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Evolution of Affordable Housing in India

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Abstract

The evolution of affordable housing in India has been a complex and challenging process. This paper explores the various factors that have contributed to the development of affordable housing in India, including government policies, economic conditions, and social factors. The paper also discusses the challenges and opportunities associated with the provision of affordable housing in India, such as the need for innovative financing models, the development of sustainable communities, and the promotion of public-private partnerships. Overall, the paper provides insights into the current state of affordable housing in India and offers recommendations for future policy and practice to address the housing needs of India's growing population.

1. Introduction

There are many government schemes currently running in our country which is helping a lot for the development of housing condition. **Pradhan Mantri Awas Yojana**, PMAY is one of them. Our administration wants to deliver pacca houses for all the citizens of India with basic services by 2022. So, by the help of this study, I want to highlight the major issues which is coming across while resolving the shortage of housing in Bhopal city. As per data provided by the Ministry of Housing and Urban Affairs (government of India) slum population of Bhopal was 568433 which is around 28% of the total population (Chowdhary et. al., 2013).

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Affordable housing got boosted with housing infrastructure after PMAY was announced. Which helped a lot to developer and as well as consumer after getting infrastructure status. The financial institutions, money landing institute and the public sector banks need to invest 15% to 25% in housing infrastructure after getting this status, Because of this reason they provide funding for infrastructure development on very low interest rate (Berry, 2000).

This is very beneficial for both consumer and the developer: -

1. Now developer will get loan on low interest rate and the cycle of project completion has also been increased from 3years to 5years which will help developer to complete their project in given time limit.
2. Consumers will also get subsidy on loan interest rate for purchasing their houses under PMAY scheme.
3. MIG group also got included under PMAY scheme from 2017.
4. Previously loan repaying time was 15 years but now it has been increased up to 20years. Therefore, their EMI's also getting reduced which helps the consumer in repaying their loan amount.
5. Beneficiary will get flat in carpet area at the place of built-up area calculation.
   a) Carpet area under municipal boundary: 30 sq. mt.
   b) Carpet area beyond municipal boundary: 60 sq. mt.

There are many reasons which affect the fringe growth like- Natural growth, Migration etc. Urban area is being developed under smart city mission, rural area is also taken care under National Rurban Mission (NRuM), Sansad Adarsh gram mission in which Sansad are requested to adopt and develop that region (Joshi, 2021).

We can see that there are many schemes to develop Rural and Urban areas but somehow Fringe area is lacking behind due to many reasons. There is lack of basic amenities in the Fringe area. Because it does not come under urban or rural area, there is mixture of both characteristics. Most often rural area is being neglected.

2. Findings and Discussion

Study of chronological development of government policies for Housing

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Policies of housing evolved a lot after 1950, at starting time planned development rules were to provide benefit to the society after that it became to generate money from this housing activity (Gillette, 1985). During that period role of government also changed time to time as earlier it was provider of housing after that it became facilitator. For the proper understanding it can be explained in four phases after 1950. First phase will cover housing policies for 2 decades, at the initial time government was trying to cover all the sector to provide housing and solve the housing issues related to slum areas. Second phase will cover time period from 1970s to 1980, during that government could realize that he cannot cover all the sector of the society and they started to focus on the financially weak section of the society. Third phase covers the time duration from 1980s - 2000s, during this period neoliberal approach came in focus and government started providing financial support rather than being a provider of physical housing. Fourth phase covers the period from 2000s to present time, we can see that government is playing the role of facilitator rather than provider. Government had also encouraged to private sectors of all the society to involve in housing activity. (Mittal & Swami, 2014)

First Phase (1950 to 1970)

During the initial phase of India's housing development following its independence, the government faced numerous challenges due to the massive influx of people into urban areas. The large-scale migration led to a surge in demand for housing, which no private organization was equipped to meet. As a result, the government of India assumed the responsibility of addressing the situation by implementing various housing schemes. However, since constitutional frameworks for housing were not yet established at the time, the central administration took the lead in providing housing in urban areas and launched several initiatives, including the Subsidized Housing Scheme for Industrial Workers in 1952.

- Low Income Group Housing Scheme, 1954
- Middle Income Group Housing Scheme, 1959
- And Slum Clearance and Improvement Scheme, 1956

At that time state government was expected to be the responsible for providing the housing for the people of rural areas. (Mittal & Swami, 2014)

During that period, the Indian government was actively working on creating new policies and regulations to address various issues, as the country was starting from scratch. The housing sector was also subject to new government regulations, particularly as slums became a major concern in urban areas due to the influx of people seeking employment and better living conditions. Clearing slum areas had become a national priority for the government. To tackle this problem, various initiatives were implemented, including the Slum Clearance and Improvement Scheme of 1956, aimed at clearing slum areas and improving infrastructure in urban areas.
At the time of first phase of housing development central administration took initiative for the urban areas and also asked to the state government to cooperate in this mission by providing housing in rural areas also. At that time National Building Organization was created in 1954 to provide facilities to the construction activity by research work. After that Town and Country Planning Organization came in focus in 1962 by the help of which planning activities could help in solving city housing issues with planning aspects at broad perspective (Vidhyarthy, 2010).

During that era, several Housing Boards were established at the state level with the primary objective of providing housing opportunities to all segments of society, with special attention given to those from low-income groups. In addition, the Indian government decided to take control of urban housing development through the creation of master plans for different cities, aimed at addressing slum issues in urban areas. Master plans and development control regulations were prepared, and it became necessary to formulate master plans for all cities to regulate their development. State governments also established agencies to prepare master plans and define valid boundary lines for various regions. During this period, Delhi Development Authority (DDA) was created in national capital in 1957, after which it became the model for creating many different development authorities in India for the many other cities.

(Mittal 2014)

Second Phase (1970 to 1980)

After conducting various analyses during the initial phase, the government eventually realized in the second phase that it was not possible to provide housing for everyone, as it had initially envisioned. This realization was reflected in the number of housing-related programs initiated by the government for segments of the population other than the poor or those living in slums. During this period, government housing programs were primarily focused on lower segments of society, while other segments were encouraged to engage in self-provisioning activities with limited government assistance.

By this point, the government had come to understand that simply clearing slums would not solve the housing problem in the city, as the Fourth Plan even stated that "ghetto clearance often leads to the creation of new slums." As a result, the government began to focus on new strategies to address the housing issues, including the introduction of low-cost housing schemes.

For examples: -

Environmental Improvement Scheme of Urban Slums, 1972

Sites and Services Scheme, 1980 (The main motive of this scheme was to solve the problem of generation new slum areas)

During this period the government could realize that by the help of housing activities the government can generate the economy. Therefore, with the motive of getting benefit by the help of housing activity they tried to control the housing activities with proper direction of development they started HUDCO (Housing and Urban Development Corporation, 1970). HUDCO was the institution that started working as government nodal agency to promote the sustainable development of habitation to improve the quality of life. (Mittal 2014)

Third Phase (1980 – 2000)

In this phase, there was a realization that traditional liberal values must be combined with economic growth, leading to the implementation of neoliberal policies in India.

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The government aimed to liberalize the economy, and this shift was reflected in housing policies to reform the Indian economy. The government's role in housing changed from being a provider to a facilitator, and private sector involvement increased. In the 7th plan, the government was advised to promote private or public organizations to address housing issues, and to restrict slum improvements. The government provided direct housing schemes to weaker sections with the support of financial institutions, rather than improving slums. In the 9th plan, housing was declared a state government matter, causing controversy. As a result, the 74th constitutional amendment made urban local bodies (ULBs) responsible for providing housing services within their jurisdiction. However, this transfer of responsibilities required funding to continue the schemes for the poor, which were created by the central government, and were to be implemented by the ULBs. There for some new particular types of schemes also generated these were known as centrally sponsored scheme. (Mittal 2014)

For example: -

Urban Basic Services Scheme (1986, later renamed as Urban Basic Services for Poor in 1991),

Nehru Rozgar Yojna’s Scheme of Housing and Shelter Upgradation,1990

National Slum Development Programme, 1996

In the past, the central government was responsible for planning and executing housing schemes on the ground level. However, the focus has shifted towards facilitating local authorities and Urban Local Bodies (ULBs). Financial institutions played a crucial role in implementing the housing schemes on the ground level. In the seventh plan, it was recognized that the establishment of diversified financial institutions is crucial for housing development. The National Housing Bank (NHB) was formed in 1987 to solve the housing finance problem. Commercial banks and other housing finance organizations were encouraged to participate in the housing finance sector, resulting in easy accessibility of housing funds for the private sector with low-interest rates. Private builders made the most of this opportunity and got involved in housing activities in a significant way. At the same time, government-sponsored housing organizations like HUDCO and state-level housing boards were encouraged to participate with private organizations to obtain funds from the open marketplace through these financial institutions. These organizations mostly served the poor without any help from the central government, which had a limited reimbursement limit and could not compete with private developers. As a result, these organizations started losing their ground in getting funds from the housing market.

In 1991-92, the government took back the income tax exemption from HUDCO and later also removed the equity support. To improve its credit value, HUDCO was advised to focus on infrastructure development and land. As a result of this pressure, HUDCO shifted its focus from providing housing for financially weak people to funding large-scale infrastructure development projects. This move resulted in good returns and an improved credit rating for HUDCO.

During this period, the government aimed to encourage private sector investment in housing by introducing new laws and regulations. Acts such as the Urban Land Ceiling and Regulation Act and the Rent Control Act were introduced in many cities, and development control rules were also improved to support private sector investors. Which helped the many builders to construct many buildings with high FAR/FSI without physical infrastructure at the ground level. (Mittal 2014)

Fourth Phase (2000 onwards)

During the fourth phase, the government continued its neoliberal policies from the previous phase, but on a larger scale. The government played the role of a facilitator for housing activities and acknowledged its lack of financial resources to fund urban development and housing projects. Consequently, the government sought ways to involve private investment in these projects. Central administration's plans in this stage, which were centered distinctly on more fragile segments of society (Valmiki Ambedkar Awas Yojna in 2001, which was later converged with BSUP under JnNURM in 2005 and afterward in Rajiv Awas Yojna in 2013) are pushed to be actualized based on Public Private Partnership (PPP). With an emphasis on encouraging private interest for the investment for these types of projects, Government has permitted 100% FDI in

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sector of housing in the budget (2014-15) has gone above and beyond toward this path by listing the slum redevelopment as a CSR (corporate social responsibility) action to draw in increasingly private assets.

In this period, the government abandoned its earlier approach of development based on master plans, which was initially favored but was later found to be inadequate in identifying the extent of slum areas in the city. This approach was heavily criticized and prompted the government to search for alternative options for housing development and improvement of slum areas. The Eleventh Plan noted that "The Master Plan concept has also not been useful in addressing India's large and widely spread slums." As a result, the government adopted a new approach to development known as City Development Plans (CDPs) under the Jawaharlal Nehru Urban Renewal Mission (JnNURM). However, this approach also failed to deliver the expected results of development. Therefore, this was also seriously condemned in the Twelfth Plan. (Mittal 2014)

Four phases of housing development policies in India after 1950.

Phase	Period	Government's Role	Policies
1	1950-1970	Provider	Low-Income Group Housing Scheme, Middle-Income Group Housing Scheme, Slum Clearance and Improvement Scheme, National Building Organization, Town and Country Planning Organization, Housing Boards, Master plans, Delhi Development Authority
2	1970-1980	Limited provider, facilitator	Environmental Improvement Scheme of Urban Slums, Sites and Services Scheme, HUDCO (Housing and Urban Development Corporation)

Phase	Period	Government's Role	Policies
3	1980-2000	Facilitator	Liberalization, Privatization, Globalization, Fiscal incentives, No intervention, allowing private sector to enter, Bank loans, RERA (Real Estate Regulation Act)
4	2000-present	Facilitator	Public-private partnerships, Slum rehabilitation schemes, Smart cities mission, Housing for all by 2022, Credit linked subsidy scheme, Affordable rental housing complex, Pradhan Mantri Awas Yojana-Urban

The information is based on the study of chronological development of government policies for housing in India after 1950. The sources used for the study are Gillette (1985), Mittal and Swami (2014), and Vidhyarthy (2010).

SWOT Analysis

In this analysis many aspects will be considered like; - Strength, Weakness, Opportunity and Threat. This will help us in understanding the overall pros and cons of the projects and in solving the futuristic problems.

Strength

- The development of Housing in urban fringe area has advantage of low land value in compression of core area of the city.
- Due to increasing housing demand people are moving towards fringe area of the city for their shelter, it shows there are housing potential of that area.
- There are some special provisions in PMAY of interest subsidy and other benefits for the LIG and EWS people.

- It also helps in women empowerment through providing ownership priority to the adult female member of the family, if they want to avail housing scheme under PMAY scheme.
- Under this PMAY mission many people are getting benefit so everyone can participate in this for their mutual benefit like: - Government agencies, Private developer, financial institutions, and common people too.

Weakness

- More Planning required in fringe area of the city so that the green areas can be conserved for the futuristic development.
- There are lack of basic infrastructures like: - Transport, electricity, water supply, Drainage etc.

Opportunity

- According to PMAY Mission our government want to provide housing for all till 2022 for those authorities are encouraging the housing development.
- Many financial institutions are supporting for the implementation of the scheme.
- Subsidies area being provided to the EWS, LIG, MIG1 & MIG 2 group of people according to their income criteria.

Threat

- More public awareness is required for successfully completion of the scheme.
- Public participation is needed for the implementation and for the maintenance after completion of the scheme for long time.
- Many people don’t want to move from their existing place to fringe area, so the development in fringe area mainly attract to the new people who don’t have their own houses in city.

3. Conclusion

In conclusion, the development of housing policies in India has undergone significant changes over the past few decades. The initial phase was characterized by the government's efforts to provide housing for all, followed by the realization that this was not feasible. In the subsequent phases, the focus shifted towards providing housing opportunities to specific segments of society, promoting private sector involvement, and facilitating the development of the housing sector through financial support rather than direct provision. The creation of various institutions and the introduction of policies and regulations aimed at improving housing conditions have led to some progress, but there is still a long way to go in addressing the country's vast housing needs. Overall, a more sustainable and inclusive approach is required to ensure that adequate and affordable housing is available to all citizens of India.

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