A Partnership Approach: Increasing Access to Formal Micro Housing Finance for Low Income Households in Tamil Nadu

DECEMBER 2020

Study Partner - Tamil Nadu Slum Clearance Board (TNSCB)
Author - Manikandan KP, Institution Builder, Indian Housing Federation
Edited by - Ishani Mehta
Field Research - Mahesh Hariharan and Sayali Marawar
Abstract

This case study outlines a collaboration between the Indian Housing Federation (IHF) and the Tamil Nadu Slum Clearance Board (TNSCB), the state level nodal agency (SLNA) for the Pradhan Mantri Awas Yojana – Urban (PMAY-U) in Tamil Nadu, to enhance the availability of micro housing finance for low-income communities through formal channels. EWS households struggle to secure financing from formal channels to meet the funding gap, which jeopardises their chances of completing the house. There is a key role to be played by the primary lending institutions (PLIs) in bridging this gap. A partnership has been formed in Tamil Nadu with the overall goal of fostering a housing finance market where government-identified beneficiaries have access to market instruments offered by the PLIs and the freedom to choose the most suitable lender, and lending institutions can identify customers suitable to their product offering. The result is a win-win situation for all the stakeholders, who were earlier working in silos due to the lack of a concerted effort to bring them together. While the government achieves the mission goal and beneficiaries successfully complete/purchase their own house and get linked to the banking system, the PLIs gain from improved business with enhanced width and/or depth in their product offerings.

Keywords: partnerships, micro housing finance, reducing inequalities, efficiency, implementation
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Despite housing being a substantive component of the Government of India’s urban programmes, including the Pradhan Mantri Awas Yojana - Urban (PMAY-U), the lack of adequate housing – especially for low-income communities – has been a key concern for cities in India. This is also something the Covid-19 experience has highlighted starkly. One of the most pervasive challenges in enabling affordable access to adequate housing for low-income communities is the inability of the formal housing finance market to provide affordable housing finance to this segment of the population. This is a result of multiple systemic and structural challenges including limited financial products unsuitable for non-salaried low-income households; underwriting norms that discourage making small valued loans; issues with availability and quality of collateral; and the limited geographic reach of conventional financial institutions.

This case study draws on the experience of the Indian Housing Federation (IHF) in partnering with the Government of Tamil Nadu to increase access to formal micro housing finance for low-income communities. The initial section of this case study explains IHF’s partnerships-based approach to connect innovative housing solutions with low-income communities. Subsequent sections offer a detailed documentation of the partnerships forged to create a competitive, accessible and diversified housing finance market to benefit PMAY-U beneficiaries in Tamil Nadu. The case study concludes with a discussion that draws out general principles from this experience, with comments on application and scalability going forward.

IHF’s Partnership Approach: Building Collaborations along the Housing Value Chain

IHF has roots in the global Housing for All (HFA) program launched in 2009 by Ashoka - Innovators for the Public in multiple countries as part of its Full Economic Citizenship initiative for providing affordable, safe and dignified housing to families living in low-quality and inadequate housing conditions. The HFA model links businesses, primary lending institutions (PLIs), low-income populations, and citizen sector organisations (CSOs)/non-government organisations (NGOs) in order to foster a vibrant and sustainable affordable housing value chain for new homes and incremental housing through collaborations instead of competition.

IHF is coordinating multiple programmes in different parts of the country built on this strong foundation of a partnerships-based approach. During 2016-17, IHF worked on the ‘Hybrid Value Chain Enterprise’ (HVCE) model for developer-led affordable housing across cities of Ahmedabad, Baroda and Pune, and incremental housing in Guwahati. In one year, IHF facilitated the HVCE model across six cities through four partner organisations, reaching out to over 19,000 households in the process.

HVCE is essentially a collaborative governance model that allows every stakeholder in this value chain to work in its area of core competency, while gaining from the expertise of other stakeholders in its areas of deficiency, thus building synergies and creating joint value.

While affordable housing developers have their core competency in delivering apartments, demand aggregators such as CSOs understand the demand behaviour of low-income communities, and PLIs understand credit requirements of households and can extend loans to them while
preparing them for repayment. The value that IHF brought to this exercise was in identifying suitable partnerships, an ability to understand and effectively communicate the perspectives of each stakeholder group, and continuous facilitation for resolving context and geography-specific hurdles.

In 2017, drawing on seven years of experience with Ashoka’s HFA programme and building the HVCE model, IHF identified five universal challenges for building more affordable housing in India, especially using the self-build approach. These are:

1. lack of secure tenure;
2. difficulty in accessing government schemes;
3. limited incomes and minimal or no access to housing finance;
4. lack of housing options with appropriate housing design to match the local needs and aspirations; and
5. limited investment in operations and maintenance.

Since then, IHF is using a five-pronged approach to serve as a framework for building collaborations within the housing sector and targeting each area of concern (Figure 1). Using this approach, IHF has built partnerships for the effective implementation of projects being undertaken under PMAY-U in Assam, Haryana, Odisha and Tamil Nadu.

In Tamil Nadu, IHF has worked on creating a sustainable model of partnerships to address one of the most critical issues identified above – access to micro housing finance by EWS households.
The Issue: Access to Gap Financing in Tamil Nadu

Tamil Nadu is the largest urban state in India, with 666 urban centres, all covered under PMAY-U (Table 1).

Table 1: Snapshot of Urban Tamil Nadu

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
<td>32</td>
</tr>
<tr>
<td>Total ULBs</td>
<td>666</td>
</tr>
<tr>
<td>Municipal Corporations</td>
<td>12</td>
</tr>
<tr>
<td>Municipalities</td>
<td>124</td>
</tr>
<tr>
<td>Town Panchayats</td>
<td>528</td>
</tr>
<tr>
<td>Cantonment Boards</td>
<td>2</td>
</tr>
<tr>
<td>TNSCB – Divisions (covering PMAY-U)</td>
<td>18</td>
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</tbody>
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Source: Tamil Nadu Slum Clearance Board (TNSCB)

PLIs in Tamil Nadu mostly focus on catering to the housing market through the credit linked subsidy scheme (CLSS). However, the PMAY-U progress in the state clearly indicates that the real need, and biggest market for end-user financing, is under the BLC vertical. The total state-wide validated demand for housing under PMAY-U was estimated by the state government at 1.4 million, of which the highest share of 37 percent was under the Beneficiary Led Construction/Enhancement (BLC) vertical. As of December 2019, work orders had been allotted to 5,28,526 beneficiaries for construction of self-built homes under the BLC vertical, of which 1,04,167 units (19.7%) were completed.

Recognising this as a key impediment to the successful completion of BLC projects in the state, TNSCB brought IHF on board in December 2017 to explore possible means of increasing beneficiaries’ access to credit to bridge this financing gap. Since IHF recognises access to micro housing finance as a pan-India challenge, the organisation adopted the approach of demonstrating a model for improving the access to housing finance for targeted beneficiaries that could work not just in Tamil Nadu, a state with relatively good average credit behaviour and high penetration of PLIs in non-metro cities, but across other states as well.

The Solution: Bringing Stakeholders Together to Create a Marketplace

Based on IHF’s past experience in other parts of the country as well as through conversations with TNSCB officials, it was determined that the actual problem was not the availability of finance, but a gap in communication between the government implementing agency and financial institutions that specialise in the low-income informal segment. While the challenges faced by different types of PLIs in lending to this segment could vary, effective coordination between the PLIs and TNSCB was a common issue. This became the focus of IHF’s initiative, with the overall goal of fostering a housing finance market where government-identified beneficiaries have access to market instruments offered by the PLIs and the freedom to choose the most suitable lender, and lending institutions can identify customers suitable to their product offering. IHF also leveraged its extensive
field network to encourage PLIs to sit across the table with TNSCB and work together to create such a marketplace.

As in previous engagements, the development of a collaborative governance model was co-opted by urging each stakeholder to recognise their core competency as well as their shortcomings. Table 2 details the key stakeholders, their core competencies and areas of deficit.

IHF’s self-determined role is to (a) understand

<table>
<thead>
<tr>
<th><strong>Table 2: Stakeholder Analysis for Building Partnership in Tamil Nadu</strong></th>
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<tbody>
<tr>
<td><strong>TNSCB</strong></td>
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<tr>
<td><strong>Motivation</strong></td>
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<tr>
<td>Achievement of targets</td>
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<tr>
<td>Ensuring regular repayment</td>
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<tr>
<td><strong>Priorities</strong></td>
</tr>
<tr>
<td>Completion of all projects under BLC and AHP in accordance to norms</td>
</tr>
<tr>
<td><strong>Beliefs</strong></td>
</tr>
<tr>
<td>All PLIs are alike, and are not interested in lending to the target segment</td>
</tr>
<tr>
<td><strong>Core Competencies</strong></td>
</tr>
<tr>
<td>1. Is the SLNA for all BLC projects with a strong network of divisional offices</td>
</tr>
<tr>
<td>2. Is a parastatal body with capacity to influence necessary policy decisions at state level</td>
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<tr>
<td>3. Has access to information about all beneficiaries</td>
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<tr>
<td>4. Has ability to use state resources for outreach</td>
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<tr>
<td><strong>Challenges</strong></td>
</tr>
<tr>
<td>1. Limited understanding of financial products</td>
</tr>
<tr>
<td>2. Limited ability to ensure timely repayment from beneficiaries</td>
</tr>
<tr>
<td><strong>Information Asymmetry</strong></td>
</tr>
<tr>
<td>1. Has all information on customers, but no direct understanding of PLIs</td>
</tr>
<tr>
<td>2. Division-level officials usually unaware of AHFIs, given their personal exposure to only commercial banks</td>
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Notes: * AHFIs = Affordable Housing Finance Institutions
Implementing the solution: Two Phases

Building on the analysis represented in Table 2, IHF worked closely with TNSCB to put the partnership solution into action in two phases.

Phase I: December 2017 to May 2018

In December 2017, a dedicated resource person with extensive prior experience in housing finance was placed by IHF in the TNSCB office to steer this process forward. The programme was initiated through a round table discussion conducted on December 7, 2017 by TNSCB in partnership with IHF at the Chennai headquarters of TNSCB. The round table was attended by representatives from eight PLIs.

The focus of the discussion was to showcase the potential market for housing loans in the BLC segment. The PLIs were assured that while IHF and TNSCB would facilitate the creation of an ecosystem to facilitate access to loans from PLIs, the selection of customers and quantum of loans sanctioned would remain at the sole discretion of the financial institution while beneficiaries would also be free to choose their financial institution.

Besides building mutual trust between TNSCB and the PLIs in attendance, the round table discussion was also used to explain the importance of the BLC market to representatives from PLIs, through two crucial points presented in financial terms that the PLIs would understand and relate to:

1. BLC loans in Tamil Nadu present a business development opportunity where every customer gained would become a customer for the future as and when they incrementally improve/expand their houses. The BLC vertical of the PMAY is the one with most demand for financial assistance, with over 3 lakh beneficiaries seeking loans of INR 50,000-2,00,000 per customer. At the time of this round table discussion, the estimated value of this market segment in Tamil Nadu was INR 4,500 crores for BLC in terms of the estimated end-user requirement.

2. In the case of BLC projects, 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 (given an inherent land value of approximately INR 2,00,000 and the government subsidy of INR 2,10,000).

IHF also encouraged the affordable housing finance institutions (AHFIs) in the group, which are PLIs that specifically focus on the low-income housing segment, to explore more innovations within their housing loan products and processes targeted at lower-income communities – innovations that would take into account all the deviations from the “ideal loan applicant” typically witnessed in this segment. For instance, the process of AHFIs to release loan amounts only after receiving customers’ own contribution might need tweaking, because the BLC subsidy amount of INR 2,10,000 comes via direct benefit transfer (DBT) in four tranches linked to various stages of construction, with the first subsidy instalment getting released only after plinth completion, while bulk of the loan financing may be required between the second and third stages of construction or even before the start of construction.

Successes

After the round table, IHF started reaching out to the representatives from these institutions as well as other potential institutions individually, connecting the representatives of the PLIs to division officials of TNSCB who could conduct activities at the local level. This approach was aimed at creating quick opportunities for action on ground. Wherever there was sufficient enthusiasm on both sides, effective long-term partnerships were formed.

While most PLIs in attendance did not have highly tailor-made products for this segment, one of the institutions (Mahindra Rural Housing Finance) especially benefitted from this partnership. They already had an active housing loan practice for the
target segment and, due to this exposure, were able to start working very closely with TNSCB in some of the divisions where they could see an increase in business within this segment. In addition, GRUH Finance also benefited from this initial exposure and were able to, through their own efforts, achieve some progress in certain pockets.

Shortcomings and Lessons

However, the impact was not systemic and scalable as was originally hoped. This was primarily because IHF’s facilitation to build partnerships was piecemeal and was focused solely on facilitating immediate connections of front-end staff from PLIs with the TNSCB officials at divisional level. Due to capacity constraints, IHF was unable to follow up towards sustaining these connections at the decision-making levels, i.e. the senior management of both stakeholders. Hence, the quality, depth and strength of individual division-level partnerships being formed was completely dependent on the internal motivation of the field-level staff.

Without directives from the management of AHFIs, there was no product innovation, leading to a lack of suitable products that the field staff could work with. This hindered sustained efforts by the field staff to approach BLC beneficiaries, because the housing finance market at the time was still sufficiently lucrative for conventional loans of higher ticket size leaving little incentive for the front-end PLI staff to invest more time and resources in pursuing lower-income applicants seeking loans of smaller ticket sizes. In the absence of high-level approval and encouragement from the leadership of AHFIs, and without continuous follow-up and facilitation by IHF, the local partnerships fizzled out in many locations.

However, these shortcomings reinforced the idea of stronger institutional partnerships that involved both the top management and the field staff in both TNSCB and the PLIs. It also emphasised the importance of a third-party neutral stakeholder in continuously facilitating and coordinating the process. As a facilitator, IHF tried to maintain a position of neutrality, which builds trust, without emphatically endorsing any particular stakeholder throughout the process. This was the role IHF intended to play more strongly going forward, understanding fully that without neutral facilitation, the sector would not foster financial inclusion for the target segment of low-income households that are seeking home loans for building/improving their own home.

Phase II: September 2019 to Present

Around September 2019, equipped with greater resources (human and capital), IHF decided to re-enter Tamil Nadu to demonstrate the effectiveness of the partnership approach across the state. At this point of time, the priority of the TNSCB leadership had evolved towards improving the performance of CLSS in the state. IHF resumed its partnership with TNSCB for supporting this main priority, while also continuing conversations to improve financial inclusion in the state under other PMAY-U verticals, particularly BLC.

TNSCB and IHF jointly conducted another round table discussion for PLIs on October 24, 2019. To ensure wide coverage and a position of neutrality, all sizes and types of PLIs were included in the round table discussion including public sector banks, private sector banks, large housing finance institutions and smaller housing finance institutions headquartered in Tamil Nadu. A total of 12 institutions were invited to the discussion, with 3 for each category of PLI.

The following key points emerged from the round table discussion:

1. While the discussion began with exploring the CLSS opportunity, it also covered the status under the AHP and BLC verticals in the state to demonstrate the market potential there. It was learnt at this round table discussion that the connections forged in Phase I were still active for the 1-2 AHFIs that had taken the initiative to follow through, although most other PLIs had still not penetrated the market.

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1 This was eventually merged with Bandhan Bank.
2 Although IHF could not collect any baseline data to quantify the impact of this intervention, it was clear from our interactions that the coverage of loans by both these banks to the target segment had increased over 2 years due to the local partnerships they forged with TNSCB divisional offices on the basis of the initial introductions made by IHF.
2. PLIs raised the issue of many BLC beneficiaries’ being unable to secure necessary building plan permissions, which makes this segment risky. To allay this fear, IHF shared a government order (GO) dated June 11, 2019 passed by the Housing and Urban Development Department of Tamil Nadu that exempted the need for individual building plan approvals for units being built under the BLC vertical, recognising the excessive burden of building approval charges on the beneficiaries given the small sizes of these units. This essentially meant that TNSCB, as the SLNA in the state, was empowered to play the role of plan approving authority for BLC beneficiaries under PMAY-U. The GO was also sent to the PLIs as an annexure within the minutes of the round table discussion, thus dispelling any concerns on this account.

3. Many of the PLIs also had reservations about lending to BLC beneficiaries on account of the risk associated with the usually imperfect quality of their land/property documents. This was recognised as a valid concern for which solutions are needed.

After the round table discussion, IHF followed up with each set of institutions with specific requests. As per a discussion with the bigger banks such as SBI and Indian Bank, they have started working on developing a product specifically for this segment, which will operate only in certain markets. Meanwhile, a follow-up round table discussion was organised exclusively for the AHFIs at the TNSCB headquarters in Chennai on December 24, 2019. The objective of this discussion was to pursue a more dedicated strategy for this segment of lenders, which are already catering to the target segment with targeted products and processes and could be supported more speedily to increase their reach. The round table discussion was attended by the senior leadership of 9 AHFIs. Similar to the December 2017 round table discussion, IHF spoke in a language that would resonate with financial institutions, highlighting

1. the business opportunity i.e. the size of the potential BLC market (Figure 2);
2. the low LTV ratio for this segment (approximately 30%) due to the small size of individual loans that reduces the risk exposure for PLIs; and
3. the GO exempting the need for plan approval for individual building plans under BLC.

Formalising the partnership

At the conclusion of this discussion, a plan was laid out outlining each stakeholder’s role in the partnership.

AHFIs: The AHFIs were asked to develop new loan products specifically for the BLC beneficiaries with lower loan threshold values (INR 50,000-1,00,000) than their typical loan products (keeping the loan sizes aligned to the need on-ground ensures that the beneficiaries don’t end up borrowing more than their need or repayment capacity). The AHFIs were also asked to start with depth by focusing on
a few districts with localised strategies to improve coverage, before increasing their reach to all districts.

**TNSCB:** The divisional offices of TNSCB (Executive Engineers) were required to share the town/district-wise beneficiary list along with details including address and mobile number, as well as assist with the logistics and organisation of meetings/events at town level including periodic district-wise credit camps called “Loan Thiruvizhas”.

**IHF:** IHF took on the responsibility of coordinating these credit camps by mapping the PLIs according to the districts they chose to focus in; ensuring a clear line of communication with the district-level points of contact for the PLIs; and communicating with the beneficiaries through SMS and WhatsApp-based campaigns to ensure information dissemination and adequate attendance.

Meanwhile, IHF also recommended the senior leadership of the AHFIs to make the following revisions in their institutional norms:

1. Revise their incentives structure for field staff from value-based incentives to incentive based on number of loans processed, to encourage them to reach out to more beneficiaries despite the low loan ticket size.

2. Instruct the risk underwriting team to have separate provisions that are more inclusive for loan applications from the BLC target segment in terms of evaluating deviations (divergences from an ideal loan applicant).

The above plan of action, with a tangible and scalable process in terms of credit camps accompanied with revised institutional norms, allows each stakeholder to work in their areas of core competencies (Table 2). It also helps in creating a functional financial market for the lower-income segment by removing one of the biggest causes of market failure – information asymmetry.

Notably, this approach in Phase II incorporates the lessons IHF learnt from Phase I in the following three areas:

1. Moving from piecemeal individual connections to an institutional approach of establishing diversified competitive marketplaces for access to finance where consumers can access all AHFIs and choose the right product.

2. Combining the previous bottom up approach with a top down approach whereby senior leadership of TNSCB and PLIs are encouraged to make institutional and policy decisions while field staff at the lower levels are encouraged to be operationally inclusive and efficient.

3. Moving IHF into an ongoing facilitation role that continues even after the initial partnership is formed, and following up continuously till the new way of doing things becomes the norm.

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1 Going by the revised income guidelines under PMAY-U, the typical loan products by AHFIs would be valued at INR 3,00,000 or more.
Establishing a competitive diversified market through credit camps

After the round table discussion concluded, the Joint Managing Director of TNSCB, who held the BLC portfolio and was quite interested in leveraging this partnership for increasing loans to BLC beneficiaries, asked all the PLIs in attendance to share their contact details with TNSCB. IHF facilitated collation of this information, preparing a district-wise list of single-point contacts for these institutions based on information acquired from the AHFIs. Based on this list, an internal memo was issued from the office of the Joint Managing Director to all the divisional heads of TNSCB, asking them to coordinate with the respective coordinators of the PLIs in their districts for conducting the credit camps.

The plan of action proposed by IHF was to create a diversified and competitive marketplace at each credit camp, where the institutions would get exposed to potential borrowers. Beyond this initial facilitation by IHF and TNSCB, the lending institutions would make all individual lending decisions based on purely market-driven considerations without interference or any other political considerations. This would ensure that all loans are made with due diligence as viable economic decisions, allowing the marketplace to thrive.

The pilot for the credit camps was launched after bringing 7-8 AHFIs on board. The first camp was organised in February 2020 for the Coimbatore Division of TNSCB (covering 19,500 beneficiaries, who had received BLC work orders but not reached completion stage, in Coimbatore and Nilgiris districts and parts of Tirupur district). The 2-day camp was well attended and created a bridge between PLIs and beneficiaries, who were able to assess the best credit options available to them.

Over a period of 45 days (from February 3, 2020 to March 15, 2020), IHF coordinated with seven divisions of TNSCB to organise 16 credit camps in 16 urban locations with the participation of 5-11 PLIs per camp, attended by a total of 2,786 BLC beneficiaries.

Figure 3: Newspaper announcement of the credit camp at Coimbatore, Tamil Nadu
In addition, to ensure that in the process of establishing a competitive market place, beneficiaries do not get pushed into over leveraging, IHF would display banners prominently at each camp in both English and Tamil languages, highlighting eight tenets for encouraging responsible and sustainable borrowing. These eight tenets are:

1. The Goal of “Housing for All” programme is to get completed houses.
2. Mobilise and secure resources before construction.
3. Don’t start building beyond one’s financial capacity.
4. Borrow money only when absolutely necessary.
5. Keep the loan to the minimum based on requirement.
6. Borrow and fix instalments based on repayment capacity.
7. Repay instalment – on time, every time

Figure 4: A PLI interacting with beneficiaries at credit camp in Madurai, Tamil Nadu

Figure 5: Briefing session with PLI representatives and TNSCB officials at a credit camp

Figure 6: English Banner displayed at camps to promote responsible borrowing
Impact

The model succeeds in its design, whereby each stakeholder sticks to its core competency and establishes synergies with other stakeholders. This approach addresses the information asymmetries that had led to a market failure in meeting the financial needs of the target segment. Addressing this market failure establishes a democratised, diversified and competitive marketplace and creates more awareness about the possibilities for housing loans for BLC beneficiaries across all districts, allowing the marketplace, accessible to both PLIs and beneficiaries, to spread. The key impact of this process has been the graduation of the hitherto informal customer to the formal financial system.

While IHF decidedly played a strong facilitating role through this process, the ultimate aim was to build a replicable and scalable model that could function sustainably in the long-term across the state and be implemented in other states as well. Hence, based on the various nuanced learnings from each camp, IHF also developed standard operating procedures (SOPs) for the streamlined and standardised organisation of such credit camps in future and for institutionalising best practices.

Using the SOPs, credit camps can be organised, exclusively for BLC beneficiaries, in a structured format at regular intervals (fortnightly or monthly) in all divisions. This will give confidence to more beneficiaries to come forward and avail home loans, which can have a huge impact on the overall goals of financial inclusion for the urban poor. Pursuing this approach for financial inclusion is also expected to eventually enable interest rates to be lowered for housing loan products relevant for the target segment as wider and deeper markets with sufficient competition will eventually lead to innovation.

Next Steps

IHF will continue engaging with the decision makers at TNSCB to continue pushing for reforms that can address the policy gaps and strengthen such a marketplace approach to housing finance for the low-income customers. A strong reporting, monitoring and data analysis regime needs to be instituted within TNSCB with regards to the registration data and other insights from the camps, that should be reported back to the headquarters. These should be collated at the state level and analysed to draw relevant policy insights and recommendations for further enabling access to micro housing finance among the target segment. This should be complemented by tracking and monitoring the outputs and outcomes of these camps.

Meanwhile, IHF will also continue following up with large public sector banks to devise targeted financial products for this specific target segment. As large public sector banks offer affordable interest rates (as compared to AHFIs) and have geographically widespread networks of bank branches, these would have a much wider reach.

Lessons for scaling up a Partnership-Based Model for Housing Finance

The following lessons may be drawn from this case tested in Tamil Nadu with encouraging initial results, for scaling this model within Tamil Nadu and in other states:

What is Working

1. The state level nodal agency is the first and foremost stakeholder in the process and should be onboarded as the primary partner.

2. Building a close professional relationship based on mutual trust and understanding with each
Conclusion

The Tamil Nadu experience, while still in a nascent stage, is demonstrating well how partnerships based on IHF’s collaborative governance model can achieve the goal of enabling access to micro housing finance for low-income households. IHF used its grassroots expertise to work with the SLNA and the PLIs to understand their priorities, beliefs and constraints, and co-created suitable strategies that align individual stakeholders’ priorities to the overall systemic outcome desired.

The model succeeds in its design, whereby each stakeholder sticks to its core competency and establishes synergies with other stakeholders. It also addresses the information asymmetries that form the foundation for the market failure in meeting the financial needs of the target segment. Another positive outcome of this model is the creation of a democratised marketplace based on competition and further eliminating any information asymmetries. The model also demonstrates that more than the actual risk, lenders are guided in their lending decisions by the perception of risk associated with the security offered as collateral, and a blanket assurance at the state government level through special legal provisions can be very useful in reducing the risk perception and making it easier to lend. Finally, building partnerships does not happen naturally. It requires a neutral facilitator, with a big-picture understanding of the system, to identify the areas of collaboration and follow up with persistence and empathy, while forging long-term relationships of mutual trust.

3. As a facilitator, it is essential to maintain continuity in the process through constant following up and persistence, using multiple modes of communication, even when there are organisational transitions at leadership or field levels within partner institutions.

4. Creating a genuine marketplace by focusing on inviting only approved BLC beneficiaries with an actual need for housing finance makes the process very efficient on both sides.

5. Placing beneficiary education banners that advocate financial prudence to ensure beneficiaries borrow only as per need and repayment capacity should be prioritised to ensure responsible and sustainable borrowing and long-term success of the marketplace.

6. Instead of focusing on any one institutional level, it is important to engage with officials and staff at every level within the stakeholder organisations to ensure there is buy-in and alignment with the overall goals and outcomes right from the conceptualisation and decision-making stages up to implementation and validation stages.

7. More than the actual risk, lenders are guided in their lending decisions by the perception of risk associated with the security offered as collateral, and a blanket assurance at the state government level through special legal provisions can be very useful in reducing the risk perception and making it easier to lend.

What is Challenging

1. Especially at the implementation level, a lot of the success of a credit camp (in terms of outreach efforts, participation and registration) depends on the officials and their internal motivation. Hence, despite standardisation of processes, the level of success achieved in terms of engagement with the target segment could vary significantly.

2. Transitions of key officials at the leadership level can stall or slow down the process, requiring additional effort for alignment of all stakeholders for the partnership.

3. There is scope for improvement in terms of inclusion, since certain beneficiaries are still left out for want of better documentation, despite all the good intentions.

of the stakeholders involved and facilitating continuous communication to align their expectations and abilities on an ongoing basis is crucial to the process.
About Indian Housing Federation

Indian Housing Federation (IHF) is a Section 8 non-profit organisation that has accumulated over five years of grassroots experience and understanding of the complex and diverse space of low-income housing in India. Incorporated in 2015, IHF was incubated at Ashoka – Innovators for the Public (a leading organisation in the field of social entrepreneurship) with a vision of reducing the inequalities faced by socially and economically weaker sections of society in India in accessing affordable and sustainable housing. IHF has been, amongst other activities, providing strategic and implementation support to the state governments of Assam, Haryana, Odisha and Tamil Nadu towards achieving the objective of “Housing for All” (HFA).

Despite the best efforts of government and non-government players, both for-profits & non-profits, the housing need for low-income communities in India remains largely unaddressed, primarily due to the lack of communication and collaboration between various stakeholders working in silos within and across geographies, on piecemeal projects and initiatives. Hence, IHF is building a housing ecosystem to foster collaborations among varied stakeholders in the low-income housing space. The housing stakeholder platform, called the Platform for Universal Access to Housing in India (Platform-UnATHI) is envisioned to become a multi-stakeholder discussion, collaboration and action platform for inclusive and affordable housing, that will help build partnerships among government and non-government players to create innovative solutions for low-income housing, by working together and learning from each other.

The platform is expected to grow into a vibrant community focused on action and advocacy to enable solutions for low-income housing at scale. The evolution of Platform UnATHI will be driven through IHF Stakeholder Networks, which in turn will be supported through actionable intelligence from ongoing research under IHF Applied Research and implementation work under IHF Field Engagements.

About IHR

India Housing Report is an online archive and periodic report that brings together the rich but disparate analytical work on housing in India, weaving together key debates on housing affordability, adequacy, technology, finance and tenure with ongoing urban transformations in India that impact livelihood, infrastructure, services, liveability and governance. The archive and associated report seek to catalyse a debate on current issues and explore new directions to study housing and its complexities, intersections and novelties.

About CPR

The Centre for Policy Research (CPR) has been one of India’s leading public policy think tanks since 1973. CPR is a non-profit, non-partisan independent institution dedicated to conducting research that contributes to the production of high quality scholarship, better policies, and a more robust public discourse about the structures and processes that shape life in India. The Urbanisation vertical at CPR engages with the process of urban transition in India from many perspectives, working to understand how urbanisation is evolving, how it is managed, and how it affects people’s engagement with the state.*