

Challenges in Affordable Housing Sector in India

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Abstract:- Nearly 30% of India’s population live in towns and cities. With this current trend of rural to urban inflow, by 2030, this figure is projected to be 50%. Many new informal squatter settlements have mushroomed in cities over past couple of decades. There is an acute shortage of livable accommodation and several people have substandard living condition in urban areas. The housing market has been unable to supply shelter for the increasing demand that has been created due to large influx of people into the cities. This paper focuses on the study of existing housing scenario and aims to identify the challenges faced by the affordable housing (AH) sector in India. Urban poor are identified based on social, economic and occupational vulnerabilities. In providing housing for the urban poor, the government as a facilitator, has come up with various housing policies and schemes. But there are many issues faced by the government and private stakeholders as housing providers. Despite their continuous effort, the economically weaker section (EWS) and Lower Income Group (LIG) are inaccessible to housing. Possible ways to overcome the hindrance while keeping a check on the rising demand must be thought of. The methodology involves identifying issues and finding appropriate solutions. Six such issues have been narrowed down and discussed in the paper. Currently, there is a need to set the goal to address these challenges and increase accessibility to housing. Henceforth, improving the current scenario of housing for the urban poor.

Keywords— Urbanization, Affordable housing, Economic stimulus, Housing typology, Rental housing.

INTRODUCTION

In simple terms, housing means providing a shelter that ensures safety and support the activities of the household. The increase in urban population has led to rapid urbanization.



Fig. 1. Dwelling condition of a slum in Mumbai

The rural population that migrates to urban areas are not finding housing they can afford. Hence, there is an increased number of slums, informal settlements and shadow rental market. Several people live in poor conditions in the urban areas. The economically weaker section (EWS) and lower income group (LIG) of the society are continuing to live in a deteriorated housing condition.

The ongoing Government AH scheme - The Pradhan Mantri Awaas Yojana (PMAY) has promised Housing for All by 2022. The Real Estate Regulatory Authority (RERA) Act 2016 intends to have jurisdiction over the real estate development, protect the property buyers and provide guidelines to the providers. As per the Economic survey the access to quality housing in India had improved. Despite sincere efforts there are certain shortcomings in the system due to which AH is unavailable for the most needed poor.

A. Limited participation of private sector

Schemes under Affordable housing in partnership (AHP) encourage private sector participation. The ‘Mumbai Model’ of slum redevelopment is a successful example for AHP. But this model has been a failure in other cities as the profit is almost nil. The commercial banks deny finance against land for small developers. They depend on private banks with high interest rates and hence reduce profitability.

On the other hand, the Non-banking financial companies (NBFC) that provide financial assistance to the real estate developers are facing capital crunch. An Economic stimulus could reduce negative impact faced by the dependent sectors.

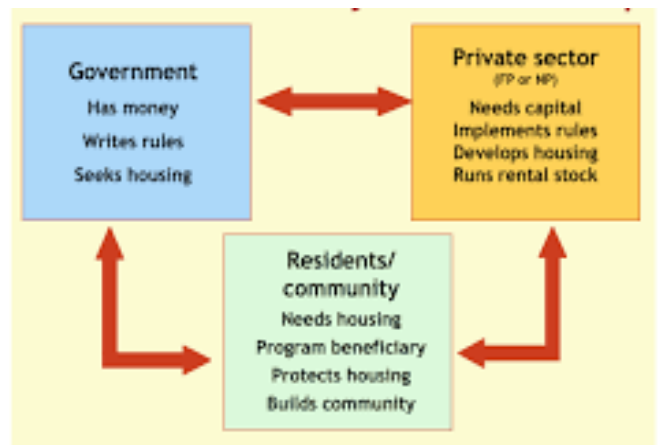


Fig. 2. Affordable housing – a three-way relationship

overcoming all the difficulties a 17.3% increase in residential construction above its pre-pandemic level has been currently seen. The housing share of GDP is 4.7%. Keeping pace with the present surge the government could encourage the Real Estate Investment Trust (REIT), a top performing

sector in stock Market in 2021, by rewarding capital gains taxation to ensure larger investments.

B. Inefficiency in project implementation

Until recently the sole responsibility of providing AH was of the government. Its role changed in the 7th five-year plan (1985-90) from a provider to a facilitator. There have been sincere efforts that has resulted in various National Housing Policies (NHP) and schemes under which the urban poor are being sheltered. But the issue is that these projects take a long time for sanctioning, launch and finally ready for occupation. As per the detailed project report (DPR) many a times sanctioned projects are either aborted or incomplete. Many units completed under various schemes are of poor construction quality.

Before the PMAY scheme, between 2005 and 2012 the Basic Services for Urban Poor (BSUP) housing scheme had been launched. The resettlement and redevelopment were carried out in 63 cities across the country. The result was housing with substandard quality of construction and high maintenance cost. The implementers have incurred protests by the residents who refused to pay their contribution. The current pandemic situation has created a situation of reverse migration of construction workers which is a major reason for delays and inefficiency.



Fig. 3. Reverse migration of workers during the pandemic

C. Ambiguity in Eligibility criteria

The housing scheme- Pradhan Mantri Awaaz Yojana (PMAY) housing for all has four provisions. One of them include providing house for slum dwellers under slum rehabilitation schemes. To avail the new house under the scheme even after they lived in the site for long enough, they must produce the paperwork which might be lost during subsequent evictions. To prove their eligibility is impossible in many cases and they end up in other slums or become homeless.

Subsidized schemes can benefit EWS i.e., annual household income up to 3 lakhs and LIG i.e., with up to 6 lakh annual income. The guidelines says that the credit linked subsidy (CLS) will be available for loan amount up to 6 lakhs. For this loan amount there is no housing available in large cities. If the loan amount is increased to say 15 lakhs (with non-subsidized interest rate), the monthly EMI for a long-term payment would be eight thousand and with an additional maintenance cost it sums up to ten thousand per month which is a burden on the household. For an individual in EWS the wages including Variable Dearness Allowance (VDA) (issued

to protect the employees during the difficult time) is just about eight thousand. Acquiring a loan for housing might become a burden (if the EMI is more than 30% of the income) for them.

D. Lack of options in housing

The urban poor are usually the people with low income and need a better shelter. A large percentage of them would not wish to own a house in the city committing to a long-term loan repayment. Affordable home ownership is not their priority. A combination of ownership and rental housing could solve the problem to some extent.

Co-living and shared housing are the new trend in Indian cities. Co-living could either be in an apartment building or in a housing complex where workspace, kitchen and utility are common to the residents while bedrooms and bathrooms are private spaces. Shared housing brings down the burden of rent and maintenance expenses among the residents. Both the scenario is suitable for individuals who have just moved into urban areas and with unstable jobs. Transitional housing and emergency shelters are other typologies existing in countries like Canada and USA.



Fig. 4. A housing project under PMAY-U

E. Poor connectivity to Affordable Housing

Informal settlements develop and flourish in city centers because of its connectivity to different parts of the city. For the same reason they are commonly found near railway lines, highways and arterial roads. Dharavi, in the heart of Mumbai, with a population of 10 lakh spread across 520 acres is an example.

The city centers are the business districts with highest land value which are unsuitable for private investors for new affordable housing projects. The peripheral or the suburban regions look ideal because of their easy availability and lower value. Subsidized Housing projects are completed and ready for occupations but have been kept locked in years now as it lacks the necessary infrastructure connecting the buyers to their workplaces. Many BDA Flats in Bengaluru are depending on the Metro lines to open.

F. Housing has become an investment

As per 2011 census, 17% of urban population live in slums. There was a shortage of 18.78 million homes between

2012-2017. As per the Economic survey there are 11 million vacant homes. The question that needs answer for is, why there is a shortage of houses while there are vacant homes. The situation has raised since homes have been built and sold to buyers who consider housing as an investment. Homes that are been bought from the real estate companies are neither self-occupied nor put on rental market. They are being kept vacant by the new owners to be sold later for a profit.

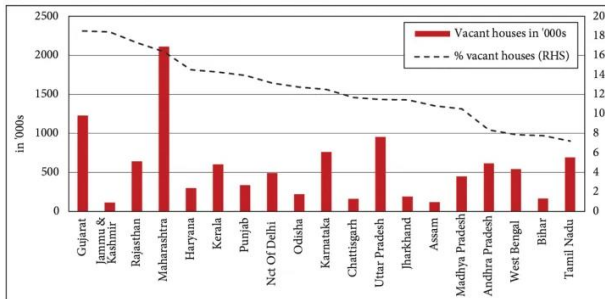


Fig. 5. Urban vacant houses in major cities

(Source: Adapted from Gandhi and Munshi (2017) and IDFC Institute (2018) using Census of India 2011)

Investors control the real estate market where it is easy to park black money. This is true even among low-income group. There might arise a situation when there will be more houses than needed and our cities will witness growing slums and squatter settlements.

CONCLUSION

Various policies and schemes have been adopted by the government to address the issue of (AH). Providing AH for all by 2022 is one of the main agendas of the government. AH schemes are designed to help the poor and not to burden them and push them into further poverty. The mission has been successful to some extent, but with various challenges discussed in the paper and many others still undefined have their impact on the housing sector.

The government needs to take fiscal measures to address the NBFC liquidity crisis. Permission to issue tax-free bonds to raise capital will be a prudent step in this direction. It could also observe and cater to the increasing percentage of single-family homes.

A wide range of AH options catering to people in different circumstances should be available to increase accessibility to housing. Housing schemes which include Infrastructure development must be investigated. Commute facility while selecting the location for AH must be prioritized. No schemes can bridge the gap and provide housing for such so called urban poor who do not make use of the AH provided by the government and prefer to live in substandard shelter. A scarcity in Affordable Housing sector might be created if the government loses control over the real estate market.

Right to housing is not articulated as human right but the Supreme Court of India, in several judgments, has held that the human right to adequate housing is a fundamental right emanating from the right to life protected by Article 21 of the Constitution of India. There needs to be a law that considers housing rights as a basic human right.

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