

# **ABSTRACT**

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## **TREND IN HOUSING AND HOUSEHOLDS IN INDIA**

The housing situation in India today is highly dynamic due to the dual factors – decline in the household size coupled with increase in income. In tune with the changing scenarios, Government and National Housing Bank (NHB) as an apex house financing institution have brought about changes in house financing policies and procedures.

The average number of persons per house in urban area has declined continuously; on the contrary the scenario in rural sector is fluctuating. Occupancy i.e., the persons per house in both the urban and rural areas has become almost equal by 2001. The average number of persons per household in urban and rural areas showed a fluctuating trend.

The decennial growth rates of urban & rural population have shown a declining trend during in the past two decades. The growth trends in housing and household formation in the past two decades have more or less followed the trends of population growth in both urban and rural areas. Residential housing stock has shown higher growth rate than the households in both urban and rural areas in the last five decades. 73 percent of urban housing and 76 percent of rural housing in 2001 were under residential use. Use of more and more permanent building materials for the construction of walls and roofs is becoming more popular in rural areas also.

The average annual housing completions in urban areas per 1000 population were around 7 housing units during the past three decades. The United Nations recommended norms for the annual housing completions is 8 to 10 housing units per 1000 population for developing countries.

Larger proportions of houses in the rural areas, where more than 70 percent of population reside need upgradation structurally as compared to that of the urban areas. The tendency to own a house has shown increasing trend among the urban households.

Availability of safe amenities like drinking water, toilet facilities and electricity in the urban as well as rural areas has improved. Though the progress is noteworthy, the uncovered gap calls for attention on priority basis.

The preference to better quality of building materials for more durability of the housing units seems to be increasing in the past few decades both in urban as well as rural areas.

The average housing unit cost in urban areas has increased by about 4.5 times between 1981 and 2001 whereas, in rural areas it has increased by about 7 times in the same period. The cost of construction of an urban house is about 3 times more that of a rural house.

## **MACRO ECONOMIC DEVELOPMENT AND CAPITAL FORMATION IN CONSTRUCTION SECTOR**

The percentage share of expenditure in residential buildings in total construction is decreasing year by year whereas, in the other two sub sectors; it is increasing year by year. This shows a clear indication that the emphasis on the support infrastructure for residential buildings is increasing. The

trend of expenditure is moving in the right direction because the need for the necessary non-residential and other forms of construction is equally important for a sustainable and balanced economic growth.

The expenditure on repairs, upgradation of buildings, alterations etc., is about 12 percent of the average housing unit cost in urban and about 9.6 percent in rural areas respectively. The cost of an urban house was about 4.8 times as that of a rural house during 1971-81, which eventually decreased to 3.1 times during 1991-2001. The share of RUC and UUC are increasing indicating that the cost of construction in rural areas is increasing at a faster rate than that in the urban areas.

The forward linkages in housing sector comprise the macro-economic developments taking place and the employment that is generated out of it. The backward linkages comprise of the industrial employment generation in ancillary products etc. 72 percent of the expenditure in residential housing is for materials and 21 percent for manpower.

During the period 1991-2001 the residential building sector is estimated to have provided a total of about 18.8 million man-years of total cumulative employment of labour – 9.35 million man-years for urban housing construction and 9.45 million man-years for rural housing construction. A detailed study needs to be undertaken to assess the indirect employment generation due to the construction activities in the residential sector.

The requirement of land for the housing sector is to be estimated and accordingly acquired and modified / upgraded to be conveniently / economically used for housing activities. During the period 1991-2001, about 0.24 million hectares of land is used in the urban residential housing sector and about 0.89 million hectares of land is used in the rural areas.

## HOUSING AND BUILDING MATERIALS FORECAST

The total housing stock in the urban area under the residential + vacant houses and non-residential uses is anticipated to increase to about 97.92 million by 2011. In the rural areas the total housing stock is anticipated to increase by 14.2 per cent to about 202.73 million by 2011.

In urban areas, the forecast for total housing units in bad condition may increase from 5.8 million in 2001 to about 7.2 million by 2011. In the case of the rural areas the total housing units in bad condition is estimated to increase marginally from 29.04 million in 2001 to 29.38 million by 2011.

The quantitative requirements of housing are more pronounced in urban areas, while qualitative improvement needs more attention in the rural areas. Investments of about Rs.1056684 crore for the urban areas and about Rs.466911 crore for rural areas are required for 2001-2011.

A housing policy at the national or at the regional level can emerge only after taking into consideration all the factors associated with housing deficit, housing demand, housing needs and housing stock upgradation. The housing policy has to strike a balance between the purely economic and commercial point of view on the one hand and the social and welfare point of view aiming to provide shelter for all at the other.

The total expenditure under construction sector is estimated to be about Rs.20289320 crore by 2011 of which residential sector accounts for about 18 percent. The average housing unit cost for

an urban house is estimated to be about Rs.133018 and rural house to be about Rs.50146 by 2011. The expenditure on materials, manpower & services is estimated to increase by about 2.3 times in the urban areas and about 1.5 times in rural areas between 1991-2001 and 2001-2011.

## HOUSING FINANCE

There is considerable shift in method of financing, i.e., from unorganised to the organised sector. Housing finance can be availed of by individuals at present from scheduled commercial banks, housing finance companies, co-operative housing societies as also co-operative banks, where it is not possible to get loans from their employers like government, public sector enterprises, etc.

State Housing Board/Corporations also facilitate acquiring of houses under their hire purchase schemes etc. Refinance for housing in general is available to Housing Finance Companies, Scheduled Commercial Banks, RRBs, Co-operative Housing Federations and others in co-operative sector from NHB. NABARD grants refinance to commercial banks, RRBs and co-operative banks for their rural housing finance

Most of the housing that is financed by the housing finance system today is in urban areas covered by metros and larger cities. However, the housing finance is yet to cover fully the semi-urban, rural sectors and also all income groups.

The housing finance sector in India has undergone unprecedented changes over the past five years. The importance of the housing sector in India can be judged by the estimate that for every rupee invested in the construction of houses, Rs.0.78 is added to the gross domestic product of the country and the real estate sector is subservient to the development of 269 other industries.

Presently over 400 entities in the organised sector, including housing finance companies and banks- nationalised, foreign, regional rural as well as co-operative have entered the scene. Several other institutions also share the market either locally or at the national level. The Banks have, of late, come up with schemes for supporting housing activities in a big way.

The competition in the housing finance segment has brought down the rate of interest. The financing agencies are working with lesser margin. Consequently, profitability will depend to a great extent on the volume of business as well as cost of funds.

HFCs, though, set-up for the purpose of exclusively financing the housing sector, over the years has not been up to their full potential. Some of the major inhibiting factors are high cost of sources of funds, absence of scope for cross subsidisation, higher capital adequacy norms, low return on investments, competition from commercial banks etc. The total outstanding public deposits have increased from 12760.32 crore in 2003 to Rs.13534.71 crore in 2004 recording a mere growth of about 6.1 per cent. The aggregate outstanding borrowings of HFCs as on 31<sup>st</sup> March 2004 were Rs.57871 crore as compared to Rs.46980.51 crore as on 31<sup>st</sup> March 2003 showing an increase of 23.2 per cent over previous year. Of these outstanding borrowings, borrowings from the banking system constituted 44.7% amounting to Rs.25875.50 crore as on March 31, 2004. The HFCs availed refinance from NHB during current year at Rs.1845.86 crore against Rs.1766.69 crore in the previous year. The outstanding loans at Rs.59111.44 crore as on 31<sup>st</sup> March 2004 showed an increase of 20.1 per cent over that of the previous year at Rs.49237.97 crore. At the end of the

year, the housing loans outstanding accounted for seven times of their net owned funds as compared to about 6.2 times in the previous two years. Housing Development Finance Corporation Ltd (HDFC), LIC Housing Finance Limited (LICHF), Dewan Housing Finance Corporation Ltd (DHFL) and PNB Housing Finance Limited (PNBHF) have shown growth under various financial parameters and also better operational results.

Commercial banks have emerged as major players in the housing finance sector. They have created a dynamic scenario in retail lending, with more options available on shelves. This dynamism, however, needs to be handled with care, with a focus on long-term gain rather than short-term benefits. Banks, despite being late entrants in the field, have overtaken established HFCs over the past few years. The share of banks has increased from 43 percent to 69 percent of the housing loan market over this period. The statistics for the banking sector's retail portfolio, further reiterate the fact that housing loans are increasingly finding favour among banking entities. The refinance availed during the year 2003-04 from NHB at Rs.1275.5 crore recorded a phenomenal growth of about 61.5 per cent. Their share in the total refinance disbursements increased to 39.2 per cent during the current year as compared to 29.2 per cent in the previous year. The growth of housing loans in the year 2002-03 was phenomenal including the North-eastern region. The loans in western and southern zones together account nearly 60 per cent of the total outstandings. The trend in the increase of rural loans is satisfactory, however, there is potential for quantum jump in these loans for well-balanced development.

The co-operative sector is a pioneer in the housing finance in the rural and semi-urban areas. Although, later HFCs and commercial banks have seized the opportunities, the co-operative sector has been playing an important role and the same cannot be replaced due to their rural background. The co-operative sector has to take a lead role, particularly in land acquisition, allotment of land and housing sites to encourage group-housing, development of amenities in their projects as envisaged in the National Housing and Habitat Policy (NHHP). The refinance granted by NHB to the co-operative institutions amounted to Rs.118.10 crore (3.6 per cent of the total refinance disbursements) during the current year as against Rs.139.77 crore (5.2 per cent of total refinance disbursements) during the previous year. The percentage of cumulative refinance to this sector to the total also has shown a declining trend. The reasons for this phenomenon may have to be looked into so as to ensure free flow of finance to the needy. The NCHF has made great efforts in collaboration with the State Governments / Union Territories and promoted Apex Co-operative Housing Federations (ACHFs). In addition to extending academic support and help the member housing co-operatives in improving their financial, organisational and technical base. At present, 26 ACHFs represent about 92000 housing co-operatives all over the country with a membership of over 6.5 million. These federations have so far disbursed loans of approximately Rs.8761 crore to housing co-operatives for construction of dwelling units for their members, which in turn have constructed 2.24 million houses - 2.10 million units completed and 0.24 million units in progress. 75 per cent of the housing units constructed have benefited EWS and LIG families, 18 per cent have gone to MIG and only 7 per cent to HIG category. The quantum of cumulative sanction of housing loan by the ACHFs increased to Rs.9491.19 crore during 2003-04 while cumulative disbursement rose to Rs.9014.29 crore (95 percent of sanctioned amount). Cumulatively, the financial assistance provided by ACHFs till the end of March 2004 enabled construction of 2.24 million dwelling units. The average home loan amount calculated for all apex federations was about Rs.0.16 million per housing unit constructed in 2000-01, which increased to Rs.0.19 million per housing unit constructed in 2003-04.

## RURAL HOUSING FINANCE

Housing finance business in India is largely clustered in urban areas but the rural areas are not getting their due share. Mumbai and suburbs account for the largest share in view of the organised construction industry.

Although the GoI has initiated many schemes for promoting rural housing the penetration of housing finance to the rural areas is far behind the desired level. With the competition in the metros and major cities on the rise, many housing finance players are focusing on smaller towns and villages for expanding their business.

Alongside the NHB, NABARD has emerged as a major player in providing financial support to rural housing, mainly through co-operative banks (crossing Rs.1000 crore mark during 2003-04). The HUDCO has been a substantial player covering over 2 crore rural units constituting over 60 per cent of the total units financed by it.

Credit expansion for housing in rural areas continues to be a challenge. There are many problems, which need attention. Micro Finance Institutions have been playing a crucial role in community development by inculcating saving and credit habits among their members. The Self Help Groups nurtured by these agencies over a period of time are steadily maturing to handle housing credit for their members.

In rural areas, maintenance and improvements to existing dwelling places and availability of 'functional' dwelling place, which would meet the requirements of not only the housing but also to support their economic activities.

As rural housing will not be for commercial purposes - unlike in the urban areas - the repaying capacity of the rural clientele could pose a problem. Under rural housing umbrella, certain factors have a vital bearing on the debt servicing (viz., ill-health and loss of earnings or death of the householder loanees, etc.) and as such, the loans have to be insulated by an appropriate insurance mechanism. The private builders may be provided with additional tax concessions for their projects in rural areas to make their returns commercially viable. Besides a robust finance system, a sound and sustainable policy is equally important for expansion of housing credit.

With a view to supplementing the efforts of Government of India, State Governments, NHB and the banking sector in augmenting the resources for the rural housing segment, NABARD has taken initiatives to recognise housing activity in rural areas as an eligible activity for extension of refinance (investment credit) to the eligible banks and other agencies. Banks are implementing important observations of studies undertaken by NABARD on rural housing schemes.

In order to assess the need, adequacy, demand and financing pattern of housing in rural areas of the country, the NHB, during the year, commissioned a study, on a pilot basis, to examine these issues in the State of Andhra Pradesh. The NHB published "*Handbook on Rural Housing and Infrastructure*" in collaboration with Central Building Research Institute, Roorkee, for providing a comprehensive information on various aspects relating to rural housing such as planning, construction, use of local materials and typical designs along with specifications and cost estimates.

Availability of reliable information in respect of various parameters related to housing will help the policy makers, lenders as well as the borrowers. Thus, evolution of a suitable mechanism for creation, maintenance and regular dissemination of this information to the various stakeholders needs immediate attention. NHB has taken initiatives in this regard and has promoted the process for development of the real estate price indices. These indices are expected to be of great help to planners, lenders and individual home seekers.

Since its inception i.e., 1985-86, Indira Awas Yojana objective is to provide financial assistance primarily to below poverty line (BPL) rural households belonging to Scheduled Caste and Scheduled Tribes and freed bonded labour categories. During 2003-04, against the total available funds of Rs.2925.48 crore, an amount of Rs.2003.81 crore was released. About 1.05 million houses were constructed/upgraded against the target of 1.48 million houses in the period

Innovative Stream for Rural Housing and Habitat Development was launched in 1999-2000 with an objective of promoting and propagating cost effective and environmental friendly construction technologies, materials, designs, etc for sustainable rural human settlements consistent with agro-climatic variation and natural disaster proneness.

The objectives of setting up Rural Building Centers are Technology Transfer and Information Dissemination, Skill Upgradation through Training, Production of cost effective and environment friendly materials/components. During 2003-04, Rs.3 crore has been allocated and the entire amount has been released for 14 project proposals under the scheme.

With a view to enabling the economically weaker section households in rural areas and to meet the housing requirement in rural areas, equity support to HUDCO was hiked from Rs.5 crore in the Eighth Plan period to Rs.350 crore during Ninth Plan Period and the entire amount has been released.

### **ANNUAL ACTIVITIES OF NHB**

Besides the capacity building for the housing finance system & enlarging the credit absorption capacity, it also introduced new products / service features in the Indian mortgage market in line with international developments and created a secondary mortgage market for residential mortgage backed securitisation and provided mortgage credit guarantee.

Apart from raising funds at lower cost, the NHB pre-paid an amount of Rs.125 crore against the borrowings from the long-term operations fund of RBS. Besides, the loans aggregating to Rs.400 crore availed from Banks / Financial Institutions were re-priced. The weighted average cost of recourses raised was lower at 5.4 % during 2003-04 as compared to 6.4 percent during 2002-03.

The financial assistance extended by the Bank during 2003-04 in the form of refinance and direct finances stood at Rs.3252.9 crore, as against Rs.2709.7 crore during the previous year registering a growth of 20.1%. The disbursements made during the last two years constituted 44.7 % of the total disbursement since inception in 1988.

The annual growth achieved by SCBs was the highest at about 104 percent followed by HFCs (25 percent) and Co-operative Sector Institutions (8 percent). The reach of the HFCs and scheduled

banks is primarily in the urban areas and the co-operative sector institutions reach out to the rural areas and their growth is seen very marginal.

The NHB continued to extend financial assistance to public housing and development agencies for undertaking various types of housing projects. During the current year, 19 projects having total project cost of Rs.111.3 crore and loan component of Rs.83.8 crore were approved and of which Rs.44.5 crore was disbursed as direct finance. Focusing on broadening the project finance portfolio, the NHB introduced 'Project Finance Loan Policy' in September 2003 introducing an Internal Credit Rating Model (ICRM). The scope of the Loan Policy has been widened to include private and joint sector entities as eligible borrowers.

The process of residential mortgage securitisation (RMBS) and development of pass through certificates (PTCs) initiated by NHB further stabilised during the year resulting in wider acceptance. Under the scheme, the Bank acts as Trustee for RMBS issues to ensure transfer, payment and timely servicing to investors in PTCs and also to invest in its own issues of RMBS. NHB brought out four RMBS issues during the year involving individual home loans of CanFin Homes Ltd. (CFHL), Andhra Bank (AB), Dewan Housing Finance Corporation Ltd. (DHFL) and Birla Home Finance Ltd. (BHFL).

The NHB took a lead role in promoting the concept of mortgage default guarantee in the country and initiated the process of setting up of a Mortgage Credit Guarantee Corporation (MCGC) in collaboration with Canada Mortgage and Housing Corporation (CMHC), United Guarantee (UG), International Finance Corporation (IFC) and Asian Development Bank (ADB). During the year the terms of collaboration were finalised among the Partners.

NHB has made some critical amendments to the HFC Directions, 2001 from time to time, to keep pace with the market dynamics. Continuing the modifications in the scheme for providing refinance to ACHFs, pricing of refinance based on their recovery performance was introduced in order to align them with the general market movements.

NHB introduced a scheme to provide financial assistance to the Housing Finance Companies (HFCs) for meeting their short-term liquidity requirements arising in the normal course of business. Apart from the promotional initiatives in the field of financing rural housing, NHB conducted twelve training programmes for various HFCs and Banks addressing issues related to general awareness on housing finance and specialised topics, such as, regulatory framework for housing finance, securitisation, legal issues in housing, SARFAESI Act, risk management etc.

## **GOVERNMENT INITIATIVES IN HOUSING**

The developments in the national and international scene on shelter and related issues led to the evolving of a National Housing Policy (NHP) in 1988. However, the revised NHP is under active considerations of GoI, The long-term objective of NHP was to eradicate houselessness, to improve the housing conditions of the inadequately housed people and to provide a minimum level of basic services and amenities to all.

Under Two Million Housing Programme, of the 2 million housing units annually only 72 percent of the total dwelling units for that year were sanctioned in the inception year, which has increased to

about 82 percent in 2003-04. The target group in case of HFCs (other than HUDCO) and Public Sector Banks is the high and middle-income group, whereas HUDCO has a social mandate to ensure 55 percent of its sanctions to economically weaker section and low-income group beneficiaries. The primary responsibility for fulfilling the targets in physical terms depends on the State Governments, while HUDCO and other financing agencies facilitate in making the funds available in the form of loans. Therefore, the success of implementation of the scheme largely depends on the co-ordination of the agencies of the State Governments responsible for taking up of various housing schemes. Housing Co-operative Societies and private sector should be encouraged to participate in a big way in housing activity for which a facilitating environment is to be created by the State Governments in the form of legal, administrative & fiscal reforms.

During 2003-04, about 50653 dwelling units were constructed upto January 2004, against the annual target of 58241 dwelling units under Twenty Point Programme. LIC housing is a long-term scheme and is being implemented by the State Governments through Housing Boards and Housing Departments. Against the annual target of 6847 dwelling units, 7565 dwelling units were constructed by January 2004 in 2003-04

Under Valmiki Ambedkar Awas Yojana, in the financial year 2003-04 a central subsidy of Rs.238.55 crore was released for construction of 108376 dwelling units and 3170 toilet seats.

Under URIF, with an initial allocation of Rs.500 crore to provide Urban Reform linked assistance to states. The fund seeks to provide incentives to the states to have urban reforms.

Adoption of appropriate construction technologies is very essential to mitigate the housing problem. Building materials account for about 70-75 percent of the total cost of construction. The demand for housing is continuously rising with the increasing need for housing both in urban and rural areas. Inadequate technology facilities, lack of co-ordination and promotion programmes at local levels to support cost effective and eco-friendly building components have been responsible for the very limited application of the emerging technologies.

In the rural areas the problem is more severe due to the decline in the use of traditional building materials like timber, bamboo, thatch etc for house construction. A strong policy support is therefore, essential for house construction with appropriate building materials and better availability of alternate materials at affordable prices.

In the recent past a number of International Companies have provided Financial Assistance for Housing and Urban Infrastructure.

## **HOUSING DEVELOPMENT – REGULATORY AND LEGAL PROVISIONS**

Housing and land are State subjects and there are no uniform policies at the national level, regarding Legal aspects, Taxation guidelines, Planning & Zoning Regulations. Government can take initiative to create a facilitating environment for the growth of housing activity and to promote the development of a strong and buoyant housing market.

Due to critical shortages of serviced land, haphazard and premature exploitation of peripheral lands takes place. The legal and regulatory framework has introduced many distortions in land markets. The wastelands, non-agricultural lands etc should be developed and effectively used for housing.

The most important disincentive on investment in rental housing is the Rent Control Act. Another consequence of the rent control law is that many of the buildings occupied by tenants have fallen to a dilapidated state. Because of the non-remunerative rent, the owners are unwilling or unable to carry out repairs and the tenants feel that it is not their responsibility to carry out the repairs.

Registration fees & Stamp duty for property registration vary from State to State – efforts need to be made to formulate a uniform procedure. States should be strongly advised to bring down the stamp duty to about 2 percent to 3 percent.

Planning authorities under the Town and Country Planning Act should contribute in developing infrastructure and civic amenities in view of the betterment charges collected.

## **KEY ISSUES AND FUTURE OUTLOOK**

Engineers, builders, contractors and manufacturers have little knowledge of the latest developments happening in research organisations. Thus there is a greater need for dissemination of information to the local and field levels.

An organisation like BMTPC, may be entrusted with co-ordination work for the development of building industry, for establishing a database for monitoring the activities in the fields of building materials, manufacturers, technologies and construction techniques and equipment.

The past few years have witnessed fierce competition in the housing finance market and may unfold surprises in the coming years. There is also a need for adoption of a uniform practice by the housing finance industry relating to matters like prepayment of housing loans, conversion of fixed rate loans into floating rate loans and vice-versa and re-scheduling of repayment instalments, with a view to enabling the prospective borrowers to choose their financier without any difficulty.

The NHB under its development role responsibility could mount an independent professional body to monitor the progress, problems and solutions in the housing finance sector with particular reference to the financing of the sector.

All the competing players in the Industry, especially Banks and HFCs are vying with each other to lure the customers in order to maintain and increase their share in the house finance segment. The constant rate-cuts may lead to erosion of profitability in the long run. Industry experts opine that the interest rates in India have already reached the rock bottom and may not fall further. Profitability is primarily the concern of the individual lenders and as such the role of the regulator is limited, in a deregulated market scenario. Market forces themselves will take care of the same.

Asset-Liability mismatch problems arise because of the fact that the housing loans are given for long periods, while the funding for the same is mostly through short-term avenues like term deposits. Securitisation has been the route of growth in many developed countries. The government and regulatory authorities have to take appropriate measures to amend the relevant provisions of SCRA, SEBI guidelines etc., Another method to solve the Asset-Liability mismatch problems, is to maximise the savings deposits of the banks which in turn can offset the above type of tenor mismatches by way of their 'core component' [generally more than 50%] which is considered to be stable in nature. Thus, banks with more of these deposits would have lesser tenor mismatch problems than others.

The housing finance sector is expected to maintain the growth momentum witnessed during the last few years, although renewed measures are required to address and tackle the core issues which can improve the growth of habitat development in our country.

The Tenth plan has estimated the urban housing shortage at the level of 8.89 million dwelling units and the cumulative number of houses required during the Plan period as 22.44 million units. The total investment required for the above is estimated at the level of Rs.4,15,000 crore. And such a huge amount cannot be raised by the Central and State Governments alone. Rather active private sector participation is very much essential for achieving this goal, at least partly.

Housing is an industry with tremendous potential for contributing towards economic growth of any economy. Researches done in advanced countries like US, UK and many OECD countries have revealed that house prices are strongly correlated with business cycle and have a significant impact on private consumption. Strong increase in property values has been noted to have unsustainable expansion in demand.

Considering the very low NPA levels [less than 1 per cent annualised] and also strong security in the form of mortgage of the property financed, many tax incentives to the lenders [and borrowers] etc. housing finance is supposed to be a comparatively much safer kind of credit by the lenders. The enactment of SARFAESI Act 2002 has made the recovery of bad advances much more easy.

In the past, the soft interest rate regime, coupled with liberal policies of the government, gave a tremendous push to the housing sector. However, last year saw a sort of reversal of the happenings over the past few years. The interest rates, including the housing interest rates, started increasing - with indications that this may continue to do so in the near future. However, it has not drastically dampened the demand for housing loans.

Considering the fact that the property sector has links with other sectors of the economy, housing as an industry has tremendous growth potential. And its growth pulls up and pushes growth in other industries as well - both manufacturing and services sectors. The multiplier effect cannot be ignored by the government while taking any policy decisions.

Last year, in order to increase the housing loan portfolios amongst the total loan portfolios of banks, the RBI had encouraged banks to provide bigger loans by granting priority sector status to housing loans up to Rs.1.5 million from Rs.1.0 million. This is expected to go up further in order to push up availability of loans for the housing sector.