

TAMIL NADU GOVERNMENT ENGAGEMENT

The Tamil Nadu Slum Clearance Board (TNSCB) is the State Level Nodal Agency for the implementation of PMAY in the state of Tamil Nadu. A major challenge faced by the TNSCB in implementation of the PMAY is the lack of gap financing for end-users under the AHP and BLC verticals. The role of financial institutions (Primary Lending Institutions(PLI)) in PMAY has largely been restricted to the CLSS vertical as subsidies are routed to the beneficiary through these PLIs. However, demand survey results from the state of Tamil Nadu show that the largest end-user financing requirement in terms of number of customers is under the BLC vertical. Currently, approximately 3.5 Lakh beneficiaries have been allotted work orders for construction of self-built houses. About 45,000 tenements have been approved for construction under AHP, out of which approximately 17,000 units are already under construction. The numbers clearly indicate that the maximum demand for end-user financing is under these two verticals of the PMAY.

With 666 urban centres, Tamil Nadu is the largest urban state, with the presence of a large number of housing finance institutions in most of these centres. However, the Tamil Nadu Slum Clearance Board was unable to procure loans for PMAY beneficiaries through mainstream banks and financial institutions. Indian Housing Federation recognized that the problem was not the lack of availability of finance, but a gap in communication between the financial institutions that specialise in the low- income informal segment and the government, which it aims to address.

IHF aims to create an enabling environment for the development of the housing ecosystem. It aims to create a healthy environment where beneficiaries can choose their financial institution, and institutions can choose their customers. In Tamil Nadu, the program is being implemented with active participation of the TNSCB, which is the State Level Nodal Agency for PMAY. IHF urges the financial institutions to perceive the BLC loans in Tamil Nadu as a business development opportunity where every customer today is also a customer for the future. These families will reach out to the same financial institutions for future improvisation/expansion of their houses. In the case of PMAY, the Loan to Value ratio (LTV) is in favour of the financial institution, as the exposure is minimal for properties that are worth more than double the loan value.

Currently, we are in talks with 10-15 MHFIs (Micro Housing Finance Institutions) who have significant presence in Tamil Nadu to enable them to open their housing portfolios to beneficiaries of the PMAY scheme in the state. IHF also encourages these MHFIs to use alternate mechanisms of loan approvals to help beneficiaries employed in the informal sector to also receive loans. The program was initiated through a Round Table conference conducted by IHF at the TNSCB office in December 2017 where members of various Housing Finance Institutions were invited for a discussion. We would like to take this opportunity to thank the TNSCB for their support in taking this program forward, and hope to establish a long-lasting working relationship with the organization.

IHF has placed a team member in TNSCB office to facilitate the coordination between financial institutions and the nodal agency. With this initiative IHF hopes to enable access to housing microfinance to low-income beneficiaries in Tamil Nadu and also contribute to the success of the PMAY - HFA(U) mission in the state.

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