

## Case Study of Affordable Housing Shortage in India

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### ABSTRACT

*Houses are the basic human need. Government has provided various fiscal incentives to promote housing on both, the demand and supply side. Since independence, a large number of schemes have been launched but target of affordable housing for all has not been achieved. For the owner-occupied sector, lack of affordability is a problem for Lower Income Groups (LIG) and Middle Income Group (MIG) in most of the cities of the country. Till now the main concerns are metropolitan's cities and this paper argue that small cities are often neglected with respected to affordable housing. If we ignore our fast growing small cities now, which are potential metropolitan cities, then the future may become more critical in terms of providing affordable housing to inhabitants of these cities. Government is concern on metropolitan cities as compared to small cities, which has to be change for a balanced and sustainable future urban development.*

**Keywords**— Development ,Livelihood, Income

### 1. Introduction

It is very important to have a shelter of your own. The housing market has undergone constant change over the years. And it has changed for the better. There is innumerable housing projects coming up in different countries of the but are they catering to the needs of the people with low income? Several residential projects are undoubtedly coming up but there are very few which help .So, need of the hour is low cost homes. Construction of low cost housing by using the low cost building materials increases the access to buildings by low income group peoples. Low cost housing can be achieved by use of efficient planning and project management, low cost materials, economical construction technologies and use of alternate construction methods available.

In India, affordable housing is raised as a major policy concern of the government in “National Housing and Habitat Policy” (2007), but housing planners are apprehensive with the rhetoric of "affordability," which jumble together in a single term a number of disparate issues like the distribution of housing, prices, quality, income, purchasing power of households, and their knack to scrounge money from housing finance institution affecting housing markets severely. It's further affecting the supply of new or refurbished housing to the beneficiary resulting in a choice and cost mismatch. These complex issues raise difficulties in interpreting basic facts about housing affordability. For example, the rapid rise in the price of homes clearly made homeownership a distant dream to many buyers, but it has also greatly reduced the financial costs of home-ownership to a much larger group of existing landlords, by providing substantial capital gains. Among buyers, the large share of income devoted to housing surely reflects their voluntary consumption choices, as compared to the consumption of a publicly determined minimum quality and quantity of housing, for other consumers in this sector. However, the

poor group of households would choose a lower quality of housing given their opportunities; one might conclude that the incomes of the poorest households are grossly insufficient to afford the socially imposed minimum standard.

Affordable housing or low cost housing is a widely discussed issue in India today. This generally refers to cost effective housing, based on low cost technology that ensures similar quality and durability; as compared to more commonly used technologies. In India, affordable housing policy is primarily designed to provide low cost housing to lower middle income groups, lower income groups and economically weaker sections of the society. The involvement of government authority is likely to be prominent. As per the latest definition, households having an annual income of less than Rs 1.5 lakh per annum are termed as LIG and hence households belonging to EWS will be further down in terms of income classification.

The concept of affordable housing, in contrast to low cost housing is applicable across all income categories. The affordability of a household in a given location is an interactive outcome of the house price, household income, spending and saving behaviour and other demographic factors like size of the household. It is recognized that affordability is relative to geographical area, time and income category. Thus defining affordable housing continues to be a challenge for real estate operators, policy makers and planners of the country.

In developed country like the US, a frequently used norm for affordability is a residential unit costing 30% or less of a household's gross annual income. In sharp contrast the Housing Development Finance Corporation Limited (HDFC), the largest lender in the housing finance market in India, considers five times of annual income as the maximum affordability of a households. For example a households earning Rs. 3 lakh a year, should afford a house cost at most Rs. 15 Lakh.

Even though there is no concurrence on any standard affordability norm in India, the fact that there is a pressing need to identify the affordability of various income groups in different cities is acknowledged by major stake holders in India's real estate industry. Given that, between 1991 and 2001, 79% of the new jobs were generated in urban areas, and the urban population in India is growing at a brisk pace, the focus of affordable housing is expected to be more urban centric.

1	Housing Shortage as on 2007	(Mn)24.71
2	Households	(Mn)75.01
3	Pucca Houses	(Mn)53.49
4	Semi Pucca Houses	(Mn)10.05
5	Katcha Houses	(Mn)2.56
6	Addition to households	(Mn)8.71
7	Addition to housing stock	(Mn)7.27
8	Upgradation of Katcha Houses	(Mn)0.38
9	Additional requirement(6-7+8)	(Mn)1.82
10	Total requirement	(Mn)26.53

## 2. Housing Requirement

While cities are regarded as ‘engines of growth’, they continue to face enormous challenges. Increasing urbanization has led to tremendous pressure on land, civic infrastructure, transport, open spaces etc. However, despite significant growth in housing stock, the slum and squatter settlements are on the increase. To meet the existing housing shortage, (EWS) and Lower Income Group (LIG), more than 26 million housing units in urban areas were required by the end of financial year 2012.

## 3. Housing Finance

People in the lower income segments and in the informal sector often find their own informal solutions in the urban habitat, adding to the squatter and slum population. Lack of sufficient and affordable finance and construction has resulted in poor living conditions for a large segment of the urban slum population lacking access to basic civic amenities and sub-standard hygienic conditions.

The household income is the major criteria to measure affordability; the affordable housing is not restricted to the lower middle income class, but spreads across levels like LIG or EWS. However, in India, affordable housing is perceived to be related to low and lower middle income households and relates to the affordability of the households. This shows that the maximum demand for affordable housing is for LIG and lower middle income groups of the society.

## 4. Demand perspective:

A primary survey of tenant households was undertaken by the author in 2011 in Bhilwara city. According to this survey tenant households, who are considered to be the most potential buyers of residential houses, indicate certain household characteristics. It has been observed that most of the sample households are nuclear in nature, with rest belonging to the joint family type, with an average household size of 5.3. Another important issue worth mentioning is that more than one third of the respondents are migrants and it highlights active participation of migrants in the process of house purchase. Among the households surveyed, 92% represents the migratory population of the region. Of this, nearly 92% of the households have migrated to Bhilwara for job in textile industries and 8% for other reasons. The average number of years for which a migrant household has been living in the Bhilwara is about 7 to 8 years.

In Bhilwara, the average budget of the buyers varies between Rs 1500 to 4500 per month and has increased with the higher income of household. Particulars As Outstanding Housing Loans 1,53,188.73 1,86,438.25 2,22,224.74  
Outstanding Total Loans 2,04,992.78 2,47,781.18 3,01,681.23 Percentage of Housing loans to Total Loans (percent) 74.73 75.24 73.66

House Size: According to the household survey, the EWS, LIG and MIG have their own choice with cost variation. The maximum affordable housing price for EWS of Bhilwara is Rs 280000, and for LIG, Rs 350000 and for MIG, Rs 420000. The industrial workers are the most targeted customers.

Availability of Land: In term of land supply, considering the cost of land and its availability within the city limits (BMC), developers and RHB Bhilwara, have lots of possibility of the affordable housing schemes to the

city. The major areas are Shri Ram Nagar, Azad Nagar, Jawahar Nagar, labour colony, Chandra Shekhar Azad Nagar, Biliya where the cost is around Rs 300 to 500/Sq. Ft. The land rate in the city is varies from Rs 300 to 1200/Sq. Ft. (Approx).

## 5. Conclusion:

The Government and the developers are emphasizing more on metropolitan areas where the saturation point has already been achieved and ignoring areas where it could have been more fruitful in realizing the dream of affordable housing for masses, with all the basic amenities with strong infrastructure. If that is done over a period of time, with gradual growth these under developed areas would turn into a metropolitan area in the future without having housing problem.

Most of the EWS/LIG and MIG category houses require the basic necessities for comfortable living which are more important in the present housing scenario. Affordable housing has become a top priority for developers. The majority of demand is coming from EWS/LIG and MIG sections of the society. The small and medium towns are an ideal destination for investment and purchase of property and will be highly affordable for the masses. Bhilwara provides all such scenarios where the concept of affordable housing can be realized in practical manner.

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