

Analyzing Constraints Of Affordable Housing Availability Gap In India

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Abstract- Rapid urbanization and migration to cities have caused severe urban housing shortages in India, particularly for the economically weaker sections. In the developing countries the housing problem are manifold and key factor in influencing quality living. The mainstream formal housing needs a faster production system of housing maintaining quality of houses and economy to overcome the huge shortage. Government's role has been changed to enabler from provider during last couple of decades and that is reflected in National Plans. Overall 12% household (H/H) do not have livable house. Existing housing supply mechanism could not fulfill only 15% on an average of total housing need per decade including the backlog and additional need for population increase. National Housing and Habitat Policy (NHHP) mentioned about the necessity of a faster housing supply and focused on prefabricated system built housing. PMAY (Housing for all) is recent government initiative for providing affordable housing to all by 2020. This paper analyses the housing shortage constraints and supply system, identifies the demand and supply dynamics and failure of policies and suggest some alternatives for the affordable housing to all, in Indian context.

Keywords – Affordable Housing , Affordability, Constraints in Affordable Housing, Urban Housing Demand and Supply of Housing, Housing of All.

I. INTRODUCTION

India's urban population has grown at a Compound Annual Growth Rate (CAGR) of 2.8 percent over 2001-2011, resulting in an increase in the urbanization rate from 27.8 percent to 31.2 percent. Out of India's 1.21 billion population, 377 million people are urban dwellers. The Federation of Indian Chambers of Commerce (FICCI) estimates that by 2050, the country's cities would witness a net increase of 900 million people. Furthermore, over 2012-2050, the pace of urbanization is likely to increase at a Compound Annual Growth Rate (CAGR) of 2.1 percent – double than that of China. The rapid pace of urbanization owing to the rural–urban migration is putting a strain on the urban infrastructure in the cities. As urban development takes place, a growing concern for India's urban planners is the massive Urban Housing Shortage plaguing the country.

Urban housing shortage is prominent across the economically weaker sections (EWS) and low income groups (LIG) which together constitute over 95 percent of the total housing shortage. The shortage, prominent within the EWS (economically weaker sections) and LIG (lower income groups), was estimated at 18.78 million households in 2012. Subsequent assessments that were carried out since 2011 onwards have resulted in this figure being revised to something around or near about 10 million units. Even 10 million is a very large number. The shortage amongst the middle income groups (MIG) and above is estimated at 4.38 percent. However, majority of the housing supply that has been built across urban India is beyond the affordability of the EWS and LIG segment. The affordable housing projects launched by private developers have significantly contributed to the 25 percent decline in urban housing shortage in the last five years. Although, the urban housing shortage remains substantial, it is clear that active participation from private developers could help in tackling the Urban Housing Shortage in India.

The rest of the paper is organized as follows. Estimation of Housing Shortage in India is explained in section II. Stakeholders Involvement in Affordable Housing is explained in section III. Constraints in Demand and Supply Dynamics are described in section IV. Conclusions regarding demand and supply constraints are given in section V.

II. ESTIMATION OF HOUSING SHORTAGE IN INDIA

2.1 Methodology and Database for computing Housing Shortage –

The Housing Shortage in the country for successive Five Year Plan has been estimated by putting together: Excess of households (that do not include homeless) over housing stock.

The number of households residing in unacceptable dwelling units, computed by considering obsolescence factor.

Those residing in unacceptable physical and social conditions, worked out using overcrowding/ congested factor.

The Houseless households.

2.2. Estimation of Housing Shortage –

2.2.1 The Obsolescence Factor:

The methodology of determining obsolescence remains exactly same as that used for the Eleventh Five Year Plan. The first component of the unacceptable housing is non-serviceable units. The second component would be obsolescent units comprising two parts:

- (i) All bad houses, excluding those that are less than 40 years of age, and
- (ii) All houses aged 80 years or more.

2.2.2. The Congestion Factor:

Another major issue in estimating housing shortage would be to identify the households that are residing in unacceptably ‘congested condition’ from physical and socio-cultural view point. The congestion and obsolescence are two factors that need to be computed separately. There is, however, an overlap between these as obsolescent houses can have congestion problem and the other way round. This implies that after working out the ratio for the congestion factor, it must be applied it to all households, in the year of projection.

2.2.3 Homeless People:

It is estimated that half of the homeless are single migrants whereas the other half has an average household size of 3. By this, the housing need for the homeless should be 0.53 million.

2.3. Distribution of Housing Shortage –

2.3.1 Among Socio-Economic Group

The classification of EWS and LIG households are based on household income. EWS are those with income up to Rs. 5000/- p.m. and LIG households are those with income between Rs. 5001/- and Rs. 10.000/- p. m. Three-fourth of the shortage is in the EWS category and another quarter is among the LIG category. In the latter, a significant proportion of shortage is on account of congestion in living conditions.

Table 1- Distribution of Housing Shortage among different Economic categories as on 2012

Category	Distribution of Housing Shortage among different Economic categories as on 2012	
	No. (in Millions)	In percentage
EWS	10.55	56.18
LIG	7.41	39.44
MIG and above	0.82	4.38
Total	18.78	100.00

Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012)

2.3.2 By type of ownership

Of the total urban housing shortage, nearly 62 percent houses are self-owned, while 38 percent families live in rented homes. The below table illustrates the break-up of housing shortage in both these categories in urban India:

Table 2- Distribution of Housing Shortage by type of ownership

Tenure	Number of families living in old houses	Families living in katcha houses	Number of families living in congestion	Families without homes	Total Urban housing shortage
Self-owned	1,395,735	770,817	9,188,746	326,430	11,681,728
Rented	870,417	219,183	5,700,019	203,570	6,993,189

Source: Bridging the Urban Housing Shortage in India, KPMG.

2.3.3 By type of house

The other important classification of houses is by the quality of the building material used in construction. Usually the houses are classified as ‘pucca’, ‘semi-pucca’ and ‘katcha’ in the research studies and policy documents in India, as adopted by NSS (National Sample Survey). The Census 2001, had adopted the nomenclature as ‘permanent’, ‘semi-permanent’ and ‘temporary’.

Table 3- Households Condition by Type of Structures of Houses

Structure	Type	Census 2001	Census 2011	NSS 1993	NSS 2008-09
Pucca/ Permanent	House	41.17	66.17	NA	NA

	Household	42.60	66.47	30.07	60.90
Semi-pucca/ Semi permanent	House	8.08	9.10	NA	NA
	Household	8.26	9.16	7.28	4.12
Katcha/temporary serviceable	House	1.72	2.23	NA	NA
	Household	1.76	2.24	2.79	1.07
Katcha/ temporary unserviceable	House	1.04	0.99	NA	NA
	Household	1.07	0.99	0.58	0.35
Total	House	52.06	78.48	NA	NA
	Household	53.69	78.87	40.79	66.45

Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012)

III. STAKEHOLDERS INVOLVEMENT IN AFFORDABLE HOUSING

A Stakeholder portrays a pivotal business to promote affordable housing. A lucrative national housing policy can only be attained with an involvement of major actors of official and unofficial authorities. Assuredly, the numerous actors from slum dwellers themselves to private and public sectors participated to attain AH for urban poor. The major actors who are involved are Citizen Sector Organization (CSO), Microfinance Institutions (MFIs), HFCs, Architects/Designers, Construction/ Real Estate Builders, Low-Income Home Buyers, Low-Income Self Builders/Masons. A representative of each group has specific roles to perform which are outlined in Table below. The dynamics of AH provision to the low-income group required an attempt between diversified parties. The development of new homes solutions to such communities have always been a challenged for all the authorities. Certainly, there are numerous factors that have blocked the development of new homes in urban areas. Therefore, to decipher HFA by 2022, it is imperative to scrutinize these challenges.

Table-4 Major Actors role in Affordable Housing

Actors	Roles
CSO's (Citizen Sector Organization)	Non-Governmental Organizations (NGOs) or non-profit sectors , help common people retain all policy's incentives.
HFC's (Housing Finance Companies)	Specialized housing finance institution working with a low-income population with the support of MFIs.
Architects/Designers/Project management	Public or private sector or company conceptualize the designing of housing units and plans. Technical expertise.
Construction/ Real Estate Builders	Public or private developers execute the designed housing units on the sites.
Low-Income Home Buyers	Main beneficiaries or low-income communities, for who typically multi-unit housing developed, designed and priced.

IV. CONSTRAINTS IN DEMAND AND SUPPLY DYNAMICS

4.1 Unavailability of Urban Land

High population density in urban areas has triggered a huge demand for urban land. Land is the basic ingredient for any real estate to fructify. Availability of land is becoming more and more difficult especially in major Indian cities, which is leading to considerable rise in land values and thereby the property prices. A simple math from the 2012 shortage estimate suggests a total area requirement of 189327 – 325031 acres. The land mass required to exhaust this housing shortage would be approximately equivalent to 1.3 to 2.2 times the size of land mass of Greater Mumbai. Evidently, large tracts of land belonging to Government remain unavailable mainly due to inadequate planning and in some cases such land parcels are encroached.

There is a growing need to revisit previously conceived government regulations which have created an artificial land shortage and pushed up land prices in India. Without Government support, the limited availability of land in urban areas makes it unviable for developers to take up affordable housing projects. Further, the substantial non-marketable urban lands used by Government-owned entities such as railways can be used more efficiently. A number of these land parcels are present in centrally located areas. Through better monitoring authorities can make

more optimum use of these land parcels and prevent the on-going proliferation of slums and squatter settlements in these areas.

4.2 Land Policy

Land problems in India continue to attract equal attention from policy-makers and academics. The renewed interest in land issues stems from the perceived impact of liberalization and opening up the economy. Tenancy, land ceiling and land administration are being revisited with a new perspective. Among the issues under renewed focus, legalizing tenancy, revising the ceiling limits, quality of land, meeting the challenge of miniscule holdings that are a consequence of marginalization and land administration are dominating the debate.

Several important issues confronted the policy-makers.

Land was concentrated in the hands of a few and there was a proliferation of intermediaries who had no vested interest in self-cultivation. Leasing out land was a common practice.

2. The tenancy contracts were in appropriative in nature and tenant exploitation was ubiquitous.

3. Land records were in extremely bad shape giving rise to a mass of litigation.

It is ironic that the Supreme Court of India in 1989 commented that the revenue records are not legal documents of title. This is a sad commentary on the land records of the country. It is against this background that land policy has been shaped in India. While land-reform legislation remained active, land policies in more recent decades have focused less on land reform and more on land development and administration.

4.3 Lack of Approach to Housing Finance to Low-Income Groups

India has spent about two to three percent of its Gross Net Production (GNP) on housing, which is a low level of investment relatively with other developed countries. As per UN estimate, a developed country must produce 10 houses for 1,000 people per year to reduce the housing shortage in a country. Apparently, India is producing only 2 houses per 1,000 people, which has clearly shown a decline in investment for housing in the nation.

Indian existing housing finance system generally consists of formal and informal financing sectors. The housing formal sectors consist of budgetary allocation of central and state government. On the other hand, the informal sector contributes to the housing finance system through numerous sources such as cash transaction, no income proof, and borrowing from friends and family etc.

4.4 Lack of Beneficiary Participation

Targeting under the scheme relies heavily on state-provided urban Below Poverty Line (BPL) lists. These lists are neither uniform nor comparable across states. In addition to methodology, the BPL surveys at the state levels are conducted at random time intervals, and therefore the comparability of indicators across time as well as across states and/or pan-India is not possible. Significantly, the targeting of the urban poor for livelihood interventions on the basis of surveys identifying poverty in monetary terms may not match with the objectives of the scheme.

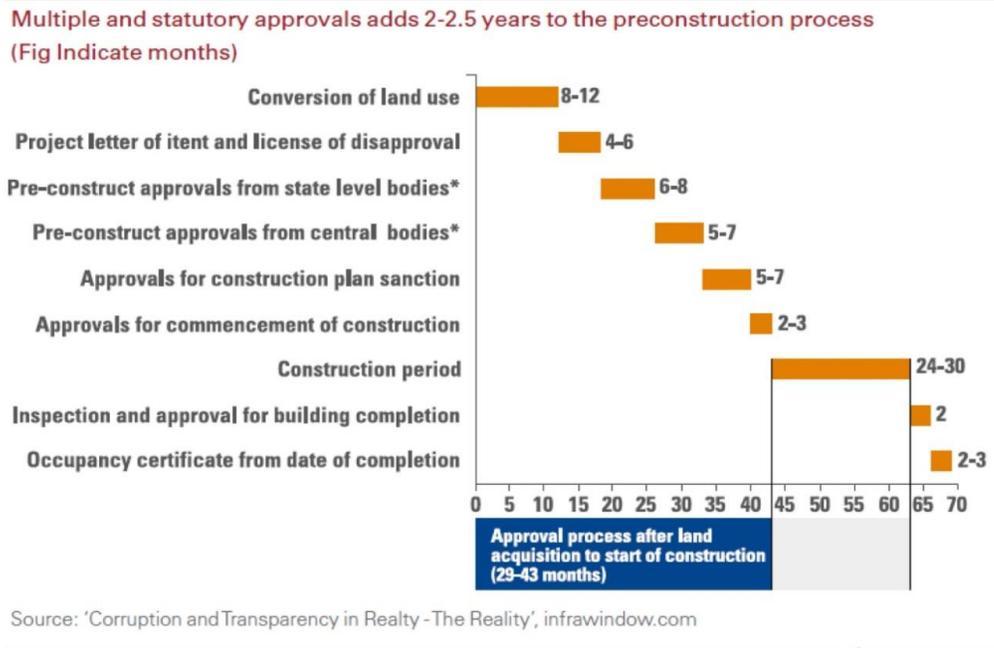
4.5 Disputable taxation regime

Taxability of real estate transactions in India has been a matter of dispute and litigation as the Union Government, individual State Governments and local authorities are empowered to impose various indirect taxes on developers. Once a more clear definition on whether 'the real estate property' is a product or service is provided by the Government, developers would gain a breather from the current double taxation regime. The Government also needs to revisit the non-uniformity in stamp duties across the country. The stamp duty to be paid at the time of execution of the underlying instrument varies from 5 percent to 15 percent of the value of property in different States.

4.6 Delay in approvals from multiple local authorities

Estimates reveal that real estate developers are required to pass the approvals through 150 tables in about 40 departments of central and state governments and municipal corporations. Delays in project approvals could add 25-30 per cent to the project cost. Better co-ordination among the multiple authorities in dealing with various permissions/approvals can encourage real estate developers to invest in the affordable housing segment. Currently, it takes nearly 2-3 years for a developer to commence construction after having entered into an agreement for land purchase.

Figure-1 Construction Process in Approval



V. CONCLUSION

The fast-paced urbanization and migration have resulted in housing shortage in India. Considering the problem of housing deficiency, the government initiated various HFA schemes to decrement housing shortage. Nevertheless, after the decades of implementation of housing policies, the problem of housing still remains disputed in remarkable all Indian metros. The issues in affordable housing, largely because of supply and demand constraints from governance with respect to the housing and alternative sectors too. The fundamental constraints for social housing studied in the research are the unavailability of land and incapable financial banking services to urban poor. Moreover, other constraints are a tedious approval process for land acquisition and construction process. Additionally, a declination in rental housing and fixation of ownership housing induced the huge demand and supply housing gap.

VI. REFORMS REQUIRED IN DEMAND-SIDE CONSTRAINTS

The ministry of housing & urban poverty alleviation should formulate guidelines for identifying intended beneficiaries for AH projects. This would help to target right beneficiaries and thwart involvement of speculative investors into the projects.

The creation of national population registers and issuance of unique identification number linked with income groups would be a beneficial step for identifying right beneficiaries. An innovation mechanism of HFCs for low-income groups with the involvement of self-help groups and NGOs would assure the financial assistance is available to mostly EWS and LIG sections.

VII. REFORMS REQUIRED IN SUPPLY-SIDE CONSTRAINTS

The provision of extra FSI/FAR, TDR and other policy measures so that the real estate developers are attracted to develop affordable housing projects for low-income groups. The feasibility of AH projects should be facilitated by regulating a cost-benefit analysis.

The use of GIS and computerization of land records would ensure land availability for social housing projects.

An introduction to one-window clearance would reach the fast pace of land acquisition LAAR Act and construction approval process.

The promotion of rental housing schemes with the participation of private sectors would be beneficial for the migrant's population the one cannot afford to buy houses.

In conclusion, the affordable market of India has a huge scope for development of housing projects for urban poor, and it is one of the greatest in the world. To achieve the target of constructing 20 million housing units, to emerge in

terms of equity, affordability, innovation, fast pace, sufficient financial assistance, access to poor and optimizing the land as a resource are imperative factors with public, private and comprehensive community sector.

VIII. REFERENCE

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