

A Critical Study On The Current Status Of Affordable Housing in India

Success N Ambaliya¹, Vivek N Desai², Jagruti Shah³

¹BVM Engineering college, Vallabh Vidhyanagar

²BVM Engineering college, Vallabh Vidhyanagar

³BVM Engineering college, Vallabh Vidyanagar

Abstract

Owning a house is a dream that every person. The government doing efforts to ensure Indians have access to affordable houses. Affordable housing for all people is one of the important challenges faced by the developing countries. India is currently facing a big shortage houses. The dream of ownership of a house particularly for low-income group and middle-income group has become a difficult reality. so, there is a necessary to initiate cost effective, innovative and environment-friendly housing technologies for the construction of houses to enable the common people to own houses at affordable cost. This paper shows the scenario of affordable housing; Identify key issues, loopholes of the housing ecosystem and policies, gaps to achieve housing for all; Case studies of Current state level incentives; comparison between conventional and technology driven techniques.

Keywords: Affordable housing, Technology, Cost Effectiveness, Construction, India

INTRODUCTION

Cities of India always kept open hand to new people to migrate and to get equal opportunities of education and employment. Urbanization is changing the India, but we have a question that is our cities are ready for receive that kind of migration? As per 2011 census, the country had a population of 1,210.98 million, out of which, 377.10 million (31.16%) lived in urban areas. In India, rapid urbanisation has increase the development challenges in the form of urban congestion, pressure on basic amenities like water supply and sanitation and most importantly, severe housing shortages in cities, especially, in the low cost segment. According to Ministry of Housing and Urban Poverty Alleviation (MHUPA), the urban housing shortage in the country at the end of the 12th Five-Year Plan was estimated to be 24.71 million for 66.30 million households. Out Of which, 95% shortage pertains to houses for Economically Weaker Sections (EWS) and for Lower-Income Groups (LIG). Problem is that because of shortage of housing cause haphazard illegal development of dwelling units and slums. 15% to 60% people of cities can be part of this haphazard development. There is cheaper house for them in slums but not healthy in terms of sanitation and other infrastructure facilities and there is houses in cities with all the basic facilities but not affordable to people of LIG and EWS people. We have to accept that those LIG and EWS people has equal rights for the housing facilities. Housing in India has been always a great challenge to government. Millions of houses are required to build in a certain period. If the period is not maintained the new slums will come up. The demand supply gap is more in affordable housing segment since Real estate developers and private players give attention on middle income and high-income segments due to higher revenue.

The concept has been developed, In which users are able to pay for housing. This affordability can be achieved by subsidizing the cost of housing which result into the ownership of the house, after some period, Depending on financial strategy. Apart from financial incentives, the actual cost of housing can also be decreased by the use of low cost of material, modern construction methods, sustainable design and other methods. Although all these ideas have been applied already, the housing shortage worldwide has not been solved yet because of local level constraints.

AFFORDABLE HOUSING

- As per US Department of housing and development families paying more than 30 % of their income for housing are cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care and thus affordable housing means housing on which spending is 30% or less.

- For India, we consider affordable housing if one has to spend maximum 30% to 40% on it. it can be defined as housing affordable to economically weaker sections (EWS) and low income group (LIG).
- Affordable housing - also called low-income housing - is an emerging segment in the housing sector in India

Table 1: Definition of Affordable Housing – MHUPA (2011)

Category	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), MoHUPA, 2011

NEED FOR AFFORDABLE HOUSING IN INDIA

- Excessive urbanisation and skyrocketing property prices have forced people to live in slums in deteriorating living conditions.
- Cities like Delhi NCR, Chennai, Bengaluru, Mumbai, Kolkata and Pune need 5,34,400 housing units.
- It is clear that affordable housing is the only way the government can fulfil its dream of providing 'Housing for All by 2022'.
- Minimum requirement of 30 million houses by 2022.

OBJECTIVES OF STUDY

- To study the existing scenario of the affordable housing.
- To identify key issues, loopholes of the housing ecosystem and policies, gaps to achieve housing for all.

BENEFITS OF AFFORDABLE HOUSING

- Construction of such large number of housing will share in GDP & economic growth
- Assets creation and job creation
- New housing development will help to improve the quality of life in cities
- Possibility To achieve city without slum
- Prevention of haphazard growth of the city

HUGE GAP BETWEEN DEMAND AND SUPPLY IN TERMS OF AFFORDABILITY

- As far as housing markets in India are concerned, what is demanded is not produced and what is produced is not demanded.
- Several gaps exist on account of the pressure on availability of land due to increasing population and urban migratory trends. The total land supply has not increased at the same pace as the growth in the urban population.
- Also, the heavily regulated land sector in India has made the cost of transactions relatively high, thereby adversely affecting the affordability quotient of the poor sections.
- Going by these trends and the pace of additions in housing stock in the country, the existing housing shortage is only expected to increase in the near future. While this presents a challenge for policy makers, both from the implementation and monitoring perspective, it also poses a significant opportunity for job creation and an untapped market for housing stock from a private developer's perspective.

- However, low income housing has historically been perceived as a subject matter under the Government's domain. Between the JNNURM effort and state sector schemes in some states, it is estimated that about two million houses may be constructed for the economically weaker sections of the populace by the end of the 11th Plan.
- So while the Government is expected to extend subsidies, come up with technology solutions, and provide infrastructure enabling development of housing solutions; the scale of the problem especially when looked at in conjunction with infrastructure aspects such as water, power, transport, sewage, sanitation and relevant social infrastructure like schools and health centres, pose a challenge that the Government alone cannot be expected to manage. All factors considered; greater effort and a much larger program for housing construction are required.

THE AFFORDABLE HOUSING SECTOR ECOSYSTEM

- The combination of location with live and work affordable shelter makes it affordable housing.
- For affordable housing Ecosystem; understanding of housing production, distribution and consumption in varied scale is very important.



Fig. 1: Affordable Housing Ecosystem

NATIONAL URBAN HOUSING MISSION (NUHM), 2015

The NUHM was launched as a Centrally Sponsored Scheme in 2015. It seeks to meet the gap in urban housing units by 2022 through increased private sector participation and active involvement of the States. It has four broad components or verticals out of which credit linked subsidy would be implemented as a Central Sector Scheme and not a Centrally Sponsored Scheme. The Mission would initially cover 500 Class I cities and will be spread across 3 phases (2015-2022).

- Slum rehabilitation of Slum Dwellers with participation of private developers using land as a resource - The Centre would provide a grant of INR 1 lakh per house to the state for deployment in the development of any slum rehabilitation project.
- Promotion of affordable housing for weaker section through credit linked subsidy - An interest subsidy of 6.5% on housing loans will be provided to EWS/LIG categories, which can be availed up to a tenure of 15 years. It will cover all the 4,041 statutory census towns from the beginning.
- Affordable housing in partnership with Public & Private sectors - Central assistance at the rate of INR 1.5 lakh per house for the EWS category to be provided.
- Subsidy for beneficiary-led individual house construction or enhancement - Central assistance at the rate of INR 1.5 lakh per house for the EWS category will be provided.

The salient features of the NUHM are:

- 1) Provides the flexibility to the States to choose the option, which can best meet the demand of housing in their states and also empowers them to formulate and approve projects for faster implementation of the projects.

- 2) Promotes the adoption of modern, innovative and green technologies and building material for faster and quality construction of houses, which would be selected based on discussions with regulatory and administrative bodies.
- 3) Provide technical and financial support in accordance with the guidelines to the states to meet the challenge of urban housing. Each city will need to prepare a Plan of Action for “Housing for All” and submit to go after approval at state level for the purpose of analysis and budgeting. States would also prepare detailed project reports to address the need of different target groups.

HOUSING SHORTAGE

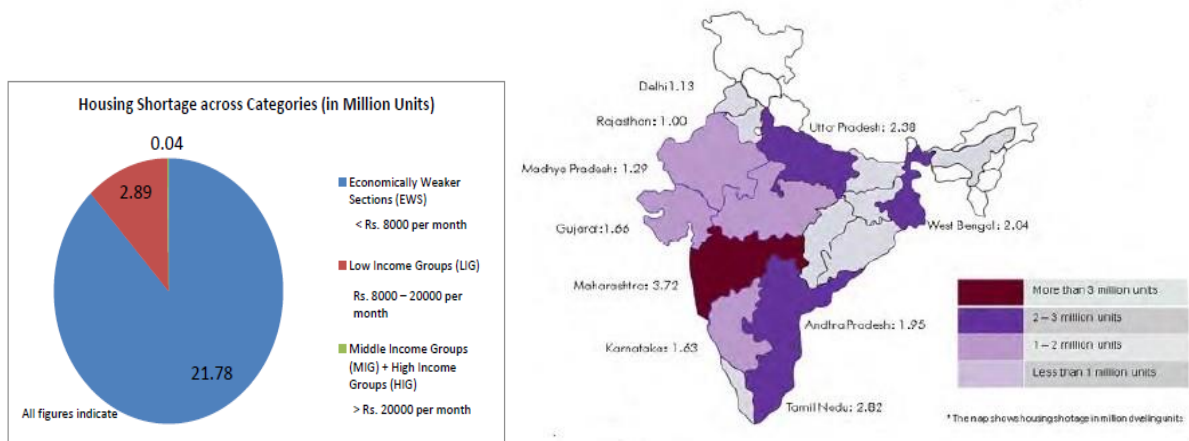


Fig. 2: Housing Shortage

TREND IN HOUSING AFFORDABILITY IN INDIA

- As per the Housing Development Finance Corporation (HDFC) Report (2016), the affordability ratio, defined as property prices to annual income, has declined from 22 in 1995-96 to 4 in 2016. After the sharp fall in the 1990s it has largely been stable in recent years (chart).

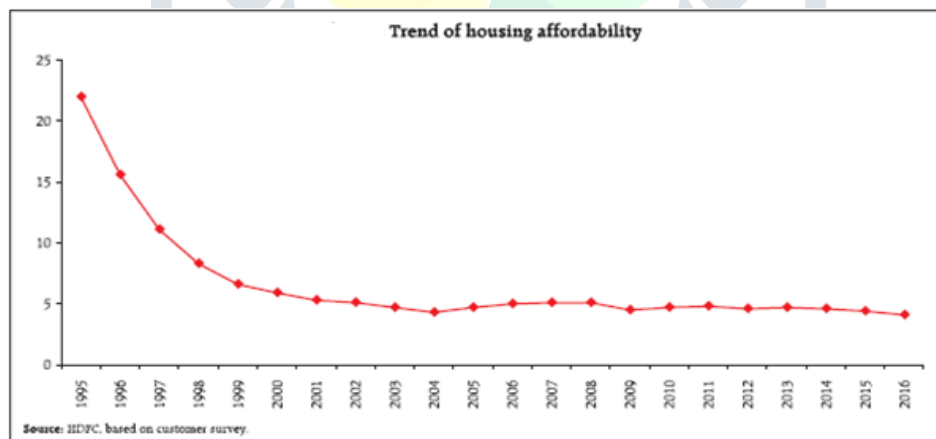


Fig. 3: Affordable Housing Ecosystem

CRITICAL CHALLENGES

- Improper selection of land parcels for AH projects
- Lengthy statutory clearance & approval processes
- Shortcomings in development norms, planning & project design
- Lack of participation of large organised real estate players
- High cost of construction finance
- Political issues
- Location
- Availability of loans to LIG & EWS groups
- Lack of a suitable mechanism for maintenance

- Capacity constraints
- Lack of skilled manpower
- Financing constraints for low-income groups
- Need to relook laws and building guidelines

LOOPHOLES IN CONSTRUCTION SIDES

- Low carpet area
- Low specification
- Low cost materials
- Low quality
- Inadequate external development
- Inadequate infrastructure facilities
- Construction at distant places
(0.2 million is vacant out of 0.9 million dwelling units due to construction constraints)

CASE STUDIES OF CURRENT STATE LEVEL INCENTIVES

- **Andhra Pradesh :**
 - In Hyderabad 5% of the developable area to be developed for LIG
- **Gujarat:**
 - The Gujarat government has repealed the Urban Land Ceiling and Regulation Act and transferred surplus land to urban local bodies at nominal rates for projects focused on EWS/LIG housing.
 - The government has also come out with special provisions for development of low-cost housing, where the owner/authorised developer will provide dwelling unit equipped with water supply, drainage and electricity.
- **Haryana:**
 - Regulations have been framed for the provision of a minimum of 20% of gross area of plot area development for LIG & EWS housing.
- **Madhya Pradesh:**
 - Provision for granting additional FSI for EWS/LIG housing.
 - Indore Municipality has set a process of submission of approval request in electronic format to confirm the building plan to the bye-laws. The software program lists all changes that are required to make the submission comply with the bye-law. The turnaround time for comments is within 72 hours and approvals can be provided within a week of submission.
- **Maharashtra:**
 - The Maharashtra State Housing Policy promotes LIG and EWS housing along with rental housing as a key objective.
- **Rajasthan:**
 - They Has a single window clearance for all approvals that are required from the state Government and the approval cycle time in Rajasthan is shorter than other States. There is a legal provision for maximum approval time of 90 days.
- **Tamil Nadu:**
 - Chennai Municipal Development Authority (CMDA) allows for 50% additional FSI for EWS units and 30% additional FSI for LIG units.
- **Karnataka:**
 - State has set up a high powered committee that can approve projects as the committee has representatives from all approving authorities. A higher building approval fee is charged while there is a commitment to provide all approvals within 90 days.

COMPARISON BETWEEN CONVENTIONAL AND TECHNOLOGY DRIVEN TECHNIQUES

Table 2: Comparison between conventional and Technology Driven Techniques

CRITERIA	CONVENTIONAL	MONOLITHIC	PRECAST
Natural resource consumption	High	20% saving	20% saving
Dependability on skilled labor	60%	20%	High dependability
Time	Time consuming	Fast track construction	Fast track construction
Initial investment	Low	High	High
Finishing	Normal	Good	Excellent
Material wastage	High	Minimum	Least
Productivity	Low	High	Excellent
Strength	Good	Better than conventional	Excellent
Durability	Low	High	High

(Source: cost effective technologies for affordable housing.)

RECOMMENDATIONS

- **Design and Innovation:**
 - Promote innovation of quick building process
 - Provide basic amenities
 - Efficient use of land by make some modifications in system
- Encourage the private sector involvement

CONCLUSION:

- Due to increased urbanisation in India, it is mandatory to address the huge demand supply gap in affordable housing segment, Specially for LIG and EWS people. The main reason behind the slum and haphazard development is the lack of affordable housing. Some incentives from government sector and private sector in terms of sustainability and technical approach could help to achieve the “housing for all” goal by 2022.
- It is necessary to find the major loopholes of this segments and provide efficient regulation frame work for the execution of affordable housing project which vary from the area to area and get affected by local political, planning , legal , policy and contexts of area.
- To advance the Affordable Housing sector and help gain a much-needed moment, interventions should not be planned in isolation but rather a multiparticipation approach should be adopted to address the shortcomings at various stages of the value chain and build a supportive ecosystem.
- Intervention can be in form of Land, Infrastructure and Construction funding subsidy or longer term revenue subsidy for occupiers.

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