

Challenges and Issues of Affordable Housing in India

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ABSTRACT

Urbanization is taking place at a faster rate in India. Population residing in urban area in India, according to 1901 census, was 11.4%. This count increased to 28.53% according to 2011 census, and crossing 30% as per 2011 census, standing at 31.16%. This growing concentration of people in urban areas has led to problems of land shortage, housing shortage and has also severely stressed the existing basic amenities such as water, power and open spaces of the town and cities. Development of large scale affordable housing is the greatest necessity of urban India today. This paper presents the challenges and issues of affordable housing in India. Current issues like Clearer definition, Ease of land availability, Relaxed development norms, Investment in infrastructure upgradation, Synchronize central and state policies, Strengthen Micro Finance, etc. This paper also presents the issues in the development of affordable housing.

Keyword—Affordable housing, Challenges, Issues, India

1. Introduction

A house is one of the basic human needs; most daily life practice of people occur at home. Housing is considered a basic human necessity and a key factor in the sustainable development of a community, including environmental, economic and social sectors. In better times, good housing builds wealth by appreciating in value, providing secure premises for income-generating activities and opening to door to credit [1]. Population residing in urban area in India, according to 1901 census, was 11.4%. This count increased to 28.53% according to 2011 census, and crossing 30% as per 2011 census, standing at 31.16%. As per 2011 census, the country had a population of 1210.98 million, out of which, 377.10 million (31.16%) lived in urban areas. During 2001-2011, the urban population of India grew at a CAGR of 2.8%, resulting in the increase in level of urbanization from 28.71% to 31.16%. This growing concentration of people in urban areas has led to problems of land shortage, housing shortage and has also severely stressed the existing basic amenities such as water, power and open spaces of town and cities [1]. Urbanization has resulted in people increasingly living in slum and squatter settlements and has deteriorated the housing condition of the economically weaker section of the society to occupy the marginal lands typified by poor housing stock, congestion and obsolescence. Considering these factors, there currently exists a wide gap between the demand and supply of housing in urban India [1].

2. Urban Housing Shortage

According to a report submitted by technical committee to the Ministry of Housing and Urban Poverty Alleviation (MHUPA), India's urban housing shortage is estimated at nearly 18.78 million households in 2012. According to estimates of the Technical Group constituted by the Ministry of Housing and Urban Poverty Alleviation (MHUPA), the urban housing shortage in the country at the end of the 11th Five-Year Plan was

estimated to be 24.71 million for 66.30 million households [1]. The group further estimated that 88% of this shortage pertains to houses for Economically Weaker Sections (EWS) and another 11% for Lower-Income Groups (LIG). For Middle- and High-Income Groups (MIG and HIG), the estimated shortage is only 0.24 million [1].

Sr.No.	Category	Shortage(in millions)
1	EWS	21.74 m (88%)
2	LIG	2.71 m (11%)
3	MIG+HIG	0.24 m (1%)
4	Total	24.71 m (100%)

If the current increase in backlog of housing is maintained, a minimum of 30 million additional houses will be required by 2020. In India, private developers primarily target luxury, high-end and upper-mid housing segment, since it fetches a premium over low income housing. This leads to a sustained supply for this segment, increasing market competitiveness for developers. On the other hand, the housing for the poor and EWS is primarily provided by the government for welfare purposes. However, it is insufficient compared to the existing shortage in the segment. Thus, it is the housing requirements of the lower middle-income and lower income groups that are grossly neglected, and there exists a huge dearth in the supply of affordable houses primarily demanded by this income group in India [1].

3. Affordable Housing

There is no clear-cut definition of the term 'affordable', as it is a relative concept and could have several implied meanings in different contexts.

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.

According to the Task Force on Affordable Housing set up by the MHUPA in 2008, affordable housing for various segments is defined by size of dwelling and housing affordability derived by the household income of the population.

	Size	EMI or Rent
EWS	<ul style="list-style-type: none"> • minimum of 300 sq ft super built-up area • minimum of 269 sq ft (25 sq m) carpet area 	not exceeding 30–40% of gross monthly income of buyer
LIG	<ul style="list-style-type: none"> • minimum of 500 sq ft super built-up area • maximum of 517 sq ft (48 sqm) carpet area 	
MIG	<ul style="list-style-type: none"> • 600–1,200 sq ft super built-up area • maximum of 861 sq ft (80 sqm) carpet area 	

Source: Guidelines for Affordable Housing in Partnership (Amended), MHUPA, 2011

Affordable housing is a concept which is used to explain socioeconomic and development environments, and which aims to confirm if housing provided for families can be afforded by each income-earner cluster, that is, low, middle, or high income-earner cluster. Aside from its relationship to different aspects of residence and

localities through infrastructure and community facilities, affordable housing is also related to the ability of a family to pay for their house [2].

According to Yang and Shen, affordable housing is a feature of housing facilities which is related to customer ability and the desire to own or buy houses. Furthermore, the aforementioned authors defined affordable housing as a connection between housing and people. Affordable housing reflects spending to purchase a house, which is a choice made by a family between housing and non-housing related spending [3].

Affordable housing can be defined using three key parameters viz. income level, size of dwelling unit and affordability. While the first two parameters are independent of each other, the third parameter is correlated to income and property price, and hence can be termed a dependent parameter. While the above definition is a generic representation at an all India level, the actual definition of affordable housing may vary with regions and income levels [1].

Cat-egory	1. Income Level	2. Size of DU	3. Affordability
EWS	< Rs.1.5 Lacs p.a.	Upto 300 sq ft	EMI to monthly income
LIG	Rs.1.5-3.0 lacs p.a.	300-600 sq ft	30-40% House price to annual income
MIG	Rs.3.0-10 lacs p.a.	600-1200 sq ft	< 5.1 (Deepak Parekh Report)

‘for a household to pay no more than 30% of its annual income on housing. Family who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care’.—As per US Department of Housing and Urban Development.

3.1 Affordable housing – Current Challenges in India

Affordable housing can accelerate economic growth through its linkage with the other sectors of the economy.

I. Clearer Definition

In 2017, the government announced that the goods and services tax (GST) would be reduced from 12% to 8% for low-cost housing, however the circular does not define low-cost housing. Also, the government has said the GST will be reduced for affordable housing projects, which have been given infrastructure status; however how and who will accord this infrastructure status is still unclear.

II. Ease of land availability

The government needs to regularly release land parcels for affordable housing projects, identified within municipal limit and bring more peripheral lands into developable limits of the city authorities.

III. Relaxed Development Norms

Easing FAR and density norms will be critical for the development of affordable housing. Also, the government should review the master plan/zoning provisions on a regular basis, so as to allow for optimum allocation of land for affordable housing.

IV. Invest in Infrastructure Upgradation

The emphasis cannot be on releasing land parcels only, but focus also need to be on providing the necessary connectivity and social infrastructure, to allow these projects to develop as habitable and vibrant communities.

V. Dedicated approval window for affordable housing

Building approval process needs to be streamlined; a separate fast-track process needs to be put in place for affordable housing projects. For affordable housing to work, accelerating the building approval processes is critical, in order to limit the gestation period and the associated costs.

VI. Synchronize Central and State policies

There is an urgent need for alignment of state level affordable housing policies with the central government policies to remove ambiguities around availing central incentives, while ensuring compliance with the state policies.

VII. Strengthen Micro-finance

Not only does the supply side need intervention, the government needs to improve the institutional environment for the lower income categories to access housing microfinance and other financial tools. Housing micro-finance gives these borrowers access to credit and the opportunity to develop a credit history, which can assist them in their loan approval processes, going forward.

VIII. Relaxation on registration charges and stamp duties

To further strengthen the demand for such units, the government should look at rationalizing/waiving off registration charges, as well as stamp duties for affordable housing units.

IX. Use of advanced technologies

There is a need for developers to invest in innovative construction technologies to promote mass housing developments at subsidized construction costs. Portable modular housing units and prefabricated construction technology are some techniques that could be looked at to address affordable housing needs.

(Source: Magicbricks Bureau)

3.2 Issues in the Development of affordable housing in India**I. Lack of availability on urban land**

With high population density, which is growing due to rapid urbanization, there exists a huge demand for land in urban India. The real shortage has been further exacerbated artificially by poorly conceived central, state and municipal regulations.

II. Excessive control on development of land creates artificial shortage

By excessively controlling the volume of construction in centrally located areas and by making land recycling difficult, some regulation tend to centrifugally push urban development towards the periphery.

III. Lack of marketable land parcels

Government authorities or state-owned entities such as railway and port own large tracts of urban land, which are nonmarketable. Non Marketable land parcels also provide for proliferation of slum and squatter settlement, as authorities are often incapable of monitoring their own holdings regularly.

IV. **Tilting issues and lack of information**

Due to lack of transparency in getting correct transactional information, there are long search times and high cost involved in acquiring land.

V. **Rising threshold costs of construction**

During the past decade, construction cost have significantly increased by nearly 80-100% due to the appreciation in prices of construction materials such as steel, cement and sand. Shortage of labour has also resulted in rapid increase in wages.

VI. **Regulatory constraints**

- **Lengthy approval and land use conservation process**

To obtain a plan sanction for a project, the developer has to visit nearly 40 departments starting from central (environment, airport authority etc.), state governments (revenue, fire, high rise, environment etc.) and local bodies (water, sewage, traffic etc.) From entering into an agreement for land purchase to the date of commencement of construction, it takes nearly two to three years.

- **Lack of clarity in building bylaws and guidelines**

The building bylaws and rules for floor space index (FSI), zoning and development plans formulated by urban local bodies (ULBs) and urban development departments (UDDs) in India lack clarity and have several overlapping guidelines for real estate development.

4. **Conclusion**

In India, affordable housing is a private activity. State intervenes only to provide legal status to land but state intervention is necessary for achieving 'affordable housing shelter for all'. Private developers need to be incentivised and taxes must be reduced. Government agencies such as Urban Local Bodies (ULBs) and Urban Development Departments (UDDs) are responsible for laying down guidelines and bylaws for affordable housing. Creation restriction imposed by ministry of environment and forests limit the use of land in urban areas for affordable housing purposes, resulting in the lack of supply of land and thus higher pricing. Affordable housing finance needs to developers and consumers alike.

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