

## Housing for the Poor in India

### Introduction

According to the last census conducted in India in 1991, the country had a population of 846.3 million out of which 217.6 million lived in cities and towns. The total number of households was estimated at 153.2 million for the same year. As against this figure, the housing stock in the country was of the order of 148 million – 39.3 million units in urban areas (26.6%) and 108.7 million in rural areas (73.4%). During the period 1971-1991, while the number of households increased by 58%, the number of housing units went up by about 59%. Although India has been facing the problem of housing shortage for a long time, the increase in housing stock in recent decades has been more than that in the number of households. Table 1 portrays some salient data regarding the housing situation in India at the 1991 Census.

Approximately 40% of households in 1991 were in single room tenements; about 30% lived in two-room units. Only about 15% of households had four or more rooms. Table 2 shows the percentage break-up of households by the number of rooms occupied.

**Table 1**  
**Housing Situation in India: 1971, 1981 & 1991**

	1971	1981	1991
<b>Population &amp; Households:</b>			
Total Population (Million)	548.20	683.30	846.30
Rural Population (Million)	439.10	523.80	628.70
Urban Population (Million)	109.10	159.50	217.60
Slum Population (Million)	-	27.91	46.73
Total Households (Million)	97.10	123.40	153.20
Rural Households (Million)	78.00	94.10	112.50
Urban Households (Million)	19.10	29.30	40.70
Household Size: Total	5.65	5.54	5.52
Household Size: Rural	5.63	5.57	5.59
Household Size: Urban	5.71	5.44	5.35
Households per Dwelling	1.04	1.06	1.03
Persons per Dwelling	5.89	5.86	5.72
<b>Housing Units (Million):</b>			
Housing Stock: Total	93.00	116.70	148.00
Housing Stock: Rural	74.50	88.70	108.70
Housing Stock Urban	18.50	28.00	39.30
Housing Shortage: Total	14.60	23.30	23.90
Housing Shortage: Rural	11.60	16.30	14.67
Housing Shortage: Urban	3.00	7.00	8.23

Source: Government of India – National Buildings Organisation, Ministry of Urban Affairs & Employment: Prominent Facts on Housing 1997.

**Table 2**  
**Distribution of Households by Number of Rooms Occupied**  
 (Percent)

	1971	1981	1991
One Room:			
Rural	47.3	44.3	40.8
Urban	50.0	45.8	39.6
Two Rooms:			
Rural	28.5	28.9	30.6
Urban	27.0	27.8	30.4
Three Rooms:			
Rural	12.1	12.3	13.5
Urban	11.4	12.2	14.8
Four or More Rooms:			
Rural	12.0	12.1	14.0
Urban	11.4	12.1	14.7
No Exclusive Room and Unspecified Rooms			
Rural	0.1	2.4	1.1
Urban	0.2	2.1	0.5

Source: Government of India – National Buildings Organisation, Ministry of Urban Affairs & Employment: Prominent Facts on Housing 1997.

At the 1991 Census, more than 95% of the households living in rural areas had buildings of their own whereas the figure for urban areas was much lower – at 63.1%. However, over the period 1971-91 though the percentage of households owning buildings rose in both rural and urban areas, the rise in case of the latter was impressive – the figure going up from 47.1% in 1971 to 63.1% in 1991. In addition to improvement in ownership status, there has also been a steady upward trend in the quality of housing units in the country. During the decade 1981-91, the number of pucca (permanent) housing units increased by 64.64%, which is much higher than the growth of 53.39% occurring during the decade 1971-81. Over the period 1981-91, the number of semi-pucca houses declined by about 8% (from 6.80 million in 1981 to 6.23 million in 1991), while the number of kutcha (thatched, huts, etc.) houses showed only a marginal increase of about 6% (from 3.1 million in 1981 to 3.2 million in 1991). Table 3 provides some important information regarding the housing conditions in the country.

Insofar as the provision of civic amenities is concerned, there have been considerable improvements in the access of people to such amenities over the years although shortages in housing and infrastructure do continue. Table 4 shows the percentage of households in the country as a whole having access to safe drinking water, toilet facilities and supply of electricity during the decade 1981-1991.

**Table 3**  
**Housing Conditions in India: 1971, 1981 & 1991**

	1971	1981	1991
<b>Tenure Status of Households (%)</b>			
<b>Owned:</b>			
Rural	93.8	93.0	94.5
Urban	47.1	53.5	63.1
<b>Rented:</b>			
Rural	6.2	7.0	5.5
Urban	52.9	46.5	36.9
<b>Type of Structure (%)</b>			
<b>Pucca:</b>			
Rural	19.0	21.1	33.0
Urban	63.8	64.6	75.8
<b>Semi Pucca:</b>			
Rural	37.0	37.6	34.2
Urban	23.5	24.3	15.8
<b>Kutcha: (Serviceable):</b>			
Rural	32.0	29.0	22.8
Urban	12.7	11.1	8.4
<b>Kutcha: (Unserviceable):</b>			
Rural	12.0	12.3	10.0
Urban	-	-	-

Source: Government of India – National Buildings Organisation, Ministry of Urban Affairs & Employment: Prominent Facts on Housing 1997.

**Table 4**  
**Access of Households to Basic Amenities: 1981-1991**

	1981	1991
Households having Safe Drinking Water	74.14%	81.59%
Households having Toilet Facility	57.4%	63.58%
Households with Electricity	61.6%	75.93%

Source: Government of India – National Buildings Organisation, Ministry of Urban Affairs & Employment: Prominent Facts on Housing 1997

### **Housing Shortage**

Housing shortage is estimated in terms of excess households over houses including houseless households, congestion (number of married couples requiring separate room/house), replacement/upgradation of kutcha/unserviceable kutcha houses and obsolescence/replacement of old houses. Table 5 shows the components of housing shortage in the country at the beginning of 1991. Table 6 shows the estimates of housing shortage in urban areas based on the Report of the Ninth Plan Working Group of the Government of India, Ministry of Urban Affairs & Employment

**Table 5**  
**Components of Housing Shortage: 1991**

	Million Units		
	Total	Rural	Urban
Excess of Households over Houses including Houseless Households	5.16	3.76	1.40
Congestion (No. of Married couples requiring separate Room/House)	1.91	-	1.91
Replacement/Upgradation of Kutch/Unserviceable Kutch Houses	14.20	10.91	3.29
Obsolescence/Replacement of Old Houses	1.63	-	1.63
<b>Total</b>	<b>22.90</b>	<b>14.67</b>	<b>8.63</b>

Source: Government of India – National Buildings Organisation, Ministry of Urban Affairs & Employment: Prominent Facts on Housing 1997

**Table 6**  
**Projected Housing Shortage in India's Urban Areas, 1997-2001**

Item	Million Units				
	1997	1998	1999	2000	2001
Pucca	40.08	42.13	44.29	46.56	48.94
Semi-pucca	6.65	6.73	6.81	6.88	6.97
Kutch	3.35	3.38	3.40	3.43	3.45
Households (No.)	50.09	51.85	53.68	55.56	57.52
Housing Shortage	7.57	7.36	7.18	6.93	6.64

Note: The housing shortage estimates also account for congestion and obsolescence of existing units

Source: Ministry of Urban Affairs & Employment 1996. Report of the Working Group on Urban Housing for the Ninth Five-year Plan. Government of India, Delhi.

India's National Report for Habitat II Conference in Istanbul estimates that by 2021, the country would face a housing shortage of 44.9 million units and that the investment required for tackling this shortage over a period of 25 years at 1991 prices would be of the order of Rs.6580 billion. The Ninth Plan Working Group of the Government of India, Ministry of Urban Affairs & Employment estimated the new housing/old housing upgradation requirement at 16.76 million units for the 9<sup>th</sup> plan period (1997-2002). About 70% of the units are estimated to be required for the urban poor/economically weaker sections of society while about 20% is for low-income groups. About 10% of the urban requirement is for addressing the middle and higher income group segments. It is estimated that for urban housing alone, the total requirement of investment would be of the order of Rs.1213.7 billion for 1997-2002 to address the housing shortage of 7.57 million, upgradation of 0.32 million semi-pucca Economically Weaker Sections (EWS) units and the additional construction of 8.67 million units. The total requirement of funds for urban and rural housing put

together for 1997-2002 was estimated to be of the order of Rs.1500 billion (see Table 7). Against this amount, about Rs.520 billion is likely to be available if the past trends of housing finance are assumed to continue.

**Table 7**  
**Investment Requirement for Housing: Ninth Five Year Plan**  
**(1997-2002)**

Segment	No of Units to be Constructed (Million)	Fund Requirement (Rs. Billion)	Likely Availability
Rural	162.5	290	180
Urban	176.6	1,214	340
Total	330.1	1,504	520

Source: Government of India, Ministry of Urban Affairs & Employment: Ninth Plan Working Group on Housing (1996)

### **Shortage in Civic Services**

In addition to shortage in housing, India is faced with the problem of inadequate civic services. The coverage in terms of organised sewerage systems ranges from 35% in small towns to 75% in large cities. According to estimates prepared by the Ministry of Urban Affairs and Employment, Government of India, only about 50% of the urban population had access to sanitation facilities in 1997-98. Approximately one third of the urban centres are not covered by proper drainage systems; storm-water drainage facilities are estimated to cover no more than 66% of the urban population. The National Sample Survey Organisation (NSSO) 44<sup>th</sup> round Survey (1988-89) reveals that 31.08% of the urban population does not possess any latrine/toilet facility. Only 66% of the urbanites have access to toilet facilities within their premises. Out of those urban residents having toilets, only 39.06% have a flush system, 37.49% a septic tank system and the rest service latrines. As estimated under the Low Cost Sanitation Programme of the Government of India, there are about 3.3 million dry latrines yet to be converted into water-borne toilets in the towns with a population of less than 500,000.

It is estimated that 28% of the urban population do not have access to refuse collection and disposal services. A study in 1989 shows that the solid wastes collection efficiency (solid wastes collected as percentage of solid wastes generated) ranged from 82.8% in 6 metropolitan cities to 63.5% in 19 cities with population ranging from 0.1 to 1 million, 55.5% in 6 towns with population between 50,000 and 100,000 and 50.0% in 5 towns with population between 20,000 and 50,000.

### **Approach to Housing Development**

After independence, housing was accorded a relatively low priority in the national development programme in India, presumably with the objective of keeping it basically a private sector activity. The low budgetary support given to the housing sector is evident from the fact that the First Five Year Plan of India allocated 7.4% of the total plan resources for housing; the share of housing in the subsequent plan resources ranged between 1.2% and 4.9%. The governmental agencies, however, played a strong supporting role for the provision of housing for the poorer sections of society, including allocation of land. Over the years there has been a gradual shift in

the role of the Government from a ‘provider’ to a ‘facilitator’, ensuring access to developed land, basic services, building materials, technology, construction skills and finance so that housing can be undertaken as a people's programme. The facilitating approach aims at fostering strong public-private partnerships with the provision of appropriate incentives to the private sector, promotion of housing finance institutions, propagation of alternate building materials and technologies and extension of support to NGOs, CBOs, co-operatives and the private sector.

The Government of India and State Governments have adopted a two-pronged approach to housing development for the poor in the past, i. e., sites and services and permanent housing. Under sites and services, basic infrastructure facilities like drinking water, internal roads, approach roads, drainage, community toilet, etc., were provided to develop layouts. The beneficiaries were also given construction assistance for erecting a small shelter. The permanent housing programme, which has replaced sites and services, was initially confined to those beneficiaries who could avail loan facility. Later, several modifications have come up in the programme to address the housing needs of different target groups. The broad elements of the approach of the Government of India to tackle the problem of housing the poor are: special programmes/targeted subsidy to the poor and vulnerable groups, loan assistance to governmental agencies/beneficiaries at below-market interest rate for housing and at normal rate for infrastructure through the Housing and Urban Development Corporation (HUDCO), creation of housing assets as part of employment and income generation programmes, promotion of cost-effective and eco-friendly building materials and technologies and creation of an enabling environment for private sector initiative. Indira Awas Yojana (IAY) is an example of housing for targeted groups in rural areas through employment creation.

### **Indira Awaas Yojana (IAY)**

Indira Awas Yojana (IAY) intends to assist certain vulnerable target groups in housing activities. The programme applies to categories such as Scheduled Caste (SC)/Scheduled Tribe (ST) households who are victims of social atrocities, SC/ST households headed by widows and unmarried women, SC/ST households affected by flood, fire accident, earthquake, cyclone and similar natural calamities, freed bonded labourers, families/widows of personnel from defence services/para-military forces killed in action, ex-servicemen and retired members of para-military forces, persons displaced on account of developmental projects, nomadic, semi-nomadic and de-notified tribals and families with disabled members, subject to the conditions that these households belong to below poverty line category. As per the Government of India guidelines, IAY houses are being allotted in the name of the female member of family or alternatively in the joint name of both wife and husband. The programme is fully subsidised by the Government of India.

### **Housing Programmes: Unit Costs**

The contents and unit costs adopted for various types of housing programmes differ between States and have been revised from time to time. Table 8 depicts the latest unit costs adopted by the State of Andhra Pradesh for the programmes implemented by it.

**Table 8**  
**Unit Cost Particulars of Housing Schemes: Andhra Pradesh**  
**(In Rupees)**

Scheme	Year	Unit Cost	Beneficiary Contribution	Loan	Government Subsidy		
					State	Central	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sites & Services	1981	1000	-	-	1000	-	1000
Semi Permanent Rural Housing	1998-99	7500	500	-	7000	-	7000
Rural Permanent Housing	1998-99	17500	500	10000	7000	-	7000
Urban Permanent Housing	1986-87	12,000	300	10700	1000	-	1000
Weavers Housing:							
(i) House-cum – Workshed (Rural)	1998-99	35000	4000	8000	5000	18000	23000
(ii) House-cum – Workshed (Urban)	1998-99	45000	6000	14000	5000	20000	25000
(iii) Exclusive Worksheds	1996-97	6000	500	-	1500	4000	5500
Workshed (Rural)	1998-99	9000	-	-	2000	7000	9000
Workshed (Urban)	1998-99	14000	2000	-	2000	10000	12000
Rural Landless Employment Guarantee (RLEGP) Housing	1987-88	10200	-	-	2040	8160	10200
Beedi Workers Housing	1998-99	18000	1000	6500	1500	9000	9000
Fishermen Housing	1998-99	20000	1250	7000	-	-	11750
Indira Awas Yojana Housing:							
In Plain Areas	1996-97	16500	-	-	3300	13200	16500
In Black Cotton Soils	1998-99	20000	-	-	4000	16000	20000
Special Housing	1998-99	20000	500	12500	7000		7000
Cyclone Housing							
(i) By APSHCL	1996-97	16500	-	10000	6500	-	6500
(ii) By NGO's							
a) 0-5 Kms. From Sea Coast	1996-97	30000	15000	-	15000	-	15000
b) In Other Areas	1996-97	20000	10000	-	10000	-	10000
Economically Weaker Sections (EWS) Housing	1998-99	25000	2000	20000	3000	-	3000
Scheme for	1991-92	4000	-	3000	400	600	1000

Housing & Shelter Upgradation	to 1996-97						
EWS (Special Cyclone)	1996-97	30000	4500	25500	-	-	-
EWS (Special)	1998-99	30000	2000	25000	3000	-	3000
Township Housing	1998-99	50000	2000	43000	5000	-	5000

Source: Andhra Pradesh State Housing Corporation Ltd.

### **Housing and Urban Development Corporation**

The Housing and Urban Development Corporation (HUDCO) was established as a fully-owned enterprise of the Government of India in 1970 with an equity base of Rs.20 million to function as a national techno-financial institution to promote housing and urban development. The objectives of HUDCO include the following:

- To finance and undertake housing and urban development programmes in urban and rural areas;
- To finance and undertake either wholly or partly, the setting up of new towns or satellite towns covering infrastructure needs in urban and rural areas;
- To finance and undertake the setting up of building material industries;
- To provide consultancy services for projects of housing and urban development within the country and abroad.

At present HUDCO has an authorised capital base of Rs.12.50 billion (\$297 million), paid-up equity of Rs.8.98 billion (\$213 million), reserve of Rs.5.75 billion (\$136 million) and net worth of Rs.14.83 billion (\$349 million). The total borrowings by HUDCO stand at Rs.121.68 billion (\$2897 million). Thus the debt-equity ratio of HUDCO works out to 7.77.

The key activities of HUDCO include:

- Lending for housing programmes through various schemes such as urban housing, rural housing, staff rental housing, cooperative housing, working women's housing, housing schemes through NGOs and CBOs and housing through private builders;
- Lending for urban infrastructure, including land acquisition for projects, integrated land acquisition and development, city level infrastructure - water supply (rehabilitation, augmentation, new source development/transmission projects), sanitation (rehabilitation, augmentation, new sewerage and drainage projects, conversion of dry latrines, construction of individual and community toilets), solid waste management (collection, conveyance, treatment and disposal, energy recovery), transportation (roads, bridges, rail and road transport terminals, airports, ports), etc., social infrastructure (health, education, parks, playgrounds), commercial infrastructure (shopping centres, commercial complexes, office complexes), and integrated area development/new township projects, etc.;
- Consultancy services in the field of housing, township development and infrastructure development;
- Promotion of Building Centres for technology transfer and support to building material industries; and
- Training in human settlements and technical assistance to borrowing agencies.



The borrowers of HUDCO are: State Urban Infrastructure Finance and Development Corporations, Water Supply and Sewerage Boards, Urban Development Authorities, State Housing Boards, National Capital Region Planning Board (NCRPB), New Town Development Agencies like City and Industrial Development Corporation (CIDCO), Mumbai, Municipal Corporations/Municipalities, Improvement Trusts, and private companies and agencies.

Since its inception, HUDCO has so far sanctioned 14821 projects with a project cost of Rs.48.51 billion (\$11.54 billion). The amount of loan sanctioned is Rs.31.66 billion (\$7.53 billion) against which Rs.17.82 billion (\$4.24 billion) is already released. Housing loans approved amount to Rs.19.42 billion (\$4.6 billion) against which Rs.12.30 billion (\$2.9 billion) has been disbursed. HUDCO has so far contributed to the development of 10.14 million dwelling units and 4.7 million low-cost sanitation units. HUDCO's infrastructure financing portfolio is growing at a phenomenal rate. During the last 10 years HUDCO has sanctioned Rs.12.24 billion (\$2.9 billion) for infrastructure projects covering water supply, sewerage, drainage, solid waste management, low cost sanitation, etc. HUDCO's operations extend over 1,760 towns and thousands of villages in the country.

### **Cost-effective & Eco-friendly Technologies**

Building materials account for about 60% of basic inputs in any housing programme and their costs can go as much as 75% of the cost of a house for low-income groups. There is a growing concern that persisting shortage of cost-effective building materials for the vast majority of population is a serious impediment to improving the housing conditions of the people. While popular traditional materials are short in supply, high demand for them has resulted in their high prices and taking them out of the reach of the poor. Most of the new alternate materials developed in recent past are cost-effective and environment-friendly. But they are yet to be translated into marketable products for mass application. Excepting cement and steel, all other materials required for housing are likely to have constraints of supply.

Keeping the above aspects in view, the Government of India and State Governments have been promoting research in the fields housing and construction activities. This has led to a number of new alternative building materials and techniques aimed at reducing the cost of house construction and improving the performance of conventional building materials and techniques. Energy-efficient manufacturing processes and use of renewable raw material resources of wastes and byproducts of industry, agriculture and forestry, etc., have resulted in Cost-Effective and Eco-Friendly (CEEF) products. As it was seen that the use of CEEF building materials and techniques was hampered by the general lack of understanding on part of beneficiaries due to ignorance and illiteracy, the Government has initiated a massive programme of demonstration, education and counseling for the poor. Rural masons are considered as the "rural housing engineers" by the beneficiaries and therefore, care is being taken to train and motivate masons in addition to beneficiaries.

### **Building Centres Movement**

Recognising that the propagation and extension of new cost-effective, energy-efficient and eco-friendly building technologies to the grassroots level require a focused approach, a Centrally-sponsored scheme for setting up a national network of Building Centres (Nirmithi Kendras) was initiated in different States. Over 350 such

centres have already become fully operational. These Building Centres are promoting use of cost-effective building materials based on locally available raw materials and wastes. They provide a variety of services such as practical demonstration and propagation of new technologies, training of artisans, entrepreneurs and small contractors, counseling of householders and production of low-cost materials and components to meet the local housing construction needs. A large number of centres are also undertaking construction of housing projects and other public buildings. HUDCO provides funding support to Building Centres for setting up production units of new building materials and components. To encourage Building Centres in technology extension activities, the Government of India has exempted the levy of excise duty on materials and components produced by these Centres. The training to entrepreneurs in several States has led to setting up of their production units for low-cost building materials and components to cater to the local needs.

### **National Housing and Habitat Policy 1998**

In 1994, India adopted the National Housing Policy (NHP), which recognises the key role of the Government as facilitator rather than provider of housing services. The National Housing & Habitat Policy-1988 (NH&HP) is a continuation of the NHP. It calls for a housing revolution in the country and focuses on the changed roles of various stakeholders in the housing development process in the new economic environment of liberalisation and globalisation. The policy emphasises the need to persuade the private and cooperative sectors to take greater initiatives in the promotion and development of housing through fiscal concessions and other incentives. Though the move towards disassociation of governmental agencies from direct construction is being witnessed since the early 70s, the NH&HP calls for a continued positive role by the Government in housing of the poor. Rapid growth of population and increased urbanisation on one hand and escalating land prices on the other are responsible for widening the gap between demand for and supply of housing units. These factors squeeze the poor off land and marginalise them in urban housing markets. Recognising this, the NH&HP suggests a number of areas of intervention for governmental agencies to promote affordable housing for the poor, including availability of sites, housing loans at below-market rates, low-cost building materials and civic services.

The broad aims of the National Habitat and Housing Policy-1998 (NH&HP) are:

- Creation of surpluses in housing stock either on rental or ownership basis;
- Providing quality and cost-effective housing and shelter options to the citizens, especially the vulnerable groups and the poor;
- Guiding urban and rural settlements to ensure planned and balanced growth and a healthy environment;
- Making urban transport as an integral part of the urban Master Plan;
- Using the housing sector to generate more employment and to achieve skill upgradation in housing and building activities;
- Promoting accessibility of dwelling units to basic facilities like sanitation and drinking water;
- Removing legal, financial and administrative barriers for accessing land, finance and technology for housing;
- Forging strong partnerships between private, public and co-operative sectors in housing and habitat projects.

The NH&HP envisages a key role for the Government of India in promoting policy and legal reforms, facilitating flow of resources to housing and infrastructure through measures such as fiscal concessions to investors and promoting the creation of a secondary mortgage market. The State Governments are expected to gradually withdraw from direct construction of houses, liberalise legal and regulatory regime to give a boost to housing and support infrastructure, promote private sector and co-operatives, and facilitate access of the poor to land, finance, low-cost and locally-suited engineering solutions and participatory designs.

### **Two Million Housing Programme**

The National Agenda for Governance—the election manifesto of the present Government recognises Housing for All as a national priority. It has set a target for the construction of 2 million additional houses every year – 0.7 million in urban areas and 1.3 million in rural areas. A programme of this magnitude is expected to result in an investment of about Rs.80 billion in housing construction activity. This would also facilitate cement, steel and other building materials industries in addition to creating substantial employment in this sector. Every million of rupees spent by the construction industry generates about 75 man-years of employment.

### **Recent Budgetary Initiatives**

In recent years, housing and construction have emerged as ‘top priority’ sectors for policy-makers. Faced with recession and slow-down of economic activities, the Government of India has realised the key role that construction Industry can play in jump-starting the economy and provide gainful employment to people. Housing construction has many forward and backward linkages and about 280 industries are directly or indirectly linked to housing activities. Moreover, construction is the second largest employment-generating sector in the country, next only to agriculture. Considering these, the Union Budgets of 1998-99 and 1999-2000 have laid a great deal of emphasis on creating an enabling environment for housing activities in the country through the private sector.

The measures initiated by the Union Budgets to boost up housing activities include:

- Additional equity support to HUDCO to the tune of Rs.1.92 billion in the 1998-99 budget and Rs.2.71 billion in the 1999-2000 budget of the Ministry of Urban Affairs and Employment and Rs.0.5 billion in the 1998-99 budget of the Ministry of Rural Affairs and Employment. These measures augmented the equity base of HUDCO by Rs.5.13 billion in a period of just two years as against the infusion of Rs.3.85 billion by the Government of India over a period of 27 years from the creation of HUDCO. The addition of Rs.5.13 billion of equity would enable HUDCO to leverage about Rs.42 billion from the market for housing and urban infrastructure activities. HUDCO would be in a position to support the creation of 1.5 million houses each year out of which 1 million will be towards achieving the target under the Two Million Housing Programme;
- Extension of tax holidays for approved housing projects allowing a deduction of 100% of the profits for the first five assessment years and 30% deduction for another five years. This was made applicable to housing units upto 1500 sq. ft. in the budget of 1999-2000. The facility will promote private sector participation in housing activities;

- Increase in deduction against income from house property for repairs and collection charges from 1/5<sup>th</sup> to 1/4<sup>th</sup> and increase in the deduction for interest on borrowed capital in the case of self-occupied property from Rs.15,000 to Rs.30,000 in 1998-99 budget. The latter figure was revised drastically to Rs.75,000 in the budget of 1999-2000. This will promote better maintenance of constructed housing stock in addition to promoting larger individual investments in housing;
- Enhancement in the percentage of incremental deposits into housing activities from the banking sector from 1.5% to 3% to enable inflow of Rs.3.8 billion for low-cost housing;
- Inclusion of micro-credit and tiny sector as part of priority sector lending of banks to give a fillip to weaker section/low-income housing;
- Extension of depreciation benefits in corporate employees housing from 20% to 40% to encourage corporate houses to take up housing for their employees;
- Repeal of the Urban Land Ceiling and Regulation Act in 1998 to free the supply of land for housing in urban areas, especially metropolitan cities.

### **Andhra Pradesh Model: Self-help & Mutual Help**

The State of Andhra Pradesh is a pioneer in India in implementing innovative housing programmes for the poor on a large scale. Though the A.P. State Housing Corporation Limited (APSHCL) was established in 1979 to formulate, promote and execute housing schemes for the weaker sections of society, the Corporation has constructed about 3.62 million houses by 31.03.2000 out of which 2.4 million are in rural areas. It ranked first in the country in the implementation of housing for the poor in rural areas from the year 1991–92 onwards. Households with an annual income of Rs.13,000 or less are eligible for sanction of houses under various schemes from 1996–97 onwards. 50% of the houses are earmarked for Scheduled Castes and Scheduled Tribes, 33% for Backward Castes, 7% for Minorities and the remaining 10% for other Economically Weaker Sections. The funding of the housing programme includes subsidy from the Government and loan from various financial institutions for the repayment of which the Government stands guarantee irrespective of the ultimate recovery from beneficiaries. Loans are mobilised from HUDCO, Life Insurance Corporation, General Insurance Corporation and Commercial Banks.

The basic concepts and features based on which the entire Weaker Sections Housing Programme is being implemented in the State of Andhra Pradesh are:

- “Self-help and Mutual help” by the beneficiaries and their full participation in decision-making and implementation, consequently resulting in their capacity building;
- The concept of “Core House” which is easily expandable depending upon the improvement in the economic position of the beneficiary and his need. The adequacy of the accommodation is not relevant and it does not come in the way of implementation of the housing programme. The issue of adequacy of subsidy-cum-loan assistance is also irrelevant as the Government gives only a fixed financial assistance to the beneficiary;
- Cost-Effective and Eco-Friendly (CEEF) building materials and construction technologies;

- Principal Bank Branch System (PBBS) in handling of finances. Amount due the beneficiary is directly credited to individual bank accounts of beneficiaries. One bank is designated as the nodal or principal bank for each scheme. The nodal bank promotes banking habit and thrift and credit among beneficiaries.

### **Some Directions for Future**

Although the National Housing and Habitat Policy emphasises the facilitating role of the Government in housing, the public sector agencies are not absolved of the responsibility of providing housing to those segments of the people who cannot be served by the market. However, a new approach is called for issues such as beneficiary consultations on the location, design and cost aspects of shelter, affordable shelter options for the very poor, integration of income generation and housing, eligibility criteria for availing housing finance and providing a collateral for the same, easier availability of plots and houses from public and private providers, assistance for house construction, speedy approvals for construction of infrastructural services, simplification of documentation and procedures, etc. Housing subsidies often benefit the salaried employees of the organised sector including the Government and the recipients of tax concessions for housing investment. Implicit subsidies to beneficiaries of social housing schemes arise from loan waivers, low cost recovery rate, concessional interest and inefficiencies absorbed by the agencies. The schemes involving a combination of concessional loan and subsidy affect the extension of viable finance on non-subsidised terms, based on rigorously enforced cost recovery. These issues need to be re-examined.

Part of the resources needed for the shelter of the urban poor could be diverted from current outlays by an objective review of all subsidies and mis-applied resources, and by channelling institutional finance. Additional resource mobilisation could be by a combination of measures to activate beneficiary savings and channelling loans on viable terms by financial institutions. These measures could be catalysed and leveraged by budget provisions for land and services, equity for housing agencies and support to open market lending on credit-rated terms. Steps are needed for avoiding the dispensation of ex-post and implicit subsidies, to provide for transparent and well-targeted subsidies, and to prevent the leakages of subsidies under government programmes and unwarranted fiscal concessions to better-off sections. Subsidies may perhaps be administered in the form of subventions through credible NGOs for group shelter activity and savings effort.

The State governments need to adopt a state-wide policy on the regularisation of tenure and conferment of leasehold or occupancy rights to slum-dwellers at least in areas not needed by public agencies. The National Housing and Habitat Policy emphasises the grant of occupancy rights to slum-dwellers and providing support for progressive slum redevelopment and upgradation schemes. The slums and squatter settlements could be categorised as those needing urgent relocation, those that can be considered for conferment of occupancy rights/title and upgradation or redevelopment in situ, and those which can be provided with basic services without conferment of title. This categorisation process should be dovetailed with the process of Master Plan revision and formulation of flexible development planning norms. It would enable the relocation of slum-dwellers and change in land use plans to incorporate the regularised slums into the plan-scape of the city. Also, physical and social planning should be on city-wide basis so as to integrate the informal sector in the city's economy and social life. The State and city agencies need to be encouraged to formulate city plans for developing varied shelter options for the urban poor, such as the provision of essential services,

shelter upgradation and extension including toilets, renewal of congested inner city chawls, serviced sites for the poor, in situ redevelopment of slums with assistance of the private sector and co-operative involvement, night-shelter and sanitation facilities for the new migrant landless persons, relocation of families from sites urgently required for public purposes, and financial and technical assistance on a group or individual basis for incremental construction.

In order to facilitate greater private and co-operative sector participation in housing activity, as well as public-private partnership, there is the need to: first, undertake legal reforms; second, to undertake land policy reform to provide easier access to developed land; third, provide suitable fiscal measures and incentives to encourage investment of household savings in home ownership and to induce the corporate sector to invest in employee housing; fourth, carefully assign property rights and make them legally enforceable; fifth, create enabling institutions for providing an enabling environment by restructuring existing institutions and by creating new ones, if required; and sixth, widen the existing database for strategic planning to cover aspects relating to ownership of land and property, housing starts and completions, etc.

With the Union Budgets for 1998-1999 and 1999-2000 according a new thrust to housing in the National Agenda for Governance, the Central and State Governments have initiated a reform agenda for housing sector reforms. The reform areas include the following:

- Public-Private Partnerships to ensure a fair return on investment to the private land owners/developers through guided development and availability of serviced sites for allotment to low income families at affordable prices. Fiscal incentives and provision of infrastructure can induce private sector entrepreneurs to housing including that for the poor;
- Measures to control the continuing spiral of land prices, speculation, shortage of developed land, and increasing pace of unregulated and environmentally damaging land development;
- Increased availability of developed land through measures such as reservation of 5% of the land in larger layouts as land bank for economically weaker sections and low-income groups, land pooling, land readjustment, etc., steep vacant land tax, etc.;
- Restructuring of Housing Finance Institutions (HFIs) to meet the housing finance needs of the formal sector as well as the poor and the informal sector. A revision of current eligibility norms that inhibit the flow of a significant proportion of funds from the formal sector to the poorer sections of the population is called for;
- Establishment of linkage with informal credit systems along with grant of security of tenure to slum-dwellers and reforms related to land title, building regulations, etc., with a view to assisting the poor with access to institutional finance for housing;
- Community resource mobilisation through schemes such as Insurance-Linked Savings-cum-Loan-cum-Subsidy scheme for shelter for the poor engaged in informal sector activities. Under the scheme for a nominal one-time premium of Rs.150 per house, the houses are insured for Rs.25,000 against damages due to fire, lightning, flood, storms, tempests, cyclones, etc.;
- Increased involvement of NGOs/CBOs/Cooperatives to promote self-help, mutual-help, thrift and credit, self-management, community empowerment, etc. There is a need for shifting to community-based non-subsidised loan mechanism, as

adopted by Self Employed Women's Association (SEWA) in Gujarat State, targeted at poor and sustained by beneficiary savings for shelter and group guarantee;

- Promotion of high density housing in selected areas in cities through appropriate amendments to zoning and land use regulations to obviate the necessity of costly land acquisition and to avoid high infrastructure costs;
- Adoption of small lot zoning in parts of large lot layouts making it mandatory on the part of developers to divide part of the lands being developed into small plots to make them available to poor beneficiaries;
- Promotion of rental housing through the balancing of landowner and tenant interest so that supply of rental housing at affordable rents is ensured and there is an incentive for people to build houses for themselves and for others;
- Propagation of cost-effective and eco-friendly building materials and technologies and up-scaling of innovative products to make them marketable and amenable for mass application;
- Municipalisation of programmes of poverty alleviation and slum-upgradation in urban areas to make elected Municipalities responsible for these functions and mobilise local support and effort.

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