

Urban Housing Affordability in Indian Context

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Abstract

“Affordability” has been perceived to be the key problem in the housing sector, particularly for lower income groups. Defining affordable housing in India is a difficult task given that for every square kilometer of the country the dynamics of the market are different. Developing affordable housing in Indian cities faces significant challenges due to several economic, regulatory and urban issues. There are new forms of poverty in urban areas, where a TV set/Direct-to-Home Connection and mobile co-exist with malnutrition of children and chronic ill-health of women. These facts are to be articulated which the present policies and programmes are still unlikely to meet the needs of the urban poor in India. As “Housing for all” programme has been initiated under Pradhan Mantri Awas Yojana (PMAY) Implementation phase (2015–2022), this paper offers a critical review of affordable housing programme in the light of the learning’s from past attempts at providing housing to the poor, particularly the urban slum-dwelling population. In doing so, the paper examines the ideologies and percepts that have informed previous interventions for providing affordable housing and highlights how this has changed over a decade. This paper tries to understand about affordability and the components that constitute “Affordable housing.” The paper also tries to identify the partners best involved in its design and modes of delivery that work. The paper attempt to explore the factors might be addressed in conjunction with affordability to yield envisaged outcomes. The paper concludes with, what is the role that affordable housing plays in our increasingly market-driven economy today.

Keywords: affordability, housing, lower income groups, urban

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INTRODUCTION

Housing generally refers to the social problem of insuring that members of society have a home to live in, whether this is a house, or some other kind of dwelling, lodging, or shelter. The term “house”^[1] in India covers the greatest diversity of dwellings.

Housing also represents an important element in all capital formation and the largest single component in the total building effort of any nation. From a sociological point of view, housing has a

major part to play in ensuring continuity of community life.^[2]

Any Indian urbanite can attest to this fact that slums and shantytowns typically have one room in which the entire household eats, sleeps and does everything in between. A typical 400-sq.-ft dwelling unit^[3] would contain a family of average five, in-laws, and visiting cousins from the village who would sleep under the bed or probably outside. So far, the design model for affordable housing has been to compress a home into a multipurpose

room with one bedroom along with individual toilet and a kitchen.

Housing for all and Affordable housing is government's new syntax. The Ministry of Housing & Urban Poverty Alleviation Government of India (GoI), The ministry has release with a Model Affordable Housing Policy based on the inputs from all major states performing their bit to contribute and commiserating the housing stock especially for Lower and Economically weaker sections of the society. The same was to be endorsed by State(s) seeking financial assistance under Rajiv Awas Yojana (RAY) as first optional urban reform, but most did not for some or the other reason. The Programme has been closed and a new programme "Housing for All" has been introduced in place of Rajiv Awas Yojana, Pradhan Mantri Awas Yojana (PMAY) has replaced. The aim of this policy is to create an enabling environment for providing "affordable housing for all" with special emphasis on EWS and LIG and other vulnerable sections of society such as Scheduled castes/Scheduled Tribes, backward Classes, Minorities and senior citizens, physically challenged persons in the State and to ensure that no individual is left shelter less. The Policy further aims to promote Public Private People Participation (PPPP) for addressing the shortage of adequate and affordable housing.

As Pradhan Mantri Awas Yojana (PMAY) has already entered its Implementation phase (2015–2022), this paper offers a critical review of affordable housing programme in the light of the learning's from past attempts at providing housing to the poor, particularly the urban slum-dwelling population. In doing so, the paper examines the ideologies and percepts that have informed previous interventions for providing affordable housing and highlights how this has changed over a decade. The set of questions this paper

asks is necessary to understand how we currently think and have thought about affordable housing. What are the components that constitute "Affordable housing"? Who can be the partners best involved in its design and delivery? What appear to be the modes of delivery that work, and what factors might be addressed in conjunction with affordability to yield envisaged outcomes? And finally conclude with, what is the role that affordable housing plays in our increasingly market-driven economy today?

AFFORDABLE HOUSING

Affordable housing is defined as a decent, quality housing that costs no more than 30% of a household's gross monthly income for rent/mortgage and utility payments. Whereas Affordable Housing Project are recognized as Project wherein at least 60% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) consists of dwelling units with a carpet area of not more than 60 square meters and 15% of the total project FAR/FSI or 35% of the total number of dwelling units, whichever is higher, is reserved for EWS category.^[4]

There is a strong demand for affordable housing in 2nd and 3rd tier cities, as well as in the suburban areas on the peripheries of metros. The recent census of India 2011 also suggests the demand-supply mismatch in 2nd and 3rd tier cities, and the requirement for affordable housing for a particular segment ranging from average household income of Rs. 1.00 lakh to 8.00 lakh per annual is highly set to increase.^[5] There is an upward trend in affordable housing in India but there is a need to cater to the correct segment so that benefits are passed on to the actual needy.

The Ministry of Housing and Urban Poverty Alleviation (MoHUPA), Government of India defines affordable housing for the middle-income group and below as one where the equated monthly installment (EMI) or rent does not exceed

30–40% of a resident's gross monthly household income. Government officials have also created guidelines for the minimum size of the units.

Whatever the definition of affordable housing, no one disputes that there is a huge shortage in this segment. However, a recent report by the technical group on urban housing shortage (2012–2017) by MoHUPA estimates that when the 12th Plan (2012–2017) began this year, the housing shortage was down to 18.78 million.^[6] Industry analysts find this drop surprising. They point out that as mentioned in the new report, some of the parameters used to measure the housing shortage for 2012–2017 are in fact different from those used for the earlier projections. For instance, more recent census data has been used for the new report. Experts in the sector believe that the drop is only because of the methodology MoHUPA used. Just because required House numbers has fallen, it does not mean that a good amount of supply has come up in affordable housing.

One of the many reasons to this may be attributed to the fact that in the name of affordable housing, “everyone is being included,” including the lower middle and the not so upper class. A group of people are willing to use the vehicle of affordable housing to develop better opportunities in open the housing market.^[7] But just facilitating the market for the sake of Stock would not help the actual poor rather we need very enabling policies and very clear targeting to achieve the envisaged goals for urban poor affordable housing.

The other peculiar issues comprise of land, for instance. It is not easily available and the records are not properly maintained. This makes acquiring land a time consuming, cumbersome and expensive process. The real shortage has been further

exacerbated artificially by poorly conceived land regulations. As a result, land prices are much higher than basic levels that can support mass affordable housing developments. The long-drawn-out procedures of obtaining approvals from multiple agencies before construction can begin sometimes takes as long as 18–24 months which is another concerned area for intervention. Inadequate infrastructure is another challenge. Moreover remote location approach roads and the public transportation system are often not adequately developed, which make the developments unattractive.

Public concern over the affordability of housing arises from two factors. First, housing is the single largest expenditure item in the budgets of most families and individuals. The average household devotes roughly one quarter of income to housing expenditures, while poor and near-poor households commonly devote half of their incomes to housing. These high proportions suggest that small percentage changes in housing prices and rents. With rapid urbanization, cities have been expanding alarmingly in the last few decades, which have resulted in haphazard growth of urban areas as well as acute housing shortage. As per a Central Statistical Organisation (CSO) estimate, the Housing Sector contributed 4.5% to India's Gross Domestic Product (GDP). The spotlight is focused on the mismatch between demand and supply of housing units. A recent report of the Technical Group on Urban Housing Shortage (2012–2017) constituted by this Ministry has substantiated this fact and pegged the total housing shortage to be at 18.78 million dwelling units of which over 95% pertains to the economically weaker sections and low income group categories. The fact 26.7% of the total poor in the country live in urban areas, the issue of affordability assumes critical significance. In terms of

numbers, 26.7% of the total poor implies 80.7 million persons or about one-fourth of the country's total urban population.

AFFORDABILITY AND HOUSING POLICIES

'Affordability' has been perceived to be the key problem in the housing sector, particularly for lower income groups. Affordability could be disaggregated into two parts – the high cost of providing housing (because of land and high construction costs) and the low income levels that made this expense difficult to meet. At the time, the government chose the address this gap not by increasing incomes but by using large subsidies to "reduce" the cost of housing, using direct price controls such as the Rent Control Act or extending loans on soft terms.^[8]

There was no official national housing policy until 1988. In the absence of a coherent housing policy, housing was provided under a fragmented set of programs targeted at different income groups and demographics. While the initial focus of programs was broad – with programs for higher, middle and lower income groups, later programs have increasingly focused – at least on paper – on the poor.

The centralized approach to housing provision – taking on responsibility from land acquisition to construction and allocation – proved to have limited success. The rate of housing construction could not keep up with growing demand. This was both as a result of failure in implementation as well as a lack of funds to meet the scale of the housing demand.^[9] Moreover, most programs did not actually benefit their target group. Often, housing was disposed of by beneficiaries who found the units "unaffordable and unacceptable," or it was misappropriated by higher income groups (HIGs).^[8]

The large amount of subsidy involved to cover the gap between affordability and

housing costs also made it very attractive for beneficiaries to sell off their housing and move back into slums. With slum clearance schemes, states often found process of acquiring slum land tedious and alternative sites were both expensive and difficult to find close by. Many slum dwellers often found it hard to pay even the subsidized rent.

Finally, one of the most important changes in approach – first articulated in the 1988 National Housing Policy – and that crystallized and accelerated in the 1990s during the Eighth and Ninth Five Year Plans, was the suggested change in the government's role as direct provider of housing, funding or sites, to a facilitator of private sector investment in housing. The role of the government was increasingly envisioned to be the facilitator of a legal, regulatory and financial framework within which housing provision by private and other actors could flourish.^[9]

The March 1987 Preamble to the Draft National Housing Policy (DNHP) had for the first time recognized shelter as a basic human need, ranked next to food and clothing, and closely linked with the quality of life. However, in the final NHP the government seemed worried that the demand to make the provision of shelter a fundamental right of the citizen would get a boost if such a preamble was retained and this statement was removed.

Although, from a policy perspective, housing programs in the 1990s were largely a continuation of previous programs, there were a number of crucial shifts in thinking during this period,^[10] some of which had taken root in the seventies and eighties.

Inclusion of Housing in Priority Sector Lending in 1999–2000 has led to enhancement Housing loans from a meager 3% (Rs. 7773 Cr.) in 1999 to 13.6% (Rs. 467,372 Cr.) of the gross bank

credit in 2012. FDI in real estate projects, Income Tax concessions to the home buyers and Income Tax Holiday and concessions under Sec.80 IA and 80 (IB)^[11] to the developers.

It was with the introduction of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in Dec, 2005 named after the India's first Prime Minister Jawaharlal Nehru in the Tenth Plan (2002–2007), that for the first time an integrated, big budget schemes for housing, infrastructure, poverty alleviation and systematic urban reform were proposed to be undertaken.

Urban Renewal Initiatives during Past Decade

For the first time in the history of Urban India an integrated, urban-focused program was launched that focused on delivering a holistic package of reforms and interventions. JNNURM focused both on augmenting infrastructure to facilitate economic growth and on providing basic services and secure tenure to the urban poor. JNNURM also made some of the first concrete land reform policies in decades – repealing Urban Land Ceiling and Regulation Act (ULCRA) and allowing the private sector to assemble land for the first time. JNNURM was designed to make catalytic investments and provide reform guidance that will make Indian cities “world class”. Basic Service to the Urban Poor (BSUP) administered by the Ministry of Housing and Poverty Alleviation (MoHUPA) is one of the major sub-missions along with IHSDP in non-JNNURM towns which aims on integrated provision of basic services including shelter and security of tenure to slum dwellers.

JNNURM was predicated on the rationale that for cities to serve as growth centers for the economy, an adequate level of infrastructure is crucial.^[12] But with the end of the 7 year Mission period up to

March 2012 along two year extensions thereafter up to March 2014 and further a year upto march 2015 to complete the Projects and envisaged reforms under the mission, the results and reviews have been mixed, and the suitability of certain measures is put under question like Fragmented, project-based approach; A one-size fits all approach; lack of Community participation; Emphasis on new construction over in-situ redevelopment; Inadequate credit and lending facilities; Land reforms have been inadequate; CDPs are divorced from the urban planning process; No clear resettlement policy; Lack of capacity; External borrowing and alternate financing by ULBs has been low; Progress on key reforms has been slow; Projects have faced significant delays in implementation; Potential for misuse of earmarked funds; Cities were free to decide their level of investment in BSUP. Most of the learnings from JNNURM have been tried to be incorporated into Rajiv Awas Yojana (RAY), which unlike JNNURM is purely a shelter and basic services-focused mission with a SLUM FREE CITY vision adopting a whole slum & whole city approach.

However, attempts to address many of these concerns are laid out in the approach to the Twelfth Five Year Plan and are addresses in the formulation of Rajiv Awas Yojana (RAY) and the allied programme such as Rajiv Rinn Yojana (RRY) and Affordable Housing in Partnership (AHP). But popular reviews of the Preparatory Phase and the recently launched implementation phase of PMAY have been mixed and its envisaged outcomes on the plight of slum dwellers have been minimal as the programme focuses on the overall housing including LIG MIG HIG also. The situation is worse in the Affordable Housing in Partnership Programme where not many states have shown keen interest. But, why?

CONTEXTUAL: HOUSING AFFORDABILITY

Actually, Defining affordable housing in India is a difficult task given that for every square kilometer of the country the dynamics of the market are different. Keeping in mind that the housing shortages affect mostly the EWS and LIG, and the younger group of urban-urban migrants changing cities in search of better

prospects, affordable houses, for the purpose of such schemes, are taken as houses ranging from about 300 square feet (super built up area) for EWS, 500 square feet for LIG and 600 to 1200 square feet for MIG, at costs that permit repayment of home loans in monthly installments not exceeding 30–40% of the monthly income of the buyer.

Table 1. Parameters of Affordable Housing.

	Parameters	EWS	LIG	MIG
KPMG 2010	Income level	<INR 1.5 Lakhs per annum	INR 1.5–3 Lakhs/annum	INR 3–10 Lakhs per annum
	Size of DU	Upto 300 sq ft	300–600 sq ft	600–1200 sq ft
	Affordability	EMI to monthly income: 30–40% income ratio: less than 5:1 (task force headed by Deepak Parekh)		
MoHUPA (2008)	Size of DU	300–600 sq ft		Not exceeding 1200 sq ft carpet area
	COST	Not exceeding four times the household gross annual income		Not exceeding five times the household gross annual income
	EMI or rent	Not exceeding 30% of gross monthly income of buyer		Not exceeding 40% of gross monthly income
Jones Lang LaSalle (2012)	Minimum volume of habitation	Minimum of 250 sq ft carpet area Minimum of 2250 cu ft internal volume	300–600 sq ft carpet area 2700–5400 cu ft internal volume	600–1200 sq ft carpet area 5400–10,800 cu ft internal volume
	Provision of basic amenities	Sanitation, adequate water supply and power Provision of community spaces and amenities such as parks, schools and healthcare facilities, either within the project or in the neighborhood, depending upon the size and location of the housing project		
	Cost of the house	Such that EMI does not exceed 30–40% of gross monthly income of the buyer Reasonable maintenance costs		
(Amended), MoHUPA, 2011	Size of DU	Minimum of 300 sq ft super built-up area. Minimum of 269 sq ft (25 sq m) carpet area	Minimum of 500 sq ft super built-up area. Maximum of 517 sq ft (48 sq m) carpet area	600–1200 sq ft super built-up area Maximum of 861 sq ft (80 sq m) carpet area
	Affordability	not exceeding 30–40% of gross monthly income of buyer		
(Amended), MoHUPA, 2013	Size of the dwelling unit	EWS: 21–27 Sq.m	LIG-A: 28–40 Sq.m LIG-B: 41–60 Sq.m	Above 60 Sq m
		An admissible marginal variation of 10% is acceptable if linked to subsidies – provides for flexibility. Max loading: +25% on Carpet Area = Built up Area and +40% on Carpet Area		
	Affordability	Borrowing Capacity as multiple of annual income when subsidies are provided: EWS: 5 times and LIG: 5 times (If subsidies are not provided affordability multiple can be taken as 3–4 times annual income.) Annual Income: EWS: up to Rs. 1 lakh, LIG: from Rs 1–2 lakh (as defined from time to time)		

Table 1 shows the various parameters taken into consideration by various agencies for affordable housing. A major issue involving the affordable low cost housing is the quality of housing. As per the 2001 census data, only 51.62% of Indian households stay in pucca (concrete)

houses. As on end-June 2009, 55% of the rural households and 92% of the urban households lived in pucca structures.

According to the RICS Report on “Making Urban Housing Work in India,” affordability in the context of urban

housing means provision of “adequate shelter” on a sustained basis, ensuring security of tenure within the means of the common urban household. RICS Practice Standard Guidance Notes (GN 59 2010) states that ‘affordable housing is that provided to those whose needs are not met by the open market’.

There is a clear mismatch between the government and developers for the target segment of affordable housing. The Government is primarily focused on constructing houses for the urban poor and EWS, whilst the private sector focuses on high value housing and on the INR 8–30 lakhs project catchment – the diverse middle income strata, while largely ignoring low cost housing development for less than INR 8 lakhs category.

ISSUES: AFFORDABLE HOUSING

Developing affordable housing in Indian cities faces significant challenges due to several economic, regulatory, and urban issues such as

1. Land prices in India are much higher than intrinsic levels that can support mass Affordable Housing developments due to lack of serviced Urban Land. The real shortage is further exacerbated artificially by poorly conceived central, state and municipal regulations.
2. Most of the vacant Government land parcels provide for proliferation of slums and squatter settlements, as authorities are often incapable of monitoring their own holdings regularly.
3. There is an inefficient market with significant disadvantages to land buyers due to lack of Information on the title. Affordable housing projects get more affected by rising costs of construction than premium projects.^[4]

4. Lack of Access to Home Finance for EWS/LIG beneficiaries is a major challenge.
5. Lengthy Approval and Land Use Conversion Process the process of affordable Housing development has also been the major concern area.
6. There is a lack of clarity in norms, planning for construction projects becomes difficult, as acquisition of land parcels are done with a long-term view, and regulations sometimes get modified drastically when implementation of project begins.

Although some of these are gradually being mitigated, concerted efforts are required by multiple institutions to facilitate mass development in this sector.

CONCLUSION

Housing is more than simply a physical structure, acknowledging only shelter as a right falls short of being a sufficient response to the housing challenge. We need to revisit, what has already been incorporated and decide upon the way forward because most of the present programme populist slogans as “slum-free cities,” “inclusive cities,” “cities without poverty” but there seems an absence of a shared vision and agreed roadmap to make cities in India “livable” for all. There are new forms of poverty in urban areas (where a TV set and mobile coexist with malnutrition of children and chronic ill-health of women) are to be articulated and present policies are still unlikely to meet the needs of the urban poor.

As far as housing markets in India are concerned, what is demanded is not produced and what is produced is not demanded. Development of large-scale affordable housing stock is the greatest necessity of urban India today. However, it is vital that issues discussed in the paper are addressed urgently so that a

comprehensive framework can be established in ensuring the development of affordable housing. Role of various players also must be defined with the Comprehensive Framework by addressing the policy level issue or else one should only talk on the systematic approach towards Affordable Housing.

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