

CHAPTER - II

MEANING AND ORIGIN OF CO-OPERATIVE HOUSING

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C H A P T E R -II

MEANING AND ORIGIN OF CO-OPERATIVE HOUSING

2.1 MEANING AND ORIGIN OF CO-OPERATIVE HOUSING:

Co-operative housing began in Denmark as early as 1850. Other European countries (France, Germany, Austria, and Sweeden) followed Denmark in the next decades. In India Co-operative housing movement started in the early years of the present century. It has made a good headway after national independence. The co-operative housing movement was started nearly 72 years ago in this country Mysore State (now Karnataka) was the first to take lead in forming the first housing Co-operative society in ~~1900~~ 1909 known as the Bangalore Building Co-operative Society Ltd., This society served as a model and insipiration for future co-operatives.

Bombay also took the initiative in the matter by forming a non-official body in 1913. This was known as Bombay Co-operative Housing Association for the purpose of carrying on propaganda in favour of the co-operative housing housing movement. The pioneer in the initiation of co-operative housing in India was the late Shri.S.S.Talmakhi. The saraswat Co-operative housing society at Gamdevi in Bombay was organised through his patient and persistent

efforts in 1915, Mr. J.P. Orr, I.C.S. took active part in promoting Co-operative housing movement in India.

The main object of a housing society is to make its members acquire their own properties and manage on a collective basis so that the people may be housed at reasonable costs which they can afford to pay, "Housing Co-operatives formed with the object of providing their members with dwelling houses deal with the following specific phases in the provision of houses.

- (a) Extension of credit to members for construction of houses.
- (b) Acquisition of sites arrangement of finance and assisting members in various phases of building process.
- (c) Selection and purchase of land construction of houses administration of completed projects and establishment of complementary community services, and
- (e) Owning and managing housing estates." ¹

" The Maharashtra Co-operative societies Act, defines a housing society as a "Society the object of which is providing its members with dwelling houses."

1. D.D.Naik and S.S.Bharwani, "Management of Housing Co-operatives" Bombay B.K.D. Company, 1973 P..9

"The housing societies in this state are classified in to (a) Tenant ownership housing society, (b) Tenant Co-partnership housing society, and (c) other housing societies."²

2.2 TYPES OF CO-OPERATIVE HOUSING SOCIETIES

At present there is mainly two tier structure in the field of co-operative housing. At grass root level primary co-operative housing societies, and apex level apex housing finance societies which provide funds to primary societies in their respective jurisdiction. The National Co-operative housing Federation Ltd., is a national body of all the state level co-operative housing Federations/Finance societies was founded in 1969, to promote co-operative housing movement and co-ordinate and guide the activities of the housing co-operatives in the country.

The Maharashtra Co-operative societies Act had given the classification of housing co-operatives. The working group on housing co-operatives has classified housing co-operatives under three heads. Co-operative housing societies at primary level can broadly be classified into the following four groups:

(A) Tenant ownership housing societies :- Under this category the land is held either on lease hold or free-hold by societies and houses are owned by members. In this type a tenant member holds the plot from the society as a lease

holder and the lease stipulates strict conditions against sub-letting, transfer, or other forms of profiteering. This type suits the tastes and requirements of individual tenant members. A member may construct his house on the plot allotted to him as per plan and design approved by the society, or may request the society to undertake construction on his behalf. When the construction of the house is undertaken by the society the member is at liberty either to pay the full cost of the house on occupation in which case he has only a nominal rent to pay as a lease holder or he may pay off the value of the house by instalments as the co-partnership tenant does until at the end of a specified period of years. Whereby after paying up cost fully he obtains the lease on a nominal rent.

(B) Tenant Co-partnership Housing Societies:- These housing societies hold both land and building either on lease hold or free hold basis and allot them to their members. In this type of housing society each member obtains the occupancy under limitations which precludes him from making a profit by its sale or transfer and enforces the solidarity of his interests and those of society as a whole. The essential feature of every such society is that its houses form one settlement in one compact area and that the regulation of the - settlement rests in the hands of the managing committee of the society. The property in the whole estate remains

absolutely with the society as a whole. The members contribute in the first instance through shares. They pay rent on their tenements or houses so calculated as to cover not only their economic rent but also an amortisation or sinking fund payment which at the end of the period for which the society has borrowed, repays the whole value of building.

(C) House mortgage societies:- The house mortgage society lends money to its members for construction of houses for their dwellings. The members have to make their own arrangements for building their houses. This type of society is really a credit society as distinguished from other credit societies as per objects for which its lends the duration of the loan and the security it demands. It exists in order to provide individuals separately their requirements towards housing.

(D) House construction or house building societies:- In this type, the society spends money on behalf of the members in building the houses and the houses are handed over to them when ready and the money spent is recovered as loan.

2.3 BENEFITS OF CO-OPERATIVE HOUSING

The problem of providing suitable housing accommodation to the people is confronting every part of a country. The restrictions imposed by the Rent Control Acts and the burden of estate duty have made investment in house property unattractive. The cost of land and construction has gone up enormously and as private enterprise operating on the basis of profit can only build houses for the people who can pay for them. It cannot cater to the requirements of the working and lower middle class.

The private enterprise suffers from one disadvantage in its inability to obtain necessary capital at a low rate of interest. Also in a welfare state a very few employers had paid attention to housing. The Municipalities have shown little interest in housing. The State and Central Governments have been paying more attention to housing but yet they have not given top priority to housing.

Co-operative societies can deliver the goods at less cost and with greater satisfaction to the community. The Collective security of the society enables loans to be raised on a long term basis and at a reasonable rate of

interest. The Co-operative societies can bring down the cost of construction. The housing through co-operative societies can secure proper standards and experience full community life. The advantages offered by the establishment of co-operative housing societies are manifold.

(A) ECONOMIC ADVANTAGES:

- (1) The acquisition of land, material and services on a larger scale reduces the cost of these items. Housing co-operatives makes the most economical use of land and resources.
- (2) The legal work is greatly simplified and its costs are reduced.
- (3) Housing co-operatives become collectors of capital, which would not otherwise accumulate in the hands of people with low incomes.
- (4) There are savings to members in the cost of facilities, e.g. Bulk purchases of buildings materials and home fittings.
- (5) Profits made by middle men or speculators can be eliminated.
- (6) Co-operative housing acts as a stimulus to better and cheaper housing besides helping in training people in co-operative way of living.

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- (7) Means of providing decent houses at reasonable cost to persons particularly of lower and middle income group who cannot afford to meet their housing needs by their own efforts.
- (8) In many countries co-operatives are taxed at a lower rate, In some countries they are exempted from taxation.

(B) FINANCIAL ADVANTAGES:

- (1) They encourage people to save and channel such money into the financing of house building.
- (2) Housing co-operatives can practice mass -production methods. They purchase building materials at wholesale prices.
- (3) They are directly engaged in production, establishing their own factories. They produce and use the best quality materials since they are non-profit bodies.
- (4) Housing co-operatives broaden their capital basis through their own savings funds. Surpluses are - retained for promotion of house building. They facilitate credit on favourable or easy terms. Collective insurance covers general risks.

(C) TECHNICAL ADVANTAGES:

- (1) They organise their own technical services. They engage highly qualified technical staff.
- (2) They set quality standards and follow new methods in construction.
- (3) Housing co-operatives help to reduce building costs, and nationalization of building methods.
- (4) Architectural planning can be done on a large scale.

(D) SOCIAL ADVANTAGES:

- (1) Housing co-operatives remove speculation from the field of housing as far as their membership goes and act in turn as a corrective to unscrupulous landlordism.
- (2) The element of ownership and the arrangement for self-governing management tend to create an atmosphere of mutual respect.
- (3) Housing co-operatives stand for the idea of social responsibility in the provision of dwellings in the market economy.

- (4) Housing co-operatives provide play-grounds, day nurseries for children shops, medical stores, washing machines and collective garages. They establish additional financial cultural and - recreational amenities as a part of their housing programme. Housing co-operatives diminish social tensions.
- (5) They encourage people to turn their spirit of initiative and mutual aid towards solving their own housing problem by inviting them to participate in a joint programme rather than depend entirely on outside help.
- (6) They relieve the state and municipal authorities of a large part of their administrative and economic responsibilities in the field of housing.

(E) OTHER ADVANTAGES:

- (1) The residents have a voice in the policies and standards under which their housing will be operated.
- (2) The housing co-operative is a democratic institution. The members learn the democratic processes by participation in the management of the project.

- (3) Democratic administration leads to the participation of many members in the management committees and other organs of the housing co-operatives.
- (4) Through meetings social occasions and lectures, housing co-operatives contribute to the entertainment of their members and their further education.

To conclude in the words of Prof. P.E.Weerman,
"A housing co- perative provides for the joint ownership and operation of a housing project by and for the residents". The main characteristics of a housing co-operative are that it is non-discriminatory in its policy it is democratically controlled by its members and it is operated on a non-profit and non-speculative basis. Co-operative housing therefore involves education and training, mobilization of savings self-help and mutual help. It brings about mutual - understanding and the creation of common institutions"³

2.4 AIMS AND OBJECTIVES OF HOUSING CO-OPERATIVES.

The co-operative housing societies have certain advantages over individual housing project. The

3. P.E.Weerman, "Co-operative housing" Readings in Co-operative housing, (c) International Co-operative Alliance New Delhi, Allied Publishers Private Limited, 1st ed. 1973, P..16

Co-operative housing societies all over the world feel that they can make an important contribution to the world wide efforts for proper housing. They help to create happy housing conditions and strive for social and economic justice connected with them. The principal objective of a housing co-operative is to provide its members with suitable housing accommodation at a reasonable cost and easy terms of payment. The aims of housing co-operatives are given below.

- (a) To cultivate self-help.
- (b) To create necessary amenities of life.
- (c) To create suitable environmental conditions.
- (d) To foster community spirit among members.
- (e) To provide its members with decent accommodation, secured occupancy at a low cost.
- (f) To encourage members and others to save and channel such money into financing of house building.
- (g) To ensure quality and improved standards in housing.
- (h) To eliminate speculation.

It is important to know how the above aims are realised through the working of housing co-operatives. Every housing co-operative has to prepare its own by-laws, and the objectives are expressed in its own bye-laws.

(A) OBJECTS FOR HOUSING SOCIETY - (TENANT OWNERSHIP HOUSING SOCIETY AND TENANT CO-PARTNERSHIP HOUSING SOCIETY)

- 1) To provide dwelling houses to its members in accordance with these byelaws.
- 2) To undertake the activities of a society belonging to another class and/or sub-class with general or special permission of the Registrar under sub-section 2 of sec.12 of the Maharashtra Co-operative Societies Act, 1960 and necessary amendment in the byelaw and subject to such conditions as the Registrar may consider necessary to lay down to safeguard the interests of the members and public in general.
- 3) To inculcate the spirit of thrift and mutual aid among its members, and
- 4) To do all things necessary of expedient for the attainment of the objects specified in these byelaws."⁴

(B) OBJECTS FOR HOUSE MORTGAGE SOCIETY

- 1) "To make and guarantee advances to members for purchase to members for purchase or construction of dwelling houses on their own plots or on plots obtained on

4. Pune District Co-op.Housing Federation Ltd., "Byelaws and election rules of the co-operative tenant co-partnership housing society Limited, Pune, Chairman of the Pune District Co-op.Housing Federation Ltd., P..1 & 2

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long lease or for additions and/or alterations to their own existing dwelling houses and for this purpose to undertake all activities that may be necessary to attain the object.

- 2) To sell, lease or dispose off or otherwise deal with the whole or any part of the movable and immoveable property and assets, which may come in the possession of the society; and
- 3) To inculcate the spirit of thrift, self-help, and mutual aid among its members."⁵

(C) OBJECTS OF HOUSE CONSTRUCTION SOCIETY:

- 1) " To buy or acquire land by purchase, mortgage, lease, exchange gift or otherwise.
- 2) To lay out land to suit the requirements of the society in the shape of roads, parks, play-grounds, schools, hospitals, water works, markets, post offices, and other social amenities.
- 3) To lay out land and house sites for the benefit of members.
- 4) To construct buildings or other works of common utility to the society.

5. D.D.Naik, "Practices of Housing Co-operatives", Bombay Bombay Law house; 1972. P.51

- 5) To build residential buildings or other buildings for the members.
- 6) To hold, sell, mortgage, lease out on hire or on hire purchase system or otherwise dispose of land, houses, or house sites buildings and all other properties whether moveable or immovable.
- 7) To establish and maintain social recreative, educational public health, or medical institutions for the benefit of members.
- 8) To raise funds for the benefit of members.
- 9) To repair or alter or otherwise deal with the buildings of the society."⁶

2.5 IDEAL WORKING OF HOUSING CO-OPERATIVES.

If above mentioned objects are achieved satisfactorily, the society becomes an ideal housing society. In co-operative housing society members came together of their own free will to build up new community. Members in a co-operative housing community depend on each other to a large extent because the objective of each member can only be attained by group action.

6. K.R.Kulkarni, Theory & Practice of Co-operation in India and abroad Vol. IV, Bombay; 1st ed. Co-operators' Book Depot, 1962 P.. 196 & 197

Members in a co-operative community are involved in overall community life and as such they have to develop the spirit of mutual understanding, collaboration and voluntary discipline. In fulfilling its economic objectives a housing co-operative provides its members with suitable housing accommodation at a reasonable cost and on easy terms of repayment. It also creates a new environment of its choice so that the physical, social, economical and spiritual needs of its members can be best met in the newly created conditions. Many societies provide various facilities like parks, schools, halls, playgrounds, etc., They perform cultural and spiritual, national festivals and programmes. Experience shows that co-operatives show good results where both members and employees of - co-operative principles and methods.