

# CHALLENGES IN IMPLEMENTATION OF CREDIT LINKED SUBSIDY SCHEME UNDER PRADHAN MANTRI AWAS YOJANA (PMAY-CLSS)



“Since Affordable Housing has been a key focus area for the Government and thus to Credai Members, a slew of encouraging measures have been announced since then. CLSS is supposed to be one of the star incentives offered to end users. After almost 3 years of implementation of CLSS, the following report is an eye opener. A mere 2.67 Lakh subsidy has failed to kick off demand in the supposedly high demand segment.”



# CHALLENGES IN IMPLEMENTATION OF CREDIT LINKED SUBSIDY SCHEME UNDER PRADHAN MANTRI AWAS YOJANA (PMAY-CLSS)

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## ABSTRACT

*The tenth housing plan in India emphasized affordability of housing as the key concern and government support through subsidies and loans was initiated. Pradhan Mantri Awas Yojana under the Credit Linked Subsidy Scheme provides interest subsidy on housing loan to the urban poor. However, it was found that the performance of the scheme in the northern India was dismal. The study revealed that while awareness and publicity about the scheme were lacking among the actual beneficiaries, the lack of documents, paucity of margin money, land related issues were few of the issues and challenges identified by the housing finance institution officials in completing the housing loan procedural formalities.*

**Key words:** Housing Finance Subsidy; Pradhan Mantri Awas Yojana

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## 1. INTRODUCTION

In India, a large pool of urban population belongs to the informal sector and stay in slums and squatter settlements. As per 2011 census data, 65.5 million Indians live in slums. The role and function of housing has become multifaceted – housing choices impact access to infrastructure, employment, household wealth, health, education, poverty levels, maternal and child mortality, women's participation in workforce, and many other wellbeing indicators. Housing shortage is a universal phenomenon and adequate housing is essential for human survival and dignity. There is a gap between the demand and supply (both in terms of quantity and quality), especially for affordable housing segments in India. The need for adequate shelter for all, along with basic services, is more urgent than ever, particularly in developing countries such as India. Population growth and urbanisation have exceeded the Government's ability to ensure that its citizens have access to safe and affordable housing.

Government of India took an initiative for housing the urban poor under Pradhan Mantri Awas Yojana (PMAY) that was launched on June 25, 2015. The centrally sponsored scheme

aims to achieve 'Housing for All' by 2022. One of the main objective of the scheme is to promote affordable housing for weaker section through credit linked subsidy. In urban area the scheme caters for purchase/construction/extension/improvement of house for Economical Weaker Section (EWS) /Lower Income Group (LIG) /Middle Income Group (MIG). The housing finance companies, banks, regional rural bank, urban cooperative bank and small finance banks are the tool for disbursement of housing loan under the scheme.

As per the first progress report of PMAY given by Minister of State for Housing & Urban Poverty Alleviation, there is a substantial drag in the scheme many projects have hit the ground despite having received the required approvals. The report stated that while 864 projects involving 7,28,840 houses have received the approvals, work has progressed only on 1, 07,687 units (less than 15 per cent of approved projects). Even on the front of credit availability, the progress is very slow as only few households have received the benefits of funding under credit-linked subsidy scheme (CLSS). As per the data available with National Housing Bank in the state of Rajasthan only 2,882 beneficiaries have availed loan under this scheme, while as in Haryana 989 and in Delhi 1286 beneficiaries have availed loan in urban area under this scheme till December, 2017. In his study "Emerging trends in housing finance in India" **M. P(2013)** found that there is a demand for housing in both urban and rural population in the country and demand for the housing finance is also increasing due to changing attitude of the people to stay in an own house. The study suggests that finance institution should utilize this opportunities to provides finance to the needy people and RBI must be serious in fixing the norms and policy regarding housing finance as own house is the ultimate achievement of the poor and middle class people in our country. **Paramasivan C. Dr., Selvam, Bhushan. D (2016)** in his article "Smart Cities- Meeting the Managerial and Policy Challenge of Urbanization in India" emphasized that implementation of Pradhan Mantri Awas Yojana (PMAY) is dependent on the urban local bodies and states initiatives in evolving an effective policy framework for Economically Weaker Section (EWS) and Lower Income Group (LIG) housing, abolishing the need for multiple approvals and the time lapse in getting them, reducing capital cost, land availability and its optimal usage. **UN-HABITATE (2008)** in its report "Housing for All: The challenges of affordability, accessibility and sustainability" noted that absence of robust credit market, poor management of financial assets, high collateral requirement, high borrowing costs, poor credit culture and information system, low individual participation in the banking sector as the major challenges in accessing housing finance for low income household in the underdeveloped countries. Therefore, in this context it becomes pertinent to examine the challenges faced by officials of housing finance institutions in implementing Pradhan Mantri Awas Yojana under credit linked subsidy scheme (PMAY-CLSS). The study examines the views of housing financial officials of North India i.e. Rajasthan, Haryana and Delhi in the context of challenges faced by them in implementing PMAY-CLSS in urban areas of these states. The study also provides feedback and suggestions to the policy makers for undertaking appropriate measures for proper administration and implementation of the scheme.

## 2. OBJECTIVES OF THE STUDY

- To examine the awareness and publicity of PMAY CLSS among the actual eligible beneficiaries in urban areas.
- To examine the training needs about PMAY CLSS among officials of housing finance institution.
- To examine time lag in knowledge updation among officials of housing finance institution with respect to revision / amendments made in the scheme

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- To assess the challenges and problems faced by the officials of the housing finance institutions in implementing PMAY CLSS.
- To provide suggestions for better alternative organizational and operational implementation of PMAY-CLSS

### 3. RESEARCH METHODOLOGY

#### Sources of Data

The study is based on primary as well as secondary data.

**Collecting Primary Data:-**Primary data was collected through the responses of the officials of the housing finance institutions through a questionnaire which was specially prepared for this study. The questionnaire contained questions regarding the name of the housing finance institutions and their designation in the institution. A pilot study was done by selecting nine respondents from housing finance institutions. On the basis of their responses, some questions were modified and the modified questionnaire was finally canvassed among the 360 selected respondents.

**Collecting Secondary Data:-**There was extensive use of secondary information in the form of books, articles published in magazines, journals, newspaper, reports of NHB and HUDCO, housing finance articles, websites, circulars, pamphlets of the banks, clippings etc.

#### Period of study & Sampling Technique

The questionnaires were filled up during the period -August-September 2017. A total of 360 housing finance officials were selected using non probability, convenient sampling technique. Out of these 155 officials were from the state of Rajasthan, 112 from Haryana and 93 officials were from Delhi.

#### Statistical Techniques

The collected data were scrutinized and edited. The edited data were analyzed using simple percentage and content analysis of the open ended questions was done.

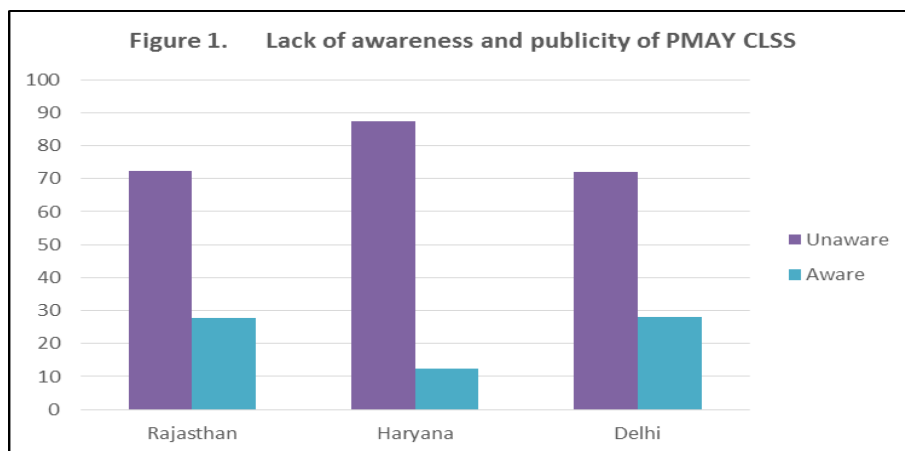
### 4. DATA ANALYSIS AND INTERPRETATION

The data was tabulated, organized analysed and interpreted for drawing sound conclusions:

#### Objective 1: To examine the awareness and publicity of PMAY CLSS among the actual eligible beneficiaries in urban areas.

To achieve this objective respondents were asked to indicate their views regarding awareness and publicity of PMAY CLSS scheme across various sections of its customers including housing loan customers. Table.1 shows views of the officials from housing finance institutions (HFIs) regarding awareness and publicity of PMAY CLSS among their existing customers including borrowers approaching for housing loan.

Table 1 Awareness and publicity of PMAY CLSS scheme among customers			
HFIs	Unaware	Aware	Total
Rajasthan	112(72%)	43(28%)	155
Haryana	98(88%)	14(28%)	112
Delhi	67(72%)	26(13%)	93
Total	277(77%)	83(23%)	360(100%)



It can be inferred from Figure 1 that majority (77 per cent) of the respondents opined that awareness and publicity about PMAY CLSS is lacking among the customers including eligible housing loan borrowers, while as 23 per cent of the respondent claimed that the eligible housing loan borrowers are aware about PMAY –CLSS.

**Objective 2: To examine the training needs about PMAY CLSS among officials of housing finance institution.**

For successful implementation of any government scheme the training /information about the scheme has to be provided to the officials. External agencies like central nodal agency NHB, HUDCO or housing financial institution itself may provide internal/external training to its officials to implement the PMAY-CLSS scheme by conducting workshops, training session, seminars, etc for successful implementation of the scheme. These training sessions provide opportunity for the ground workers for removing doubts and discussing problems in implementation with the resource person.

Table 2 Training for implementing the scheme				
Items	Rajasthan	Haryana	Delhi	Total
External/Internal training	54(35%)	42(38%)	18(19%)	114(32%)
Awareness/informed by internal circulars, booklets, official websites	101(65%)	70(63%)	75(81%)	246(68%)
Total	155	112	93	360(100%)

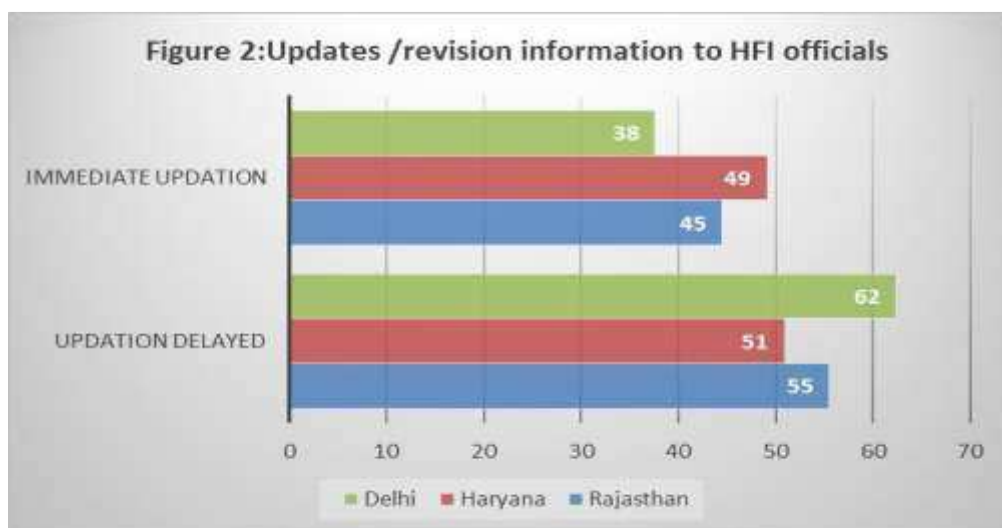
From Table 2 it can be inferred that most of the officials i.e. 68 percent were made aware or informed by internal circulars, booklets or official websites where as only 32 percent were actually trained via internal/external training.

**Objective 3: To examine time lag in knowledge updation among officials of housing finance institution with respect to revision / amendments made in the scheme**

The officials need to be regularly updated about revision / changes in the scheme guidelines made from time to time. PMAY CLSS guidelines has been revised/amended time to time from the date of its implementation. Due to these revisions some beneficiaries who were not eligible earlier may have become eligible to avail the housing loan under the revised scheme or vice versa. Thus, the officials should be immediately updated about these amendments so as to successfully implement the scheme. The officials were to respond to the question related to the time lag in their knowledge updation with respect to revision / amendments made in the scheme from time to time. Their response are furnished in Table 3

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<b>Table 3</b> Updates on revision / amendments made in the scheme from time to time.				
Items	Rajasthan	Haryana	Delhi	Total
Delayed updation	86(55%)	57(51%)	58(62%)	201(56%)
Immediate updation	69(45%)	55(49%)	35(38%)	159(44%)
Total	155	112	93	360(100%)



From Table 3 it is noted that only 56 percent of the officials were immediately updated about revision/amendments in the scheme whereas 44 percent officials received delayed updates about the revision/amendments made viz increase in the carpet area of the house, inclusion of new urban towns by the state government, increase in maximum permissible loan tenure, reduction in EMI, increase in loan processing fee under PMAY CLSS.

**Objective 4: To assess the challenges and problems faced by the officials of the housing finance institutions in implementing PMAY CLSS.**

All the housing finance institutions follow their own Board approved due diligence, credit & risk assessment, appraisal and sanctioning processes which may vary from institution to institution. Respondents were asked to indicate the issues and challenges faced by them in completing the loan procedural formalities under PMAY CLSS before final disbursal of loan.

<b>Table 4</b> Issues and challenges faced in completing loan procedural formalities				
Challenges and problems	Rajasthan	Haryana	Delhi	Total
Incomplete 'Know your customer'(KYC) document	54(35%)	44(39%)	20(21%)	118(33%)
Paucity of margin money with the beneficiary	39(25%)	24(21%)	22(24%)	85(24%)
Land issues/title deeds not clear	29(19%)	22(20%)	19(20%)	70(19%)
Problem in building approval	33(21%)	22(20%)	33(35%)	88(24%)
Total	155	112	93	360(100%)



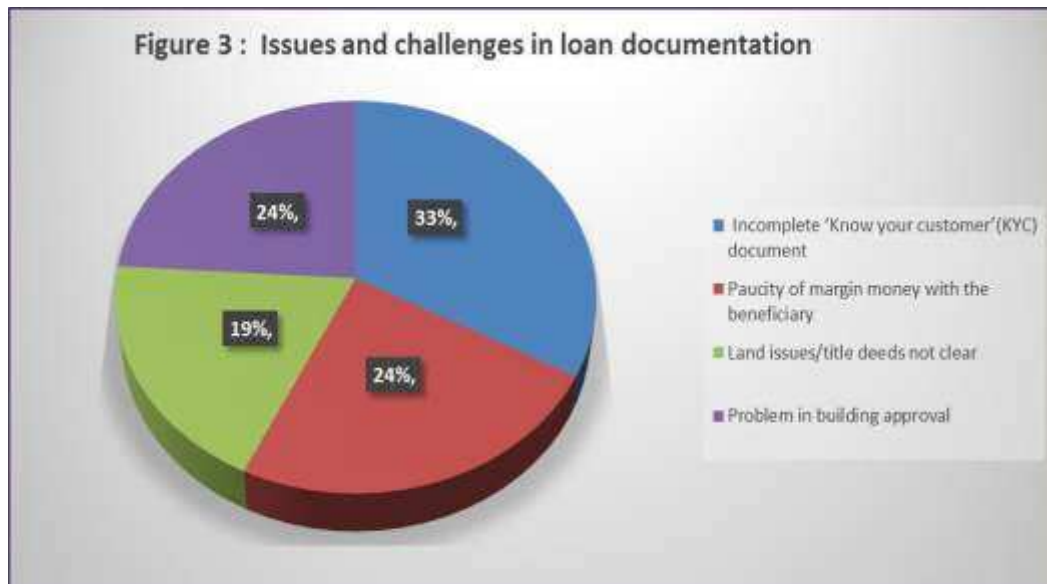


Figure 3. Indicates that 33 percent respondents faced problems in loan documentation formalities due to lack of (KYC) documents like Aadhar card/pan card/voter card / passport / any other unique number, lack of proof of income, lack of proof of category certificate. 24 percent of the finance institution official's faced problems due to paucity of the margin money with the beneficiary; 19 percent respondents concern was that beneficiaries had unclear title deeds/land issues and 24 percent respondents due to problem in building approval plan of the beneficiaries.

#### **Objective 5: To provide suggestions for better alternative organizational and operational implementation of PMAY-CLSS**

The respondents were asked to provide suggestions for better alternative organizational and operational implementation of PMAY-CLSS via an open ended question. The content analysis of the same was done and are enlisted below:

- The scheme should be published among the actual beneficiaries via advertisement on TV, radio, newspaper, office premises, etc.
- Capacity building of the financial institution officials should be done regularly through trainings, workshops and doubt removing sessions by internal/ external agency for success of PMAY-CLSS.
- Central agencies should provide immediate notification/updation/amendments in the scheme pertaining to new towns included, increase in maximum permissible loan tenure, reduction in loan EMI, increase in amount of subsidy, upcoming central and state government housing projects eligible under PMAY CLSS to the housing financial institutions officials or upload the same on NHB/HUDCO/MHUPA website.

## **5. CONCLUSIONS**

The paper concludes that awareness and publicity about PMAY-CLSS is lacking among the actual beneficiaries, knowledge updation with respect to revision / amendments made in the PMAY-CLSS scheme and training needs of housing finance institution officials in these states need to be augmented on a war footing. The financial institution officials suggested that Capacity building via training, workshops should be done .More coordination among and central nodal agency officials will help in making PMAY-CLSS successful.



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