

## **Section 1**

### **INTRODUCTION**

#### **1.1 Genesis of the Technical Advisory Group**

1.1.1 House is generally the most important asset of a household and accounts for a major share of its wealth. Any movements in the housing sector may, therefore, make a significant impact on economic activities in the country including that of the financial sector. The former would have powerful multiplier effect on the economy operating through the intersectoral linkages in the production system. The number of housing starts during a given period reflects the institutional response to the existing number of building permits, besides the current demand for houses. This would have an impact on the outlook of the construction industry due to the backward linkages. Housing starts is considered to be a lead economic indicator because of the forward-linkages.

1.1.2 Given this perspective, it has been considered necessary to develop a Housing Start-up Index which can be used as a tool to monitor the movements in certain segments of the Indian economy on a regular basis. The index must be constructed through development of an appropriate methodology after overviewing the international best practices. Accordingly, the Reserve Bank of India has constituted a Technical Advisory Group for "Development of Housing Start-up Index" vide, Memorandum signed by Deputy Governor, Dr. Rakesh Mohan on July 30, 2007 (Annex 1).

1.1.3 The Terms of Reference of the Technical Advisory Group are as given below:

- (i) To review base paper on concepts, methodology, approach to generate the database for construction of the indices and suggest a feasible methodological framework for construction of HSUI for the Indian economy, with a view to assist monetary policy formulation, and to guide and oversee its implementation.

- (ii) To recommend modalities of entrusting the work for construction of HSUI by appropriate external agency or institution, including scope of work and deliverables.
- (iii) To evaluate the work of the external agency/institution and recommend its acceptance by the Bank.
- (iv) Any other issue as deemed necessary for development of the HSUI.

1.1.4 The constitution of the Technical Advisory Group is as follows:

- |    |  |                   |
|----|--|-------------------|
| 1. | Prof. Amitabh Kundu<br>School of Social Sciences<br>Jawaharlal Nehru University<br>New Delhi   | Chairman          |
| 2. | Dr. R. B. Barman<br>Ex-Executive Director<br>Reserve Bank of India,<br>Mumbai  | Vice-<br>Chairman |
| 3. | Dr. M. D. Patra<br>Monetary Policy Department<br>Reserve Bank of India<br>Mumbai   | Member            |
| 4. | Shri. S. Sridhar<br>Chairman & Managing Director<br>National Housing Bank<br>New Delhi   | Member            |
| 5. | Dr. S. K. Nath<br>Ex-Director General<br>Central Statistical Organization (CSO)<br>Ministry of Statistics and Programme Implementation<br>Government of India<br>New Delhi | Member            |
| 6. | Shri. D. S. Negi<br>Director (NBO),<br>Ministry of Housing & Urban Poverty Alleviation<br>Government of India<br>New Delhi   | Member            |
| 7. | Shri. K.L Dhingra<br>Chief Managing Director<br>Housing and Urban Development Corporation<br>(HUDCO)<br>New Delhi  | Member            |
| 8. | Shri. S. K. Sinha<br>Ex-Director General and CEO   | Member            |

- National Sample Survey Organisation (NSSO)  
Ministry of Statistics and P.I  
Government of India  
New Delhi
9. Shri. D. R. Bhosale Member  
Director, Directorate of Economics & Statistics,  
Govt. of Maharashtra  
Mumbai
10. Smt. M. Sheela Priya Member  
Sp.Commissioner and Director  
Dept. of Economics & Statistics  
Govt. of Tamil Nadu  
Chennai
11. Shri. K. K. Mondal Member  
Director, Bureau of Applied Economics & Statistics  
Govt. of West Bengal  
Kolkata
12. Dr. B. K. Sharma Member  
Director and Chief Registrar (Births and Deaths)  
Directorate of Economics & Statistics  
Govt. of National Capital Territory of Delhi  
New Delhi
13. Shri. Nandakumaran Member  
Chief General Manager (Personal Banking)  
State Bank of India  
Mumbai
14. Dr. D. B. Gupta Member  
National Council of Applied Economic Research  
New Delhi
15. Prof. Bharat Ramaswami Member  
Planning Unit, Indian Statistical Institute  
New Delhi
16. Prof. Abhay Pethe Member  
Professor of Urban Economics and Regional  
Development  
Department of Economics, Mumbai University  
Mumbai
17. Dr. Amal Kanti Ray Member  
Officer-in-Charge, DSIM Secretary  
Reserve Bank of India, Mumbai

1.1.5. The Department of Statistics and Information Management (DSIM) (Statistical Analysis Division) provided the secretarial support to the Technical Advisory Group.

## **1.2 Report Outline**

1.2.1 The Group deliberated on issues regarding the development of sound and reliable Housing Start-Up Index during its four meetings held in Mumbai. During the first two meetings, the issues concerning the scope, coverage, relevance and operationalisation of the index were discussed in some detail. The issues relating to the concept of housing start up, sources of data, data collection mechanism, periodicity of compilation, need for pilot survey etc. were also deliberated. The Group had the benefit of the presence and participation of the Deputy Governor Dr. Rakesh Mohan in its third meeting which finalized the methodology of the pilot survey and detailed out the procedures and institutionalisation of the index building exercise. Decisions were also taken regarding the selection of the urban centres for the survey, sampling technique, survey questionnaires and the methodology of data analysis. The fourth and final meeting, where again Dr. Rakesh Mohan was present, discussed the empirical results of the surveys conducted in Coimbatore, Mumbai, Delhi, Villupuram and Saswad. The Group felt there was a need for conducting a survey on the processes including the formal requirements for issuance of building permits by the various municipal bodies across the country. As suggested by the Group a meeting of the municipal commissioners and officers from town planning departments/urban development authorities from some selected cities with members of the Group was held at National Building Organisation, New Delhi to deliberate on the issues relating to the existing system of data collection on building permits and explore the possibility of setting up a mechanism for compilation and collation of the exiting data and collection of some additional data on the building permits. The study note on permit issuing processes across the country based on the information given by the

municipal commissioners and officers from town planning departments/urban development authorities from some selected cities were circulated among the members. Based on the discussions and decisions in earlier meetings as also the analysis of the data gathered by NBO, the Group finalised the methodology for construction of the index on a regular basis and proposed an institutional structure that would be responsible for its operationalisation, as presented in this Report.

- 1.2.2 The Report is divided into five sections. Section 2 discusses international practices in constructing house construction related indices and the experiences of building data/information base for housing sector in India. Section 3 gives insight into the methodological issues for construction of HSUI, taking the empirical context of Indian urban scenario into consideration. Section 4 presents the pilot survey results and enumerates the limitations of the data used in the survey and similar empirical studies in the country. The recommendations of the Group are presented in Section 5.

### **1.3 Acknowledgements**

- 1.3.1 Preparation of HSUI being the maiden venture of its kind, the challenges were many. The contribution by each of the members and their institutions were crucial in completing the projects in a meaningful manner and all of them must be sincerely thanked for their efforts. The Group expresses sincere thanks to Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India for his valuable insights and suggestions provided during the entire period of the Group's functioning. The Group also thanks Dr P. K. Mohanty of the Ministry of Housing and Urban Poverty Alleviation, the Joint Secretary in charge of NBO, for providing information regarding the present system of data generation in the Ministry and assisting in formalizing a system of data compilation for HSUI on a regular basis. The Group is thankful to Shri. Radhey Shyam, former Adviser, DSIM, RBI, Shri. Sangeet Shukla, CGM, State Bank of India, Shri. T. Prabhakaran, former Director Finance, HUDCO

and Shri. P.K Ray, former Director General and CEO (In charge), NSSO who were part of this Group in its initial phases. Special thanks are for the Directorates of Economics and Statistics (DES), Tamil Nadu, Maharashtra and Delhi that undertook the responsibility of conducting the pilot survey. The Group is thankful to Dr. M. Murughan and Shri S. Sudalaimuthu of DES - TN, Shri. K.S.P Rao, Ex-Deputy Director General, NSSO, Shri. Raj Pal, Principal Adviser, NHB, Smt. Uttara Dasgupta, GM, SBI, Shri. K. L Paulson, DGM, SBI and Shri. Avanish Mishra, NBO for representing their organizations in various meetings and putting forward their invaluable suggestions, as also to Mr. Deepak Gahlowt who was a special invitee in the third meeting to present his work on municipal housing permit system. The Group is also thankful to Shri. A.B Chakraborty, Adviser, Monetary Policy Department (MPD), RBI and Dr. O.P Mall, Director, MPD, RBI for their contributions.

1.3.2 The Group is thankful to Dr. Amal Kanti Ray, Officer-in-Charge, Department of Statistics and Information Management, RBI for creating an excellent environment and facilities in overseeing the pilot survey and coordinating the Group meetings. His continuous persuasion for completion of the Report is highly appreciated. The Group also recognizes to Shri. Sanjoy Bose, Director, Dr. A.K. Tripathi, Director, Smt. Sushila Augustine, Director and Shri Joice John, Research Officer of Department of Statistics and Information Management, RBI for shouldering the total responsibility of analyzing the survey results and preparing the Report.

1.3.3 The Group places on record the valuable contributions, encouraging thoughts and support for design of the survey schedules, conduct of pilot survey and firming up the methodology for compilation of Housing Start Up Index (HSUI) by ex-officio members, Dr. R. B. Barman, former Executive Director, RBI, Dr. S. K. Nath, former Director General, Central Statistical Organization (CSO) and Shri. S. K. Sinha, former Director General and CEO, National Sample Survey Organisation (NSSO).