out of which loans have been released for 2.58 lakh units and only 1.46 lakh units have been completed. The Committee understand that no physical target is set for HUDCO's assistance. In view of the huge housing shortage of 161 lakhs units in rural areas the Committee desire that there should be national level coordination with a view to set physical targets for State level and Central level agencies as part of our national plans and the progress reviewed periodically against such targets.

(Paragraph 2 of Part II)

Reply of Government

HUDCO is a financing institution and as such HUDCO fixes financial targets and sets up Annual targets for sanction of loan for housing projects. During 1981-82 HUDCO's target of loan sanction was Rs. 190 crores, which was exceeded.

The most important forum for national level co-ordination for housing is the Central Council for Local Government and Urban Development consisting of concerned Ministers of the State Governments and the Union Minister for Works and Housing who is the chairman. The day to day co-ordination and review of progress is done by the Ministry of Works and Housing. Physical targets of all the different plan programmes are fixed by the Planning Commission who review the progress at least once a year at the time of annual plan discussions.

[Ministry of Works & Housing O.M. No. 0-17029/11/81-PS/H, I. dated 19-6-1982].

Further information called for

Are there any physical targets for housing fixed for State and Central level agencies based on the overal targets fixed by the Planning Commission?

[Lok Sabha Secretariat Office Memorandum No. 90/2/1-PU/82 dated the 14th July, 1982].

Reply of Government

For the 6th Five Year Plan, the Planning Commission has indicated physical targets for rural house sites-cum-construction assistance programme. Based on this, the State-wise physical targets have been fixed.

2. So far as urban housing is concerned, the Planning Commission has indicated the Plan allocations in the housing sector for different income categories. The physical targets have been worked out by the Planning Commission on the basis of unit cost of construction of houses for different income categories. For instance, the Planning Commission has indicated physical target for the Economically Weaker Sections of the Society on the basis of expenditure of Rs. 3,000 per unit under sites and services scheme. In actual implementation, however, the unit costs of construction vary significantly. Therefore, it is not possible to work out the Statewise physical targets on the basis of targets fixed by the Planning Commission. However, for housing for the economically weaker sections, annual targets have been fixed for 1982-83 by the State Governments. For HUDCO also, the Planning Commission has indicated physical targets

on the same basis. However, HUDCO has different ceiling costs for different income categories and being a financial institution, it fixes financial targets only. The physical coverage of HUDCO would depend on the number of types of schemes received from the States and sanctioned from time to time.

[Ministry of Works & Housing O.M. No. 0-17029/11/82-PS/HT dated the 31st July, 1982].

Recommendation (Sl. No. 3)

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

(Paragraph 3 of Part II)

Reply of Government

The Working Group constituted by the Government to examine the existing financing pattern of HUDCO and suggest changes therein, noted the recommendation. HUDCO's Board of Directors at its meeting held on 29-9-81 decided to open four more regional offices so as to ensure more balanced financing of housing activity by HUDCO all over the country.

[Ministry of Works & Housing O.M. No. 0-17029/11/81-PS/HT dated 19-6-1982].

Recommendation (Sl. No. 5)

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

(Paragraph 5 of Part II)

Reply of Government

The Government of India constituted a Working Group on 10-2-81 to study the existing financial pattern of HUDCO and suggest changes therein. The Working Group, in its report, has *inter alia* recommended that the present cost ceiling be raised from Rs. 4,000 to Rs. 6,000 for rural housing schemes. The recommendation has been accepted by the HUDCO Board of Directors and the Ministry of Works & Housing. Final decision is being taken in consultation with Planning Commission and the Ministry of Finance.

[Ministry of Works & Housing O.M. No. 0-17029|11|81-PS|HI dated 19-6-1982].

Further information called for

Please state the final decision of Government on this recommendation on the Committee.

[Lok Sabha Secretariat Office Memorandum No. 90/2/1-PU|82 dated the 14th July, 1982]

Reply of Government

Government have already approved the raising of ceiling in respect of rural housing from Rs. 4,000 to Rs. 6,000 with effect from 1-7-82 and this has been brought to the notice of the field agencies.

[Ministry of Works & Housing O. M. No. 0-17029|11|81-PS|HI dated 31st July, 1982]

Recommendation (Sl. No. 7)

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

(Paragraph 7 of Part II)

Reply of Government

The Working Group constituted by the Government to study the existing financing pattern of HUDCO and suggest changes therein, has recommended that HUDCO should advance loans directly to primary house building co-operative societies. The recommendation has been accepted by the Board of Directors of HUDCO and the Ministry of Works & Housing. A final decision is being taken in consultation with Planning Commission and the Ministry of Finance.

[Ministry of Works & Housing O.M. No. O-17029/11/81-PS-HI dated
dated 19th June, 1982]

Further information called for

Please state the final decision of Government on these recommendations of the Committee.

[Lok Sabha Secretariat Office Memorandum No. 90/2/1-PU/82
dated the 14th July, 1982]

Reply of Government

Government have already approved the advancing of loans directly to primary house building co-operative societies with effect from 1-7-82.

[Ministry of Works & Housing O. M. No. O-17029/11/81-PS/HI dated the 31st July, 1982]

Recommendation (Sl. No. 8)

Although the emphasis is on assisting housing schemes utilising locally available material there has been no building material industry developed in rural areas with the assistance of HUDCO so far. The Committee are of the view that the HUDCO could usefully enter this field and promote such industries without waiting for entrepreneurs to come up for help.

(Paragraph 8 of Part II)

Reply of Government

The Working Group constituted by the Government to consider the existing financing pattern of HUDCO and suggest changes therein noted the recommendation that HUDCO could usefully enter the field of building material industries and promote such industries in rural areas. The Group was informed that HUDCO already has a scheme for providing funds for building material industries to any entrepreneur in the private and public sector. These industries could be set up in rural areas as well. HUDCO had also been disseminating the results of research work done by the institutions like the CBRI etc. to the implementation agencies on the use of new/innovative building materials and also promoting the use of local materials and skills with reference to self-help. HUDCO was prepared to provide funds to entrepreneurs for setting up industries for production of building materials, whether new or traditional, so as to give a fillip to the housing activity. Such industries to be set up in the rural areas could also be financed.

[Ministry of Works & Housing O. M. No. O-17029/11/81-PS/HI dated 19th June, 1982]

Recommendation (Sl. No. 9)

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

(Paragraph 9 of Part II)

Reply of Government

The Working Group constituted by the Government to examine the existing financing pattern of HUDCO and suggest changes therein, considered the recommendation of the Committee on Public Undertakings and noted that HUDCO had taken and would continue to take special interest in the development and strengthening of specialised housing agencies. The Group was informed that HUDCO had helped the State Government of Sikkim in preparing a Bill for the setting up of Housing Board and a similar assistance had been extended to the Arunachal Pradesh Administration. The Group agreed about HUDCO's promotional role in respect of specialised housing financial agencies and took note of the existing efforts of HUDCO in this respect. A final decision on the recommendation is being taken in consultation with Planning Commission and the Ministry of Finance.

[Ministry of Works & Housing O. M. No. Q-17029/11/81-PS/HI
dated the 19th June, 1982].

Further information called for

Please state the final decision of Government on these recommendations of the Committee.

[Lok Sabha Secretariat Office Memorandum: 90/2/1-PU/82
dated 14th July, 1982]

Reply of Government

The Working Group noted that HUDCO has taken and will continue to take special interest in the development and strengthening of specialised housing agencies. This observation has been accepted by the Government.

[Ministry of Works & Housing O. M. No. 0-17029/11/81-PS-HI
dated 31st July, 1982]

Recommendation (Ser. No. 12)

The Committee have been informed that the issues related to HUDCO assisted rural housing schemes were raised in the Conference of the Ministers of Local Government and Urban Development in December, 1980 which was also attended by the Housing Ministers. In pursuance of a resolution passed therein a group of officials representing the State Governments, HUDCO and the Planning Commission and experts in the field has been set up in February, 1981 to examine the feasibility of introducing some changes in the existing pattern of funding by the HUDCO in respect of the rate of interest, ceiling cost and the period of repayment and the percentage of funding in urban and rural areas. The Group

is expected to submit its report within a year of its setting up. The Committee desire that their observations contained in the foregoing paragraphs should be borne in mind by the Group and for this purpose of its terms of reference are required to be widened it should be done. The Group should report promptly before the end of March, 1982. Thereafter the follow-up action should be initiated with expedition. The Committee would like to be informed of the changes effected.

(Paragraph 12 of Part II)

Reply of Government

The recommendations of the Committee on Public Undertakings contained in the 26th Report on 'Housing & Urban Development Corporation—Rural Housing' presented to the Parliament on 21-12-81, were placed before the Working Group constituted by the Govt. to study the existing financing pattern of HUDCO and suggest changes therein. The Group considered the recommendations.

The recommendations of the Group have been accepted by the Board of Directors of HUDCO and the Ministry of Works and Housing and final decisions are being taken in consultation with the Planning Commission and the Ministry of Finance.

[Ministry of Works & Housing O| M. No. O-17029/11/81-PS/HI]
dated the 19th June, 1982]

Further information called for

Please state the final decision of Government on these recommendations of the Committee.

[Lok Sabha Secretariat Office Memorandum 90/2/1-
PU/82 dated the 14th July, 1982].

Reply of Government

Government have accepted all the recommendations of the Working Group except the following:

- (a) Creation of a special reserve fund for meeting contingencies arising out of direct lending to Primary House Building Co-operative Societies.

- (b) Providing Government Guarantee for loans carrying interests upto 10 per cent and
- (c) Continuance of subsidy for interest differential to HUDCO at 2 per cent of its lendings.

So far as creation of special reserve fund is concerned, Government have not accepted the recommendations because of the fact that HUDCO already has sufficient reserves to meet such contingencies.

As regarding providing Government Guarantee at an interest rate of 10 per cent and continuance of subsidy for interest differentials, the matter is being considered separately.

[Ministry of Works & Housing O.M. No. O-17029/11/11-PS/HI
dated 31st July, 1982]

Recommendation (Sl. No. 13)

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

(Paragraph 13 of Part II)

Reply of Government

The Working Group constituted by the Government to examine the existing financing pattern of HUDCO and suggest changes therein agreed with the observation of the Committee on Public Undertakings that the possibility of utilisation of funds from international funding agencies should be explored.

The Government of India has entered into an agreement with the United Kingdom Government on 18-3-1982 for bi-lateral assistance for financing sites & services. EWS and low cost housing in urban and rural areas. This Ministry has also forwarded proposed proposals for possible bi-lateral assistance to HUDCO for rural housing schemes.

[Ministry of Works & Housing O.M. No. O-17029/11/81-PS/HI
dated 19th June, 1982]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Sl. No. 6)

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

Reply of Government

The Government of India constituted a Working Group to study the existing financing pattern of HUDCO and suggest changes therein. The Working Group considered the recommendation of the Committee on Public Undertakings and observed that HUDCO has always been concentrating on housing schemes for EWS, in which category comes the bulk of the SC/ST population. Besides, some agencies in certain States formulate schemes exclusively or predominantly for SC/ST population. On the basis of available information, 23 per cent of the rural houses sanctioned by HUDCO are for SC/ST. To work out the exact impact of HUDCO schemes on SC/ST, HUDCO is making efforts to collect complete statistical data and has also prescribed that the information regarding SC/ST should be furnished at the loan application stage itself.

As regards coverage of rural LIG by HUDCO schemes, since the bulk of the people in the rural areas fall in the EWS category and in view of the limitation of resources, diversifying activities of HUDCO would dilute its impact on EWS.

[Ministry of Works & Housing O.M. No. O-17029/11/81-PS/HI dated 19th June, 1982]

Recommendation (Sl. No. 11)

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

(Paragraph 11 of Part II)

Reply of Government

The Government of India constituted a Working Group to study the existing financing pattern of HUDCO and suggest changes therein. The Working Group recommended a marginal increase in lending rates in most

of the cases. However no increase was recommended for Sites & Services, Core Housing, Skeletal Housing, Slum—Upgradation & Rural Housing. It was felt that for a financial institution handling large finances, it was necessary to build up considerable reserve to prove its credit-worthiness to lending institutions. Such reserves would also reduce HUDCO's dependence on Government subsidy, which could be reduced in due course of time after sufficient reserves are built. A final decision on the recommendations is being taken in consultation with the Ministry of Finance and the Planning Commission.

[Ministry of Works & Housing O.M. No. O-17029/11/81-PS/HI
dated the 19th July, 1982]

Further information called for

Please state the final decision of Government on these recommendations of the Committee.

(Lok Sabha Secretariat Office
Memorandum 90|2|1-PU|82
dated the 14th July, 1982).

Reply of Government

As already stated the Working Group has recommended a marginal increase in lending rates in most of the cases. However, no increase in interest rate was recommended in case of sites and services scheme, Skeletal Housing, Core Housing, Rural Housing Scheme and plotted Development Scheme (Category A). Recommendation of the Working Group in this respect has been accepted by the Government.

[Ministry of Works & Housing O.M. No. O-17029/11/81-PS/HI
dated 31st July, 1982].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 4)

On the whole the Committee's examination has revealed that the operation of HUDCO in the field of rural housing has been marked by an unduly cautious approach instead of being development oriented. Paucity of funds has been adduced as one of the reasons for the late starting of the operation and poor allocation of funds, therefor. Rural housing accounted for only Rs. 55.12 crores out of the total loan of Rs. 763.09 crores sanctioned by HUDCO up to 1980-81 which worked out to 7.2 per cent. At present 15 per cent of the resources is earmarked for rural housing. Considering the late start of this activity and the magnitude of requirement this allocation seems inadequate. A ratio of 85 : 15 for allocation of resources between urban and rural areas is to say the least not doing justice to the rural areas. The Committee therefore, feel that within the financial resources available the rural areas ought to get a higher allocation of atleast 50 per cent.

(Paragraph 4 of Part II)

Reply of Government

The recommendation of the Committee on Public Undertakings was noted by the Working Group constituted by the Government to study the existing financing pattern of HUDCO and suggest changes therein. The Working Group felt that if HUDCO is lending for rural housing is raised from the existing 15 per cent of the total loan allocations to 50 per cent as recommended by the Committee on Public Undertakings, about 90 per cent of the HUDCO's funds would be earmarked for lending at subsidised rates of interest. This will seriously affect HUDCO's lending programme as it would not be in a position to borrow further funds from the financial institutions. The earmarking of funds for rural housing was raised from 10 per cent to 15 per cent in December, 1980. Since raising it further would reduce HUDCO's capacity to borrow unless a heavy subsidy is provided, the Working Group was of the view that the funds earmarked for rural housing may be kept at 15 per cent.

2. HUDCO has since decided that if in any year surplus funds are available with HUDCO, this would be diverted to augment the loans for

rural housing schemes. The Working Group also noted that during 1977-81 out of 7,06,000 dwelling units sanctioned by HUDCO, 3,80,000 were in the rural areas. This accounts for 53 per cent of the total dwelling units sanctioned by HUDCO.

[Ministry of Works & Housing O.M. No. O-17029/11/81-PS/HI dated 19-6-1982.]

Comments of the Committee

Please see Paragraph 6 of Chapter I of the Report

Recommendation (Sl. No. 14)

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

(Paragraph 14 of Part II)

Reply of Government

The Housing and Urban Development Corporation continues to play a key role in providing housing finance to different state level institutions including the co-operative sector. Its lending programme is primarily oriented towards the EWS and the LIG. As the major public sector housing financial institution, it has a major role to play in formulating policies and programmes relating to housing. It also maintains constant liaison with the State Housing Boards and other State level institutions. To ensure better coordination between the State level institutions, HUDCO has mooted a proposal for setting up an All India Housing Association consisting of HUDCO and other concerned agencies, on the lines of the Indian Roads Congress. However, since housing finance is available from other sources as well including the Government of India and the State Governments, and HUDCO's investment programme form a part of the Plan Programmes and targets, coordination and monitoring should continue to be done by the Ministry of Works & Housing in consultation with the concerned Ministries where the performance of HUDCO will be one of the inputs.

[Ministry of Works & Housing O.M. No. O-17029/11/81-PS/HI dated 19-6-1982]

Comments of the Committee

Please see Paragraph 12 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED.

Recommendation (Sl. No. 10)

HUDCO raises funds from sources like LIC at a higher rate of interest (10.5 per cent) and lends money for rural housing at a lower rate (4-5 per cent). The LIC also provides funds directly to the State Government for housing at 8.5 per cent. The Committee see no reason why LIC should charge a higher rate of interest from the HUDCO for the same purpose. The propriety of this and the advisability of LIC directly providing finance for housing rather than routing it through a specialised agency like the HUDCO should be considered for an appropriate policy decision in the larger national interest.

(Paragraph 10 of Part II)

Reply of Government

LIC/GIC provide loans for housing to HUDCO, the State Governments and the Apex-co-operative Housing Societies at different rates of interest. So far as HUDCO is concerned, the LIC has released loan for 1981-82 at a provisional rate of 10.5 per cent subject to final decision. So far as State Governments are concerned LIC loans are advanced at 8.5 per cent for rural housing and at 10.5 per cent for general housing.

The recommendations of the Committee were considered by Working Group set up by the Government to consider the existing financing pattern of HUDCO and suggests changes therein. The Working Group felt that this should be placed before a higher forum and decided to place it before the Central Council for Local Self-Government and Urban Development. The Central Council for Local self-Government and U.D., in its 19th meeting held in New Delhi on 4th and 5th February, 1982 resolved that the question of routing funds from LIC, GIC and Commercial Banks through HUDCO be decided in consultation with the concerned Ministries of the Government of India, the Planning Commission and the State Governments. As regards routing of funds from commercial banks through HUDCO the views of the Ministry of Finance (Banking Division) are being ascertained. As regards routing of LIC/GIC funds through HUDCO, the views of Planning Commission/Ministry of Finance (Insurance Division) and the State Governments are being ascertained.

(Ministry of Works & Housing O.M. No. 0-17029/11/81-PS/H1
dated 19-6-1982)

Further information called for.

Please state the final decision of Government on these recommendations of the Committee.

(Lok Sabha Secretariat office Memorandum 90|2|1-PU|82
dated the 14th July, 1982).

Reply of Government

A final decision is likely to take some time, since we are ascertaining the views of the Planning Commission, Ministry of Finance (Insurance Division & Banking Division) and the State Governments.

(Ministry of Works & Housing O.M. No. 0-17029|11|81-PS|HI
dated 31st July, 1982)

Comments of the Committee

Please see Paragraph 9 of Chapter I of the Report.

NEW DELHI:
21 October, 1982

29 Asvina, 1904 (Saka)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings.

APPENDIX

(Vide para 3 of the Introduction)

Analysis of the action taken by Government on recommendations contained in the 26th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Housing and Urban Development Corporation Ltd. Rural Housing

I.	Total number of recommendations	14
II.	Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at S. Nos. 1, 2, 3, 5, 6, 7, 8, 9, 12 and 13)	9
	Percentage to total	64.28%
III.	Recommendation which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendation at S. Nos. 6 and 11)	2
	Percentage to total	14.28%
IV.	Recommendation in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. Nos. 4 and 14)	2
	Percentage to total	14.28%
V.	Recommendation in respect of which final replies of Government are still awaited (<i>vide</i> recommendation at S. No. 10)	1
	Percentage to total	7.14%