

Report on the

STUDY OF COOPERATIVE HOUSING IN INDIA (1972)

BY

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INTERNATIONAL COOPERATIVE ALLIANCE

Regional Office & Education Centre for South-East Asia

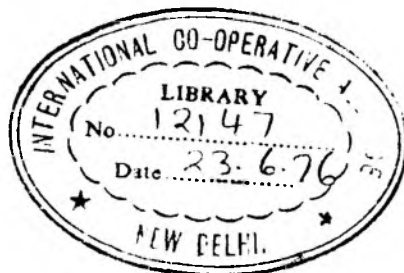
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I wish to express my grateful thanks to the International Cooperative Alliance Regional Office and Education Centre for South-East Asia for the opportunity given to me to study the Cooperative Housing Movement in India. My special thanks are due to Mr J.M. Rana, Director (Education), who did his utmost in providing me with all the possible help and facilities in my work.

I was deputed to bring out a report on some of the experiences that I have had in my study of the Cooperative Housing Movement in India. The report cannot be comprehensive because of the short duration of my stay in India, and also because of my lack of knowledge of the various situations prevailing in the country. Needless to say, my ignorance of the languages of the country makes my grasp of the situation more difficult. In spite of all these difficulties, I hope my report will be of some use to the ICA.

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A REPORT ON STUDY IN TAMIL NADUI. A Seminar in Ooty

On May 5th a Seminar was organised in Ooty on "Economics of Housing in National Development". It was jointly organised by the Institute for Techno Economic Studies, School of Planning and Architecture, National Buildings Organisation and Tamil Nadu Housing Board in collaboration with the Institute of Technology, Madras.

The seminar started in the afternoon of the 5th May and ended before noon on the 7th May. It was attended by the Central Minister of Works and Housing, the Minister for Planning, the Governor of Tamil Nadu, and the State Ministers for Housing and some Ministers from other States. More than 59 papers were read by the various participants of the seminar concerning several aspects of the housing problem. But as the duration of the seminar was so limited that none of these papers could be discussed. The participants had only a few minutes to speak about their respective subjects. The participants came to the seminar with extensive knowledge of the problems involved in not having adequate housing, but lack of time prevented them from exhaustive discussion and acquiring a suitable solution to the problems.

In my opinion, the seminar faced with two distinct difficulties :-

a) The subject of the seminar was too wide and vast to be dealt with in just a few days for any successful result to be achieved. Because of the vastness of the subject, the participants brought forward many divergent aspects of the problem of housing and consequently a joint discussion and solution to the problem could not be adopted in spite of 59 different reports.

b) The time allotted for the seminar was not adequate for discussion of such a big subject. Because, even though the seminar was put up for three days, the first day it began only in the afternoon with introductory speeches, and the resolution was adopted on the third day. Consequently only the second day of the seminar was earmarked for discussion. Due to this, only a general resolution could be adopted and no detailed recommendations could be issued. The discussion on the second day was also mostly about the introduction of the various organisations in relation to the subject of housing and participants of the seminar getting to know one another. Even though the seminar tried to come to a suitable and constructive resolution, it could not do so mainly due to lack of time. However, I benefitted to a large extent in having attended the seminar because it gave me an opportunity to gather a lot of knowledge of the situation of housing in India and also to get acquainted with the participants. I also had the chance of visiting one of the beautiful hill stations of India.

II. Housing Cooperatives in Tamil Nadu

Cooperative housing in Tamil Nadu has been taken under the wing of the State government, namely, Tamil Nadu State Housing Board which was established in April 1961. The State Housing Board has two wings, one wing looks after the government schemes for housing and the second wing is in charge of the cooperative housing societies. From June 1966 the Chairman of the Housing Board is also invested with the powers of the Registrar. He has two executives under him viz. the Joint Registrar and the Deputy Registrar. The Joint Registrar looks after cooperative housing schemes in the urban areas and the Deputy Registrar looks after cooperative housing schemes in rural areas.

By the end of June 1971, there were 953 cooperative housing societies in the State with different designations as is tabulated below :-

Cooperative Building Societies	306
Cooperative Housing Societies	122
Industrial Housing Societies	34
Cooperative House Construction Societies	37
Rural Housing Societies	377
Others	74

The State Government extends financial help to these societies under various schemes as noted below.

1. Lower Income Groups Scheme

This scheme applies to urban areas and is extended to people whose annual income does not exceed Rs.7,200. A member is given a maximum loan of Rs.12,500 or 80% of the total cost of construction of a flat. The cost of each flat should not exceed Rs.25,000.

2. Middle Income Group Scheme

Loan under this scheme also applies to urban areas where the cooperative housing societies operate. The loans given in this group are for people who earn between Rs.7,200 and Rs.15,000 per year. The maximum loan in this case is Rs.25,000 and should not exceed 80% of the total cost of construction of the flat. The total cost of the flat also should not exceed Rs.35,000.

3. Industrial Housing Societies Scheme

This scheme is for the benefit of the industrial workers who are working in the private sector. Loan under this scheme is given to the members through the cooperative societies. A member gets Rs.4,850/- as loan for a two-roomed tenement or Rs.5,600/- if the tenement has more rooms. This amount also should not exceed 80% of the total cost of the tenements.

4. Rural Housing Cooperative Scheme

This scheme is drawn up for construction of houses in the rural areas from 1950. Loan upto a maximum of Rs.10,000 is given under this scheme, subject to the condition that it shall not exceed 80% of the total cost of construction. The cost has to be limited to Rs.15,000 per house.

Other conditions

The loan is given to the members of the cooperative housing societies only for construction of new houses or flats and not for the purchase of existing houses. The period of repayment of all these types of loans is 20 years and the rate of interest charged by government to the cooperative housing societies in 1971-72 was 7-3/4%. In turn housing societies charge the member 1% more for incidental expenses.

The members of a housing society have first to join together to buy the land for construction of houses and flats. The cooperative housing society will then approach the State Housing Board for advancement of loan for building. Normally, the State Housing Board advances only four times the share capital of the housing society as loan. This would not be an adequate amount for construction. Hence, in addition to this amount, in urban areas the Board also advances four times the cost of the land mortgaged to it. In the rural areas, however, the housing board does not advance additional loan on the basis of land value.

In a recent seminar on the "Economics of Housing in National Development" held at Ooty in Tamil Nadu, it was stated by the Tamil Nadu Housing Board that at present there are 576 cooperative housing societies in urban area and 377 cooperative housing societies in rural area with the total share capital of Rs.3.21 lakhs[§] and with the membership of

[§]1 lakh = 100,000

98,000 persons. So far, these cooperative housing societies have been able to build 18,400 houses for the members. The total government loan for these houses amounts to Rs.8.37 crores, and properties are all mortgaged to the Housing Board against the loan advanced for construction.

For the year 1972-73, the State Housing Board has put up a programme for building 250 houses for lower income group for which a loan of Rs.30 lakh will be granted, and 120 houses for the middle income group with a loan of Rs. 25 lakh, and 90 houses for industrial workers with a loan of Rs. 5 lakh, and also 120 houses under the rural cooperative housing scheme with a loan of Rs.10 lakh.

After a few days of study of the activities of the Tamil Nadu housing cooperatives scheme, I have come to the conclusion that the cooperative housing movement in Tamil Nadu has not been a big success. There may be many reasons for this. From my short study, I can see a few of them. For instance :

1. The number of cooperative housing societies in Tamil Nadu, which has a population of 41 million, is very few in relation to the need for housing development. According to the statistics of the Tamil Nadu Housing Board, it is only 953 in June 1971 compared to Maharashtra State which has a somewhat larger population than Tamil Nadu, and which has 5628 cooperative housing societies, the number of housing societies in Tamil Nadu is much smaller. Even Gujarat, which is a smaller state than Tamil Nadu, has about 3,920 cooperative housing societies, for a population of only 26 million. So we can see that the cooperative housing movement is not as well organised in Tamil Nadu as in Maharashtra and Gujarat, and it needs a better impetus.

2. Lack of adequate funds is the other main reason for the slow progress and success in Tamil Nadu housing cooperative schemes. This is evident from the cooperative housing programme that has been put up for 1972-73, in which an amount of Rs.70 lakhs is earmarked for building 580 houses in the four schemes noted below :-

Lower Income Group Scheme	250 houses
Middle Income Group Scheme	120 houses
Rural Cooperative Societies Scheme	120 houses
Industrial Housing Scheme	90 houses
Total	580 houses

According to the last census in 1971, the increase in population of India was 2.66% annually over the last decade. In Tamil Nadu the population increase has been to the tune of over a million people per year and one can envisage an additional number of more than 200,000 houses to shelter only this increase in population.[§] When one takes into consideration the necessity of repairing and rebuilding of existing houses and the challenge to overcoming the shortage of houses, then we are forced to admit that the contribution towards housing tendered by cooperative housing movement is negligible.

3. The third reason for the lack of progress of cooperative housing movement in Tamil Nadu is the absence of an apex society. The first recommendation of the Working Group on Housing Cooperative was the organisation of an apex society wherever there were more than 100 cooperative housing societies. The main job of the apex society is to collect

[§]This assumption should be modified in the context of the Joint Family System in India; the actual need of new houses would be smaller than that mentioned above.

funds from the government and semi-government institutions and also from the private sector and then channelise them to the different housing cooperative societies. The success of the cooperative housing movement in the States of Maharashtra and Gujarat is due to the help and the cooperation given by the apex societies in those States. In the last year alone, the apex society of Maharashtra paid an amount of Rs.67 million as loans to the various cooperative housing societies.

4. In Tamil Nadu the Government seems to exercise excessive control over all the activities of the cooperative housing societies, and the Housing Board. The Chairman of the Housing Board who also functions as the Registrar of Cooperative Societies has other responsibilities in addition to the promotion and development of cooperative housing societies. The available data suggests that this combination of double responsibilities viz. of promoting government schemes of housing and cooperative housing schemes has led to relative neglect of the development of cooperative housing.

I observed in Tamil Nadu that the government housing schemes have been promoted to a great extent to the detriment of the cooperative housing societies and it seems that the cooperative schemes have been sacrificed. This is clearly evident in the financial allocation for the year 1972-73 of only Rs. 70 lakhs for the cooperative schemes whereas the government schemes have been provided a sum of Rs.3,61,47 crores. This shows that the cooperative schemes get only 19% of what the government schemes are given. So we cannot expect any solid success from them. Also in this State the government pays only four time the share capital as loan to the societies whereas in Maharashtra, it is ten times, and whereas the Working Group on Housing Cooperatives has recommended thirty times. I did come across a few successful cooperative housing societies, for instance in Pollachi, there were good housing cooperative societies. But these have been organised by the

better class of people who have enough means to run the cooperative society without much financial help from the government. These societies furnish their own amenities and other facilities for their cooperative societies.

Another reason for the lack of success of the cooperative housing schemes in Tamil Nadu seems to be the absence of cooperation between the cooperative schemes and the municipality. There are many housing schemes completed, but without the facilities of water, drainage and other essential amenities. Consequently, the people are reluctant to make use of the cooperative schemes.

Another suggestion brought forward by the Working Group of Cooperative Housing is that a cooperative urban bank should be set up for the purpose of helping financially the cooperative housing schemes.

My strong and sincere suggestion is that a cooperative bank for housing societies should be set up in Tamil Nadu because the cooperative housing societies do not get adequate help from the government. This bank could collect funds from various sources in the shape of deposits, savings, etc. and channel this fund for helping the cooperative housing societies.

II

MAHARASHTRA COOPERATIVE HOUSING FINANCE SOCIETY - ITS
CONTRIBUTION FOR SOLVING HOUSING PROBLEM FOR MIDDLE
AND LOW INCOME GROUPS

The Maharashtra Cooperative Housing Finance Society (MCHFS) was established on 15th August 1960 for helping the cooperative housing societies with monetary help by way of long-term loans in Maharashtra State. This scheme is meant mainly for the middle and low income groups of people. The MCHFS is actively involved in helping all the 26 districts of the State. Before the MCHFS was established, there was already the Bombay Cooperative Finance Society which had its activities in the city of Bombay alone.

Membership

The cooperative housing societies in Maharashtra State which are governed by the cooperative Act of the Maharashtra Government become members of the MCHFS. On 30th June, 1971 there were already 2,128 members.

Funds

The funds of the MCHFS is made up of share capital that has been bought up by the members and State Government of Maharashtra. A part of the fund is also acquired by loans from the Life Insurance Corporation of India. The statistics given below show the position of the funds over the period of years.

TABLE - I

	<u>1960-61</u>	<u>1965-66</u>	<u>1970-71</u>
1. Paid Capital	16,10,000	1,12,80,000	3,42,68,000
Share of Govt.	15,00,000	50,00,000	80,00,000
Others	1,10,000	62,80,000	2,62,68,000
2. Reserves	2,174	19,52,000	88,02,000
3. Loan from L.I.C.	30,00,000	9,96,53,000	34,94,18,756

Share Capital

Each cooperative housing society is required to buy at least one share of Rs. 500 at the time of registration. Also while approaching the MCHFS for a loan, the cooperative society is expected to buy share capital to the extent of 5 - 10% of the loan applied.

Loan from LIC

The largest main source of funds for the MCHFS is the Life Insurance Corporation of India. From 1960 to 30th June 1971, the LIC had given an amount of 39 crores in fifteen different loans.

Loans given to cooperative housing societies

The loan to the cooperative housing society is advanced against the mortgage on land and property of the housing society, provided the MCHFS architect has approved of the plan and construction and also about 35 per cent of the total cost has already been invested on construction. The loan is advanced in four different instalments, and the loan is to be repaid over a period of 20 years in 80 equal instalments by the cooperative housing societies.

The rate of interest charged to the cooperative housing societies is generally 1% more than the rate of interest that the MCHFS has to pay to the LIC. If the cooperative housing societies are very regular in the repayment of the loan instalment and the interest thereof, the cooperative housing society is entitled to a concession of half a per cent on the rate of interest. The current rate of interest that is paid to the LIC is 7%; so the interest charged to the cooperative housing societies would be between 7½ to 8%.

All the individual members of the cooperative societies have to take out life insurance policies with the LIC.

The table below shows the loans that the MCHFS has paid to cooperative housing societies :-

<u>Years</u>	<u>Loan amount</u>
1960-61	34,86,000
1961-62	1,54,77,000
1962-63	1,95,23,000
1963-64	2,28,69,000
1964-65	3,61,88,000
1965-66	1,17,43,000
1966-67	4,64,38,000
1967-68	5,39,39,000
1968-69	5,70,27,000
1969-70	7,23,51,000
1970-71	8,31,17,000
Total	<u><u>42,21,58,000</u></u>

The MCHFS had sanctioned an amount of Rs.76.72 crores for cooperative housing schemes to build 56,113 flats in Maharashtra State uptill 30th June 1971. And to date the cooperative housing societies have completed 22,608 flats and the construction of 33,505 flats is under way.

Growth of the demand for loan

In proportion to the increase in population in the urban areas of the state and the consequent demand for more houses, more cooperative housing societies have been formed and those societies depend entirely on the MCHFS for loans towards building flats for the people. So the demand for financial help from the MCHFS is rapidly on the increase. In the year 1969-70, the number of applications for loan from the cooperative societies was 237 to build 6,597 flats and the amount of financial help asked for was Rs.9,04,31,000 crores. In 1970-71 the number of loan applications increased to 365 for building 10,341 flats with the financial aid of

Rs.15,12,39,000 crores. The table below shows the number and membership of the cooperative housing societies in Maharashtra State from 1961 to 1970 :-

<u>End of the June</u>	<u>No. of Societies</u>	<u>No. of membership</u>
1961	1,495	76,473
1962	2,271	104,541
1963	2,683	120,004
1964	3,091	141,327
1965	3,661	159,919
1966	4,073	178,327
1967	4,486	190,260
1968	5,031	208,539
1969	5,628	230,651
1970	6,519	Not available

To appreciate the growth and progress of cooperative housing schemes in Maharashtra, one has only to compare the number of housing societies in this State to those in other States as on June 1969^s:-

<u>Name of the State</u>	<u>No. of housing societies</u>
Maharashtra	5,628
Gujarat	3,920
Tamil Nadu	968
Mysore	820
Uttar Pradesh	693
Andhra Pradesh	597
Orissa	498
Madhya Pradesh	419
West Bengal	322
Delhi	270

^sThis is a rough comparison, as the size of the States vary.

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The table above shows that the movement and growth of cooperative housing has been very successful in Maharashtra state, and the causes for this progress can be attributed to : (a) Maharashtra was the pioneer State in starting cooperation in housing, (b) After the partition of India in 1947, a large number of displaced persons were forced to settle down in Maharashtra State, (c) Industrialisation and the consequent urbanisation called for greater effort for more housing. Because of the last two factors the population in this State became so large that urgent measures had to be taken to relieve the congestion of the population, especially in Bombay city and Thana. We find that out of the 6,519 cooperative housing societies that have been registered in the State, 3020 cooperative societies are in Bombay and 299 in Thana.

These cooperative societies need a great amount of financial help to function properly. Consequently, the MCHFS was formed to be of assistance to these societies. But the MCHFS is unable to meet the full demands of the cooperative housing societies due to lack of sufficient funds.

The funds of MCHFS comprises share capital from the members, shares taken out by the government and loans from the LIC.

1. Each member of the cooperative society is expected to buy share capital to the tune of 5 to 10 per cent of the total amount of loan applied for, from the MCHFS. It is not practical to increase the percentage of the share capital as the members cannot afford to pay more than this amount. Even the 10 per cent contribution would be of great financial strain on the members who are mainly of the middle and lower income groups of people.

2. The MCHFS in June 1971 had a total fund of about Rs.40 crores of which the government share capital amounted to only Rs.80 lakhs. This amount comprising only 2% of the total fund is very insignificant.

The cooperative societies to operate successfully need substantial financial help at a low rate of interest. In this matter the government alone can extend appreciable help.

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If the government could contribute sufficient funds to the MCHFS the 'members' share capital could be reduced to a lower percentage than 5 to 10. The members who are of the lower and middle income groups have great financial strain in paying this 5 to 10% of the share capital and if they could be relieved of this, the amount thus saved could be utilised by them in construction of their flats.

3. The major portion of the funds of the MCHFS comes from the LIC. The LIC charges at present 7% interest on the loan to the MCHFS. The MCHFS charges 1% interest from the cooperative housing societies, in addition to what it pays to the LIC. This means that the members of the cooperative housing societies have to pay 8% interest on the loan taken from the MCHFS. This rate of interest becomes too high for the members, the majority of whom belong to the middle and lower income groups of people. Generally, these members would have already taken loans at interest from the LIC or the provident fund for their contribution towards the initial 35% which is required for the construction of the flats by the cooperative housing society. So the financial strain on the poor member becomes too much and repayment of the instalment of loan is difficult.

In view of the urgent need to rapidly develop housing, it is essential that loans are made available at a lower rate of interest viz. 3 or 4 per cent. This can only be done by government policy to subsidize the interest rates on housing loans. With such a policy, the LIC could be persuaded to advance the loan to the apex housing society at a rate of interest much lower than the current rate of 7%, may be 3 to 4% so that the members of the cooperative housing societies in turn need not be made to pay an exorbitant rate of interest on the instalment of the loan.

Taking into consideration the various difficulties faced by the MCHFS in helping the cooperative housing societies to function successfully, the main problem seems to be the lack of adequate funds. This can be relieved only if the government share capital can be increased very much more than what it is now, and also if the LIC and other loans such as debentures could be procured at a nominal rate of interest.

III

FINANCING OF COOPERATIVE HOUSING SOCIETIES
IN MAHARASHTRA STATE

For obtaining sufficient financial assistance for the housing scheme, the Cooperative Housing Societies have to approach the Maharashtra Cooperative Housing Finance Society (MCHFS) in Bombay which is the apex housing society in Maharashtra. In addition to the application for financial aid, the Housing Society had to furnish various particulars to satisfy the MCHFS. For instance :

1. The Title deeds are required of the land on which the houses are to be constructed, or if the Government has given the land, the certificate regarding the land given has to be submitted.
2. The cooperative society has to certify that the members of the housing scheme have already been residents of Maharashtra State for over ten years.
3. The plan of the land on which the houses are to be built has to be first approved by the Municipality and then submitted to the MCHFS.
4. The construction plan of the houses have also to be approved and submitted.
5. Since the financial aid is meant for lower and middle income groups of people, the housing cooperative has to submit a list of the income of all the members of the Cooperative Housing Society.

After all these certificates and relevant papers have been submitted the MCHFS will send their own architect to inspect the land and building plans and only when they are satisfied that everything is in order, they will sanction the financial aid.

The financial loan extended to a cooperative scheme does not exceed the following maximum limits :

- (a) 36 times the monthly income of the members of the cooperative society.
- (b) 65% of the total cost of the land and construction in Bombay city, 70% in Thana (suburban area of Bombay) and 80% in other districts of the State.
- (c) Rs.27,000/- for each member.

The actual amount loan, however, is equal to one of the three above alternatives whichever is the least.

The maximum loan that a cooperative housing can get will not exceed Rs.25,00,000. Over and above this loan from the MCHFS whatever is the cost of the project, should be met by the cooperative society and this amount has to be shown in building construction scheme before the loan is advanced. No cooperative housing society can get loan if the carpet area of each flat exceeds 75 sq.mt. in Bombay and Thana, and 100 sq.mt. in Poona.

The loan from the MCHFS is paid to the housing project in four instalments :

- (a) 30% of the loan is advanced when the cooperative society has already invested its share of the 35% of the building cost in Bombay and Thana and 20% in other districts.
- (b) An additional 30% of the loan is advanced when the initial 30% loan has already been invested in the construction.
- (c) The next instalment of the loan is paid when the two previous amounts have been totally invested on the construction.
- (d) The last 10% of the loan is paid when the construction is almost complete.

The MCHFS holds in mortgage the land and building of the cooperative society as security until such time as the loan is completely repaid.

The rate of interest on the loan is $1\frac{1}{2}$ per cent. more than the interest that the MCHFS has to pay to the Life Insurance Corporation of India for the original loans.

The maximum period to repay the loan is 20 years. Payment of loan is in quarterly instalments.

Also if a housing cooperative society takes a loan from the MCHFS, it has first to pay up a share capital amounting to 10% of the total loan in Bombay and Thana; in other areas in Maharashtra, if the loan exceeds Rs.10 lakhs the contribution is 6% of the total loan and upto Rs.10 lakhs the contribution is only 5%.

The housing cooperative has also to meet the expenditure on legal advice, architect's fees, mortgage fees and other incidental items. Until such time the loan is repaid the MCHFS insures the building of the cooperative society against fire. Each member of cooperative society takes out a life insurance policy to safeguard his interest in the cooperative scheme. These are a few of the important rules and regulations which govern the MCHFS and the loans given by them to the cooperative housing schemes. After making a study of the working of the apex finance society in Maharashtra, which has made an important contribution in relieving the still enormous housing shortage in the State, I beg to put forward a few suggestions for improving the working of this society. The first thing that struck me in the society was the undue delay for the society in securing the loan. There may be many reasons for the delay, some of which have come to my notice. For instance :

- (a) Time taken in preparing in loan application is much. There seems to be a lot of unnecessary delay in compiling all the relevant documents that are needed by the housing society to approach the MCHFS

for the loan. I would suggest that sending these papers by post could be avoided, because at times the application not being complete, a lot of correspondence has to be sent to and fro until the application is finally ready for the Finance Society. But if a responsible representative of the cooperative society could approach the Finance Society directly the matter could be settled in one or two meetings.

- (b) There is a lot of delay in getting the primary approval of the architect to the plans and documents. This is because the architect does not work full time for and sit in the office of Finance Society. A lot of time would be saved if the architect is available at the same time as the application for the loan is being discussed.
- (c) A further cause for the delay seems to be in getting the sanction of the loan. The sanction of the loan is decided by the Board of Directors which generally meets once a month. If for some reason the decision is not taken at one meeting there is more delay in getting the loan. One would like to suggest that the decision be left in the hands of the Manager, Deputy Manager and their assistants who can take the decision about the loans every day and quickly.
- (d) There is more delay in getting the Solicitor's signature on the certificates which cover the mortgage of the property of the Housing Society. Certainly the Solicitor should be able to complete the investigations regarding the registration and other matters in a week at the most. It would appear that the solicitors work for the housing society takes as much as one or two months or even more. With so much delay in the initial stages the housing cooperative faces a lot of difficulties in starting the building project. As the prices of building material and labour go up considerably in the mean time, the members of the

cooperative suffer by having to pay a great deal more for their flats than was primarily agreed upon.

I would also suggest a few changes in the technical aspect in the working of the finance society.

1. The loan from the finance society is advanced in four instalments. The Maharashtra Finance Society keeps four different accounts for this purpose. Instead of this, if they could keep one consolidated account for all the four instalments it would simplify the work of the MCHFS and the members of the cooperative society would find it easier regarding repayment of loan. The MCHFS now has 6,000 accounts to manage and it would be simpler to cut it down to only 1,500 single accounts.

2. The Finance Society (MCHFS) keeps an account of the loan in separate columns with the interest and principal running side by side, and everytime the instalment on the loan is paid by housing society, the interest on this amount is calculated and tabulated. One suggestion is that all the instalments on the loan could be deducted from the principal and at end of the financial year the interest calculated upon it.

3. The MCHFS keeps 6,000 loan account. The cost of handling Rs.4 per account excluding the staff salaries. If the accounts could be brought down to only 1,500 a clerk would be able to do the accounts at much lower cost.

4. The repayment of the loan is done by Cheque by the Housing Society and the MCHFS seems to give a receipt for the cheque and deducts the amount from the loan account immediately without first checking that the cheque will be honoured by the bank. This procedure is highly irregular and against all principles of accounting. It is needless to suggest that MCHFS would be well advised to check that the loan repayments are in order before receipts are issued to the housing society. Also, MCHFS must keep the amount in suspense account and when credit advice is received, then transfer it to housing cooperative loan account.

5. In the working of the architect also a small suggestion could be made. The architect in Bombay seems to take a great deal of time to compile a report about the land and building plan of the cooperative society. What the MCHFS could do is to draw up a set of questionnaire and have a printed form which can govern the task of the architect. It should be easy enough for the architect to answer the questionnaire whether the land and building plans and the construction already done by the cooperative society conforms to the requirements laid down by the MCHFS. If the architect submits his report without much delay, the MCHFS will be able to take a decision about the loan soon.

6. It was noticed that the mortgage deed of the land and property runs into a very lengthy and detailed report, (which has to be made out in at least 6 copies) pertaining to all the details of the procedure of the loan. These details regarding loan procedures are not necessary in the mortgage report, and if these details could be eliminated, the mortgage deed could be written in brief covering important points relating to mortgage conditions only.

7. In MCHFS mortgage deed the terms of repayment of the loan is binding on the cooperative society alone. In this case if any member of the cooperative society defaults in the payment of the instalment for the loan, the cooperative society alone is held responsible and MCHFS is powerless to collect the amount from a member or to proceed against him in the court. The mortgage deed can be so framed that the member of the cooperative society should also be held individually responsible for repayment of the instalment of the loan and other conditions and failure to do so will lead him to the court of law for judgement.

8. With regard to the repayment of the loan, a suggestion could be made that the record of the instalments being paid is so computerised that in case the cooperative is

in a position to pay more than the stipulated amount the MCHFS is unable to accommodate it. It would be a great help to the members and to the cooperative society if the MCHFS could accept even part payment of the instalment.

9. The system of repayment of the loan in instalment could also be modified, because the present system of repayment calculates more interest from members who pay regularly than from others who pay one instalment once a year.

10. At present, the main source of finance for the MCHFS is loans from the Life Insurance Corporation of India. Excepting the share capital raised from members, the MCHFS is not raising any funds from members, prospective members and the general money market. To enable the MCHFS to help more cooperatives, it should issue the debentures and also open savings accounts and deposit accounts. If MCHFS can pay a little higher interest, more people will be encouraged to open accounts with them. This way the MCHFS can have more funds and thereby help more cooperative societies in building more houses for the people.

IV

GLIMPSSES OF THE HOUSING COOPERATIVE IN INDIA

In a short study of the Housing Cooperatives in India, I have gathered that the Cooperative Housing Movement in this country is several decades old. In fact, the earliest cooperative housing scheme was established in 1915 in Bombay. This shows that the problem of Housing shortage in India was very acute, even then, and the role of housing societies in sheltering the millions was a very important one. Since then the cooperative housing societies have been spreading all over the country, but there was noticeable progress in the movement only in the last decade. The table below shows the progress of housing cooperative movement between the years 1958-59 and upto 1967-68 :

Years	No. of societies	Working capital in Crores Rs.	Member-ship in Lakhs	No. of Houses constructed	Cost of Houses in Crores Rs.
1958-59	4,744	44	281	44,721	3,316
1959-60	5,564	55	322	45,675	3,841
1960-61	6,458	58	380	32,677	2,791
1961-62	7,877	71	456	28,188	2,475
1962-63	8,909	92	526	38,809	2,443
1963-64	9,896	114	624	43,053	4,871
1964-65	10,987	131	700	34,386	3,732
1965-66	11,778	141	762	32,462	3,631
1966-67	12,739	105	823	31,779	2,424
1967-68	13,834	207	902	33,555	3,184

These figures at first glance seem very hopeful for the cooperative movement, because we see that in the last decade the number of cooperative societies have increased from 4,744 in 1958-59 to 13,838 in 1967-68 which is about a three-fold increase.

Besides this, the working capital of the cooperative societies had also increased from Rs.44 crores in 1958-59 to Rs.207 crores in 1967-68, and this increase is about eight times. The membership of the cooperative housing societies have also increased in the last decade from 2.81 lakhs to 9.02 lakhs - a four-fold increase. But, on closer inspection and greater analysis one is forced to derive the conclusion that the movement has not been as successful as it should have been.

We find that for 13,834 housing societies, the working capital is only Rs.207 crores, which shows that each society has a meagre amount of only about Rs.150,000. The average membership of each society is about 700, so each society is forced to work with the capital of only Rs.150,000/- to provide houses for 700 members. This is almost an impossible situation.

In the year 1967-68, the number of houses built by the housing societies movement was 33,555/-. To understand the paucity of this number, one should take a glance at the total housing shortage. The shortage of housing in the beginning of the Fourth Five Year Plan (1969) was 83,100,000 units - 11,900,000 units in urban area and 71,800,000 units in rural area. Every year there is a need for 2,000,000 more houses. So at the beginning of the Fourth Five Year Plan to meet the challenge of the housing shortage in a period of 20 years, the number of houses to be built should be as follows :-

For normal growth per year	2,000,000 units
For rebuilding of old houses at the rate of 1% per year	837,000 units
Against current shortage per year	418,500 units
	<hr/>
Total	3,255,500 units
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It can be observed from the above that against the requirement of 3,255,500 units, the housing cooperative schemes are only able to build 33,000 houses, which is about 1% of the requirement. So it is evident that the efforts of the cooperative housing scheme to meet the housing shortage have not been successful. Some of the important reasons for this situation are given below.

(a) Generally, the members who join together to form a cooperative society, belong to the lower and the middle income group of people who do not have enough means to put up the initial amount towards purchase of land and cost of construction. So the cooperative housing society takes a long time to start functioning. Sometimes this period is about 5-10 years. Because of this delay, people are reluctant to join a cooperative housing society.

(b) Government does not seem to extend adequate help and encouragement towards the cooperative housing schemes. For instance, the Central Government currently has given help only for four schemes for the benefit of the lower and middle income group of people, the industrial workers and for the rural housing cooperative schemes.

These schemes are being implemented by the State governments. The State governments do not give top priority to housing schemes and are free to make allocations to cooperative housing societies and other direct-aided housing schemes as well as to housing and other projects.

(c) The government also does not have a very clear picture of the dearth of houses in the country and is probably not able to assess the number of new houses needed every year in order to meet the challenge of the housing shortage, and of this number, what is the quantum of construction to be allocated to government sector and to the cooperative housing schemes and private sector.

(d) The land prices having soared so very high in recent years, the cooperative housing schemes find it beyond their means to purchase land in urban areas and to construct houses within a reasonable amount of money. Also the government's help and the LIC loans to housing cooperatives are available only for the construction of houses and not for the purchase of land.[§] So the members of cooperative societies have an uphill task in saving adequate amount of money for buying the land, especially when the members of the cooperative are generally of the lower and middle income group of people.

(e) Apart from land prices, the cooperatives have also to contend with soaring prices of building materials and also the high cost of labour.

(f) The cooperatives are not able to get loan or other financial aid at a low rate of interest. The largest resources of the cooperative housing schemes are through LIC loans which are available with government guarantee and currently at the rate of interest of 7%. This loan goes first to the apex societies which in turn charges the cooperative housing societies an additional interest of 1%. The apex societies in some States have to pay the government 1½% commission for guarantee. Over and above this, the cooperative societies have their running expenses. So altogether the members of cooperative housing societies have to pay more than 10% interest on the loan, which is very hard on a lower and middle income wage earner.

(g) Because of the malpractices in the management of some of the housing cooperatives, the general public is reluctant to invest its hard-earned savings into cooperative housing societies.

[§] Direct loans from LIC are available to individuals for purchase of land against the society of their life policies.

These are some of the difficulties faced by the housing cooperative movement in India and in spite of the cooperative movement having been started in the country for several decades, it has not gained as much success and progress as could be expected.

So, if the government of India wants to take up the challenge of the housing shortage in the country and also wants to implement its policy towards the progress of the housing cooperative movement it should take into serious consideration this movement, and all its difficulties. The entire movement should be reviewed again and all the weak points removed. A new programme and comprehensive programme which will give a new impetus to the movement should be launched. A few suggestions in this regard are given below :

(1) The first need is to get a correct survey of the actual shortage of the housing position in the country, because there are at the moment many different versions of the situation.

(2) The government should put up a long-term programme for about 20-25 years to overcome the housing shortage, and this programme should stipulate how many houses should actually be built in each year. The programme should also stipulate the proportion of houses to be constructed by the cooperative private, and public sectors.

At the end of each year a strict and comprehensive survey of the houses constructed should be made and in case of any deterioration in the quality and deficit in the number of houses built in the previous year, adequate plans should be made to cover this shortfall. Along with this, the planned programme for the current year should also be carried on.

(3) Effective steps should be taken to prevent the management of housing cooperative societies from indulging in some mal-practices that are now being practised.

(4) In the national development plan the central government should give a high priority to housing sector in the country, and a larger budget should be ear-marked for housing schemes. From this budget, more financial help should be extended to the apex housing societies, which in turn will render greater help to the cooperative housing schemes. Additional government help can be given by exempting the cooperative housing societies from taxes and duties more than what is charged now.

(5) One of the biggest difficulties faced by the cooperative housing schemes, is the non-availability of suitable land for construction of houses. The government could organise schemes whereby large tracts of waste land could be developed and given over to the cooperative societies for construction of houses.

(6) The main financial resources of the cooperative societies at present are from LIC loans. But this amount is not available at low cost nor is it enough for the requirement of all the housing societies. In March 1970, the LIC advanced a total loan of Rs.257 crores for housing of which the cooperative housing societies received only a little over Rs.15 crores. This amounts to only 6% of the total LIC loan. Government should ask the LIC and other semi-government organisations to advance bigger loans at a lower rate of interest than is being done now.

(7) Government can help to establish apex housing cooperative societies in all the States of the country and by giving a large contribution to share capital. These apex societies can help the cooperative housing societies to a larger extent by advancing funds.

(8) Government could help to establish a cooperative bank for housing in all the States of the country. These banks can accumulate large amounts of money from small savings and deposits of the people and channelise it for the use of the

cooperative housing societies. People could be encouraged to save in the urban bank by suitable advertising and also by promising a little higher interest.

The United Nations brought forward a proposal that all the developing countries in the world should manage to save 20% of the National Income per year, and also this saving should be re-invested in the country every year for various development schemes. In India in the year 1968-69, the domestic saving was estimated to be Rs.2,530 crores which is about 8.8% of the National Income. It is evident that a great deal of money is out of circulation and lying tied up. So, if the urban Banks could be made to advertise widely and also give a little higher rate of interest, they could collect a great part of that dead money which at present is not being put to effective use.

(9) There should be a firm demarcation between the schemes of direct building of houses by the government and the cooperative projects. The budget that is allocated for the cooperative schemes should be utilised entirely for those schemes, and in case, there is any surplus in the budget, that amount could be carried over to the next year. The State government should refrain from investing the finances earmarked for cooperative housing on government building schemes.

(10) The government should ask industrialists to plan and execute housing schemes for all their staff and labourers side by side with the factories or industrial complexes. These housing projects should be carried out on a cooperative basis. The government should not issue licences to industrial units until the housing schemes are also included in their plan.

(11) The government should employ their own architects to design and draw up different kinds of plans for houses to suit different income group of people and these plans could be adopted by the cooperative housing schemes to suit their members. This would be a great financial saving to the cooperative schemes if government plans are available for their

construction. These plans having been got ready after long research work by the government architects would be the most suitable and least expensive for cooperative housing schemes. I would also mention that if government extend more support to the National Building Organisation and try to develop their activities in all States in India, it will bring useful result in implementing the above suggestion by the N.B.O.

These are only a few suggestions for the improvement and greater success of the cooperative housing movement in India. The government should render a great deal of support and encouragement to make the cooperative housing movement successful and show better results than it does at present. The support and encouragement should not lead to undue interference and restraint but could give plenty of guidance and patronage.

COOPERATIVE HOUSING IN IRAN

by

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Iran is a country of 1,648,000 sq. km. and has been progressing considerably since the past five decades.

Now after the WHITE Revolution^{**}, Iran is developing in many spheres. We are advancing in agriculture, industry and several social activities.

Our population is about 25,323,000 with a rate of growth of 2.6 per cent in a year. In the last census taken in 1966 we found that 20 per cent of the people of Iran have become poorer by 50,000 Rials (Rs. 5,000) per year and so these poor people are to be helped. In all spheres the government of Iran is trying to help the people in many ways and one of these ways is by starting cooperative projects, and in developing and promoting the cooperative movement in all sections of life.

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** - The "White Revolution" is a programme for speedy social and economic development of Iran. The programme was proposed to Iranian people by Shahanshah Arya Mehr, in 1962 and was approved in a referendum by them.

One of the problems, the Government of Iran has to tackle is the housing difficulty of the people, especially of the poorer class and the lower income group of people. In the last census we found that for 1,960,000 families in urban areas, we have only 1,300,000 houses and at that time we had about 660,000 houses less than the number required to house the people comfortably. Since 1966 the houses that have been constructed have fallen far short in number, to the requirements of the growing population, and so in 1972 the problem of housing has become more acute than in 1966.

We seek to learn from the example and experience of other developing countries, for improving the condition of housing of the poor people in Iran. The Government of Iran selected the Housing Cooperative Societies for attacking the housing problem because cooperative societies can make a useful contribution in this field for persons in the low and middle income groups.

In the Parliament of Iran in 1967 a law was passed for the "promotion of saving for housing" and one of the articles of this law is to allow the Mortgage Bank of Iran to help in the establishing of the Housing Cooperatives in any place that is suitable.

The Mortgage Bank of Iran is a government Bank and the only bank in Iran whose activities are entirely devoted to the problem of housing. Since many years this bank has been trying to help the people with long-term loans at low rate of interest

to construct or to buy residential houses.

Mortgage Bank has started a research project for establishing a set of rules for the housing cooperatives and a special department has been set up to deal with cooperative housing and 'saving and loan association'.

In 1968 a set of rules were made by this department to guide the housing cooperatives.

In one of the articles of these rules it is stated that the housing cooperative has to acquire suitable land for housing projects from the Government of Iran.

Another article is that the Central Bank of Iran should advance the money for the purchase of the land to the Mortgage Bank and only then the Mortgage Bank can give the money to the housing cooperatives.

When the housing projects are completed and the members of the cooperatives have taken over, the houses are to be mortgaged to the Bank until the full amount of money is paid back. The loan will be given by the Mortgage Bank at 6 per cent rate of interest and normally the loan from the Mortgage Bank is to be returned over a period of 15 to 25 years.

The Mortgage Bank helps the promoters in preparing the articles of association of a housing cooperative proposed to be organised by them. These articles are then examined and approved by the Central Cooperative Organisation. Then the society is registered with the Registry Office for Companies.

So far we have about 70 cooperative housing societies but unfortunately these societies have not been able to start any projects for the following reasons :

1. The land available for housing projects within city limits, where house construction is permitted is very limited. No house construction is allowed outside defined city boundaries. Hence, the price of land is very exorbitant. The government also owns some vacant land, which is usually on the outskirts and which is not yet suitably developed. Even this land is very expensive and beyond the reach of ordinary people. Further, people do not like to purchase such undeveloped land on the outskirts where usual civic facilities are very difficult to get. The government also finds it difficult to properly develop these land due to economic reasons.
2. Before giving the land to the housing societies, the government wants a guarantee that a bank will advance a loan to the housing society for building construction. The government needs an assurance that :

- (a) the housing society is able to carry out the building projects and finish them,
- (b) the housing society will not sell government land at a profit at a later date. In Iran the price of land rises day by day and very high. This is a big problem. The government will not give land to a housing society before the bank gives guarantee as above. However, the bank is not willing to give the guarantee unless land is mortgaged to it.

3. The Mortgage Bank was short of funds for giving loans to cooperative housing societies. Whereas the total capital of the

Bank was 5 billion Rials, it had advanced loans to the private sector for housing amounting to more than 9 billion Rials.

4. The commercial banks have also difficulty in advancing loans to the housing societies because :

- a) a bank has to pay its depositors an interest of about $7\frac{1}{2}$ per cent over and incur many other expenditures, but it can charge the housing society only about 6 per cent interest according to the rule formulated by the Central Bank of Iran.
- b) a commercial bank cannot charge the housing societies a rate of interest higher than 6 per cent. As against this, in the private sector a very high interest can be charged i.e. about 12 per cent for loans upto three years.
- c) the banks do not like giving long-term loans to the housing societies because they get better interest from the private sector even on shorter-term loans. The banks also do not like to give the guarantee to the housing cooperative societies for the government.

Because of these difficulties that the banks and housing cooperative societies are facing, the government of Iran has recently put forward a new scheme.

As the Mortgage Bank did not have enough funds, the government last year tried to help the Mortgage Bank and gave a loan of 100 million Rials to it for the sole purpose of lending to the housing cooperative societies.

The Mortgage Bank now has enough funds to advance loans to the housing cooperative societies, but these societies do not have suitable land for starting housing projects. As government land is away from the cities and not properly developed, the government is preparing projects to improve the land and provide suitable facilities for housing.

The present situation of housing cooperatives in Iran is that the government land has first to be developed and then allotted to the housing cooperative societies.

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