

Affordable housing in India: Challenges, Issues and Opportunities

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ABSTRACT

Population and economic growth have fostered urbanization in the country India and the number of urban towns and cities have drastically increased. Urbanization is taking place at a faster rate in India from last three decades which causes many challenges and problems like Housing shortage and land Shortfall, in adequate safe drinking water and sanitation facilities, sewerage problems, poor health conditions, traffics congestion and urban public transport, poverty and environmental degradation. Among this problems housing shortage is major and its inventible and expensive requirements becomes most of Indian cities. Government of India taken as this challenge as an opportunity and takes various initiatives and schemes in field of urban housing like Rajiv Awas Yojana (RAY) Pradhan Mantri Awas Yojana (PMAY), Jawaharlal Nehru National Urban Renewal Mission (JnNURM), Basic Service for Urban Poor (BSUP), Mukhya Mantri Gruh Yojana (MGMY) and collaboration with private developers. But there is huge demand supply gap in housing sector in India. The objective of paper is to identify core issues and challenges in affordable housing segment in India and to address some possible and suggestive measures to overcome this issues and challenges.

Keywords - Urbanization, Housing Shortage Affordable Housing, Government Initiatives

1. Introduction

Food, clothing and shelter (housing) are the primary requirements of human life. The availability of these necessary requirements in sufficient quantity and quality increases the physical efficiency and productivity of the people. Housing is closely associated to the process of overall social as well as economic development. It provides shelter and raises the quality of life. It generates conditions which are congenial to the achievement of social objectives such as health, sanitation and education. Moreover, it also helps to improve urban rural equality by narrowing down the difference in the standard of living. Thus, the housing performs multiple functions including many social needs of the household. So, housing is an important component of human being.

Presently, India is at the rapid urbanization and the extent of urbanization is accelerating at a rapid pace. Census of India data 2011 reveals that about 31 percent (377 million) of Indian population live in urban areas. The country's urban population grew from 26 million in 1901 to 285 million in 2001, with the share of population in cities and towns steadily rising from 10.8 per cent in 1901 to 27.8 per cent in 2001. In the coming years, the intensity of India's urbanization will be immense. The process of urbanization in India is mostly characterized by dramatic increase in the number of large cities. In 1951, there were only five metropolitan cities (with population of over 1 million), i.e., Kolkata, Mumbai, Chennai, Hyderabad, and Delhi. Their number increased to 1 in 1901, 12 in 1981, 35 in 2001 and 46 in 2011 and is further expected to be about 68 in 2030. Due to rapid growth of population and urbanization problems are arisen like High population density, Pressure on infrastructure, inadequate infrastructure, Housing shortage, lack of affordable housing, flooding, pollution, slum creation, crime, congestion and poverty. Housing shortage is most common of them and developing counties like India faces challenge in field of housing.

1.1. Housing scenario in India

Urban housing shortage in the country was calculated based on the Census 2011 data on the number of households, available housing stock, acceptable housing stock and overcrowding/congestion in the existing dwelling units by the Ministry of Housing & Urban Poverty Alleviation. Total Urban Housing Shortage is recorded as 18.78 million in 12th plan period (2012-2017).

TABLE 1: Distribution of Urban Housing Shortage among different Socio-Economic Groups in India 2012

Category	Urban Housing Shortage in Million as on 2012
EWS	10.55
LIG	7.41
MIG and HIG	0.82
Total	18.78

(Source: Report of Technical Group (TG-12) on Estimation of Urban Housing Shortage 2012, National Buildings Organisation, Ministry of Housing & Urban Poverty Alleviation)

1.2. Affordable housing in India

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 but according to report of High level task force on Affordable housing for all it can be defined to any housing that meets some form of affordability criterion, which could be **income level of the family, size of the dwelling unit** or affordability in terms of EMI size or ratio of house to annual income.

Government of India has taken various initiatives and schemes like Jawaharlal Nehru Urban Renewal Mission (JnNURM), Rajiv Awas Yojana (RAY), Indira Awas Yojana (IAY), Pradhan Mantri Awas Yojana (PMAY) in urban housing segment.

TABLE2. Ministry of Housing and Urban Poverty Alleviation criteria for affordable housing

Type	Size	Income Criteria	Affordability
EWS	<ul style="list-style-type: none"> Minimum of 300 sq. Ft super built up area Minimum of 269 sq. Ft (25 sq.mt) carpet area 	Monthly income up to 5000 INR	
LIG	<ul style="list-style-type: none"> Minimum of 500 sq. Ft super built up area Maximum of 517 sq. Ft (48 sq.mt) carpet area 	Monthly income between 5000-10000 INR	EMI/Rent ratio not exceed (Khare, 2015)ding 30-40% of gross monthly income of buyer
MIG	<ul style="list-style-type: none"> 600-1200 sq. Ft super built up area maximum of 269 sq. Ft (80 sq.mt) carpet area 	Not Specified (But in state like Gujrat is 18lacs INR)	

(Source: MoHUPA, 2011)

2. Core issues and challenges in Affordable Housing segment in India

- **Higher land values and Scarcity of urban land**

A major cost component while developing housing projects is the cost of land, especially if the project is developed closer to the city centre and city limits. Owing to rapid population growth and development, Indian states is left with very few land parcels. The only way in which land can be made available for a

new residential project is through redevelopment of older housing or commercial properties. In this view, it is quite challenging to construct Affordable housing and still be able to recover the cost. Only a very experienced developer with strong technical knowhow can achieve this valour.

- **Obtaining Construction Permission and its Approval**

The affordable housing segment, as compared to rest of the housing sector, has higher sensitivity towards time delays and time constraints. Under normal circumstances, approximately, 6-8% of the total cost of the project is incurred in approvals procedures. The most crucial part of the project schedule is obtaining approval permissions and clearances.

Depending upon the site location, this process requires the developer to approach several independent authorities like the Municipal Corporation, Urban Development Authorities, Coastal Regulatory Authority, Fire and Safety department, Department of Forest, Airport Authority, and Railways among others. Because of Owing to the involvement of so many authorities and jurisdiction a considerable time is consumed in identifying the list of permissions itself. Furthermore, each of such clearance and approval may need the developer to make multiple visits to office of the respective authority owing to stringent criteria.

As it has been mentioned earlier, despite of their importance to the society, the affordable housing developers did not enjoy any special status and hence had to go stand in the same queue as any other developer. The indefinite timeframes with respect to approval and permission have been one of the toughest challenges faced by the urban housing segment.

- **Increasing Cost of Material and labour and Scarcity of Skilled Labours**

The cost of construction materials has been another area of concern. As per historical data, the price of construction materials such as cement, and sand have exhibited fluctuating price trends. Moreover, the steel availability of construction material like sand is subjected to irregularities which further add to the cost volatility. As per the construction cost index published by Construction Industry Development Council, the price of constructing a housing project has grown at a rate of 3% between 2012 and 2018.

Apart from construction material, another barrier is the high cost of modern techniques and equipments which can bring down the cost of construction. An example of this is the aluminium foam technology which reduces the construction time by approximately 25%. But this benefit goes on increasing with the height of the building resulting into considerable savings in terms of labour cost, equipment leasing cost, interest cost, etc.

- **Shortcomings in development norms, planning & project design**

Incongruence between the affordable housing policies of Central and State governments creating hurdles in availing the benefits of GoI schemes. Restrictive FAR norms, density norms which make the affordable housing segment unattractive. Insufficient action in providing social and external connectivity infrastructure by the concerned authority.

- **Lack of access to credit (beneficiaries' side)**

Irregular, informal income sources with variations due to seasonality. Risk management practices, cost structures of Banks, HFCs not aligned to these kinds of customers. Higher lending rates (small loan size, higher perceived risk). Lack of awareness among customers about financing options and GoI schemes such as Credit Linked Subsidy Scheme (CLSS) Beneficiaries do not relocate to the units allotted to them (location not suited to their occupation). Challenges in beneficiary selection process is also concerned. Lack of a beneficiary database to facilitate AH developers/ FIs to identify their target customers are also concerned.

3. Opportunities in development of affordable housing in India

Developing affordable housing in Indian cities faces significant challenges due to several economic, regulatory and urban issues. While the lack of availability of urban land, rising threshold costs of construction and regulatory issues are supply-side constraints, lack of access to home finance is a serious demand-side constraint, which impacts the ability of low-income groups to buy housing in the organised sector. While some of these are gradually being mitigated, concerted efforts are required by multiple institutions to facilitate mass development in this sector. So that some suggestive measures are required to mitigate huge demand-supply gap in affordable housing sector.

TABLE 2: PMAY progress till December 2018

Project considered	Houses involved	Under construction	Houses construction completed	Work Completed
13571	65.43 lacs	35.49 Lacs	12.26 Lacs	18 %

(Source: Ministry of Housing and Urban Affairs, Govt. of India)

Development of large-scale affordable housing is the greatest necessity of urban India today. Indian cities lack low-income housing, which has resulted in the proliferation of slums and unorganised real estate across the landscape. Whilst this is detrimental to the planned growth of cities, it is also restrictive to slum dwellers who are deprived of basic civic amenities and fail to be an equal citizen. Large-scale urban developments are becoming increasingly difficult due to lack of land parcels, congested transit routes, lack of finance, rising input costs and regulatory hurdles. However, it is vital that these issues are addressed urgently so that a comprehensive framework can be established in ensuring the development of affordable housing.

3.1. Demand Side

- Formulate guidelines for identifying right beneficiaries
- There is a need to formulate guidelines that would help identify right beneficiaries for affordable housing projects. This would help in ensuring the reach to right beneficiaries and avoid involvement of speculative investors into the projects. Creation of the National Population Register and issuance of unique identity through Unique Identification Authority of India will become crucial steps in identification of right beneficiaries, if they are linked with income levels.
- Innovate on micro mortgage financing mechanisms to ensure a larger reach.
- Effective financing through micro mortgages by utilising the reach of Self-Help Groups (SHGs) and other innovative financing mechanisms would ensure that housing finance is available to large sections of LIG and EWS populations. Flexible payment mechanisms should be put into place, as households in low-income groups typically have variable income flows.

3.2. Supply Side

- Incentivise developers to develop affordable housing.
- ULBs and UDDs can develop guidelines by giving free sale areas, extra Floor Space Index (FSI) and other policy measures so that real estate developers are incentivized to develop affordable housing. Schemes for redevelopment and slum rehabilitation should be developed with incentives that generate sufficient returns for the developers whilst controlling the development density. The cost-benefit analysis of regulations should be carried out from a development perspective to ensure that schemes to facilitate the development of affordable housing are feasible.
- Streamline land records to improve planning and utilisation of land.

- Adequate availability of land should be ensured for housing and infrastructure by computerisation of land records, use of Geographical Information Systems, efficient dispute re-dressal mechanisms and implementation of masterplans.
- Include mass housing zones in city plans and develop them within a planned schedule.
- Some cities have already dedicated zones in their masterplans for development of affordable housing. Whilst this needs to be replicated in other cities and towns, it should be ensured that they are developed within a planned schedule.
- Enact rental housing schemes in urban areas.
- Authorities have experimented with rental housing schemes, but these have not been very successful as a proper framework has been missing for such schemes. Limitations in such schemes include development in far-flung areas, which are not suitable as affordable housing locations and lack of means to identify end users.
- Formulate policies for greater participation from private sector in the way of technological solutions, project financing and delivery.
- Disruptive innovation in terms of technological solutions, project financing and delivery is required, which reduces costs of construction significantly despite rising costs of inputs. As construction costs form a significant portion of the selling price of affordable housing units, the savings in construction can immensely benefit the occupier.

4. Conclusion

Housing is the basic requirement of human life. In developing countries like India faces major challenges in affordable housing sector government has taken various initiatives in affordable housing segment but there is still huge demand-supply gap. to overcome its challenges and issues there are various measures like restriction of some regulatory norms and standards, Building bye-laws, Rental housing, Use of prefabrication construction technologies over conventional construction techniques will improve efficiency in affordable housing segment in India.

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