
HOUSING COOPERATIVES IN INDIA

Presentation prepared for:

TACKLING THE GLOBAL HOUSING CHALLENGES
CONFERENCE

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SUKUMAR GANAPATI
FLORIDA INTERNATIONAL UNIVERSITY
MIAMI, FL

OUTLINE

- Historical evolution of housing coops
 - Housing cooperatives and affordability
 - Opportunities and challenges

 - Main argument:
 - Need supportive institutional structures for co-ops to serve low-income households
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HISTORICAL ROLE OF COOPS

Pre-Independence (1904-1947)

- British instituted organizations
- Regional role (Madras & Bombay)
- Did not serve low-income households

Post Independence (1947-now)

- State initiative in developing co-ops
- Nationwide growth, but regional disparity
 - Modest role in Madras; phenomenally expanded role in Bombay; State supported in New Delhi
- Co-ops promoted for low-income households

HISTORICAL POLICIES

- Promotion of Co-ops by state
 - Phase 1 (1947-70): Democratic Socialism
 - Phase 2 (1971-92): Quasi-interventionist
 - Phase 3 (1992- now): Economic liberalization
- Supportive Institutional Framework
 - Five year plans
 - Working Group on Housing Co-ops, '64
 - Urban Land (Ceiling & Regulation) Act, '76
 - Task forces on Housing & Urban Dev., '83
 - National Commission on Urbanization, '88
 - National Housing & Habitat Policy, '90-'99
 - 97th Constitutional Amendment, 2011

HOUSING CO-OPS' GROWTH

- Post-Independence Nationwide Growth
 - Primary co-ops increased from 1,482 in 1950-51 to 150,000 in 2016-2017
 - Membership rose from 0.09 to 7 million
 - Co-op share in housing construction rose from 1.3% to 10.8%
 - Co-ops provide about 12.5% of formal housing finance
 - 23 Apex Housing Cooperatives across Indian States

COOPS & AFFORDABILITY

- Finance
 - 52% of co-op loans disbursed to low income groups
- Construction
 - 72% of co-op houses constructed for low-income groups
 - 10% contribution to 2 Million Housing Program
- Land
 - Preferential allocation to co-ops for low-income households

THE CASE

INDIA



CO-OPS FOR AFFORDABILITY

Strengths

- Scale economy
- Community self-help
- Group lending
- Increased credit worthiness
- Limit speculation

Weaknesses

- Collective action problems
- Requirement of external catalyst
- Expertise in self-management
- Monitoring costs

HOUSING CO-OP TYPES

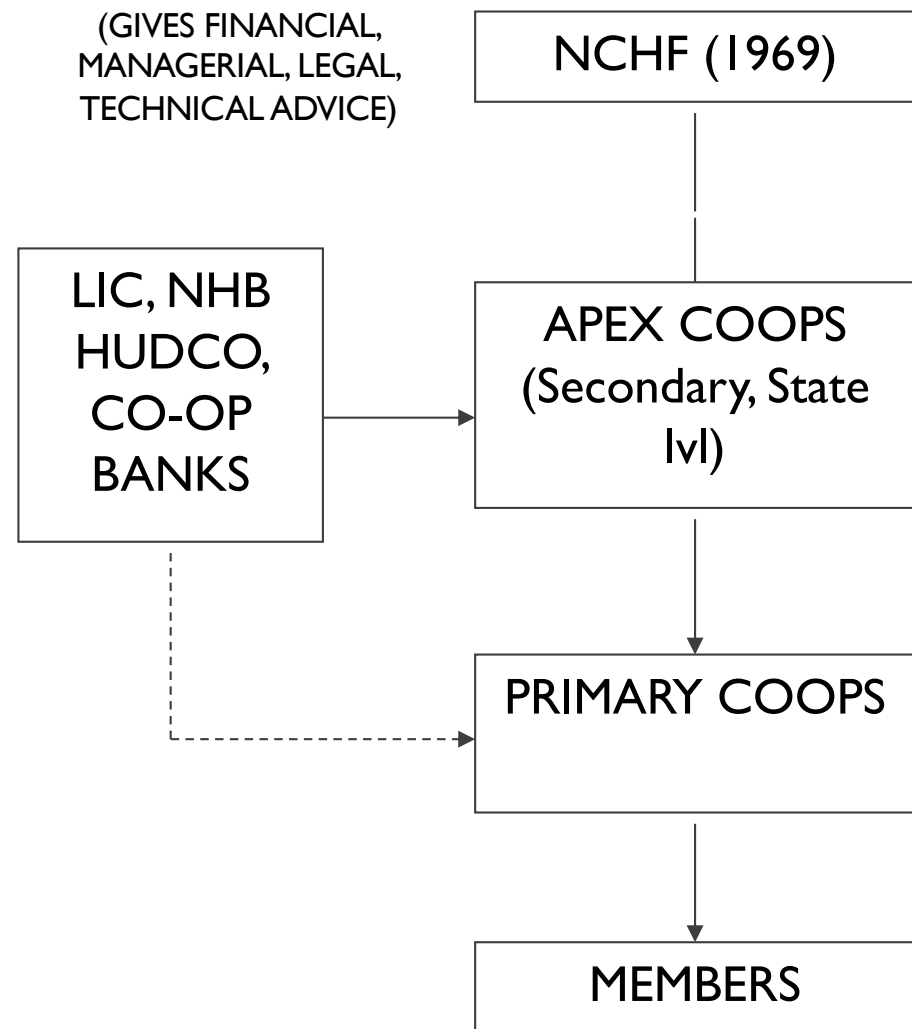
	Function	Stability
Building Coops	Construction, Land Development	Low
Finance Coops	Lending	Medium
Tenure Coops	Collective ownership/ management	High

INSTITUTIONAL STRUCTURE

- Manifest relationships between organizations
 - e.g. hierarchies/ horizontal networks
- Endogenous level
 - Enhance strengths/ mitigate weaknesses
- Exogenous level
 - Lower transaction costs
- Forms of support
 - Administrative, legal, technical, procedural
 - Access to finance
 - Access to land

INSTITUTIONAL STRUCTURE

- Elaborate National Structure
 - National/ State Co-op Union of India
 - National Co-op Housing Federation
 - Two tiered financing (Apex/ Primary)
 - Stable Financing source (Low Transaction costs)
- Regional differences
 - Co-op Registrars



CITY LEVEL COOPS

Chennai City

- Unstable co-ops [Finance; Building]
- Moderate growth
 - Finance coops grew from 12 to 100 during '47-'94
 - 22.5% of housing financed
- Little diversification
 - Building co-ops activities reduced since 1947
- Public/private/voluntary agencies hardly utilize co-ops

Mumbai City

- Primarily Stable co-ops [Tenure]
- Phenomenal growth
 - Tenure coops grew from 167 to 11,000
 - 25% of housing provided through co-ops
- Diverse co-ops
 - Self-help, women's collectives, group lending
- Public/private/voluntary agencies utilize co-ops

LOW-INCOME REACH

Chennai City

- Serves mostly middle income households
- Few loans reach low-income HHs since:
 - Lending is based on property as collateral
 - Loans pegged to income
 - High Transaction Costs
- No micro-finance

Mumbai City

- Serves high to low-income households
 - Cross subsidies
 - Self-help, sweat equity schemes
 - Informal micro-lending
- Co-op Slum schemes
 - Co-ops reduce speculation
 - Cluster housing

INSTITUTIONAL FRAMEWORK

Chennai City

- Constraining role of state
 - Controlling Registrar
- Restrictive Institutional Framework
 - Tamil Nadu Special Officers Act, 1976
- Housing Market
 - Individual plotted development
 - Little demand for co-ops

Mumbai City

- Enabling role of state
 - Advisory Registrar
- Supportive Institutional Framework
 - Maharashtra Flat Ownership Act, 1963
- Housing Market
 - Multi-family housing development
 - High Demand for co-ops

INSTITUTIONAL STRUCTURE

Chennai City

- Little administrative/ legal support structure
 - No such structure
- Strong finance support structure
 - Tamil Nadu Co-op Housing Federation
- Weak support for access to land

Mumbai City

- Strong administrative/ legal support structure
- District Federation
- Moderate finance support structure
- Maharashtra State Co-op Housing Finance Corp.
- Strong support for access to land

POLICY CONCLUSIONS-I

- Institutional conditions for growth of housing cooperatives:
 - National Institutional Structure has been key to nationwide co-op growth
 - Role of the state in establishing institutional structure
- Regionally, mutually reinforcing exogenous/endogenous features conducive for growth
 - Exogenous: enabling role of state, supportive institutional framework, housing market
 - Endogenous: stable co-ops

POLICY CONCLUSIONS-2

- Scope of housing cooperatives for low-income households:
 - Co-ops cater across income groups
- Institutional structure key for enhancing scope of cooperatives:
 - it enhances internal collective strengths while lowering weaknesses [administrative support; access to land and finance]
 - it lowers transaction costs in the formation and functioning of housing cooperatives