



ACTUALIZING AFFORDABLE HOUSING: AN INCLUSIVE PROSPECT

By *Chinmay Bhaiji and Kshitij Jain*
From *Renaissance Law College (Devi Ahilya Vishwa Vidyalaya), Indore*

Abstract

The demand of affordable housing is to iron out the troubles of hasty urbanisation and migration with advocating a productive human capital ensuring better life along with requisite conveniences. We have embraced the policies and guidelines bestowed by The Reserve Bank of India withal the ‘single house clearance system’ and ‘easy loan availability at affordable interest rate’ which aims to ameliorate contemporaneous locus. It will be arduous for India to achieve the \$5 trillion economic mark by 2024 as desired by leaders of India without uplifting the Economic Weaker Section of society by catering with sustainable affordable housing. The most eminent tool to elucidate the problem of scarce affordable housing is ‘Pradhan Mantri Awas Yojana - Urban’ 2015 co existing with the ‘Housing for All by 2022’ mission both of which aims at constructing 20 million affordable urban houses by 2022. The Government of India initiates multifarious gradus such as “Infrastructure Tag, In - Situ Redevelopment Program, The Credit Linked Subsidy, Increasing Unit Size by Carpet Area, Creation of LIG segment, Schemes by National Housing Bank 1988”. This paper discusses the ideology of affordable housing, proposed government schemes and policies,

their approaches to private help from various cooperative societies and entrusting real estate builder with such responsibility, keeping in mind its various challenges like of sustainability and modest approaches of measuring affordability.

Keywords: Affordable Housing, Sustainable, Scheme, Policy

Introduction

“...House is where jobs go to sleep at night...” quoting Rakesh Mohan, former deputy governor of RBI. Quality, quantity, availability are fundamental peripherals of housing but affordability especially surpasses those as an absolute inclination.

“Affordable housing refers to any housing that meets some form of affordability criterion, which could be income level of the family, size of the dwelling units of affordability in term of EMI size or ration of house price to annual income”¹

Affordable Housing is, to provide for the most valuable resource, the human capital, with the vital need of a better life.

On the other hand with abrupt urbanization, India will be out looking at an Urban population of 600 million by 2030 and does the colossal need of housing.

To trump the impending matter of aforesaid dearths, the Dominion of India has opted for sundry approaches, The Pradhan Mantri Awas Yojana, Housing For All Mission.

The RBI has also formulated distinct policies & guidelines to ease the matter if loans & clearance.

¹ High level task force on affordable housing, Dec 2008, Pg. 7



This paper additionally encompasses Snugs of AH, Measures of Affordability, Components of PMAY, Criticism and Suggestions.

Pradhan Mantri Awas Yojana

This is an ambition of G. O. I to provide shelter to EWS category along with people of Low & Middle Income Group. This Yojana (scheme) was initiated in June 2015 and will be concluded in March 2022, marking 75 years of Independence of India by constructing AH for 20 million urban poor & 30 million rural poor.²

This scheme works collaboratively with other schemes such as Saubhagya Yojana for electricity, Ujjawal Yojana for LPG Gas connection, Credit Linked Subsidy Scheme for credit availability, and other schemes in order to provide a basic living standard to each individual.

To fulfil this scheme, various agencies are working such as, Ministry of Housing and Urban Affairs, Ministry of Rural Development Government of India, State Housing Corporation Limited, Reserve Bank of India, National Housing Bank, Ministry of Housing and Urban Poverty Alleviation, Housing Board of various States, Housing and Urban Development Corporation, among other governmental and private organisations.

The Pradhan Mantri Awas Yojana caters to two parts viz. –

- Pradhan Mantri Awas Yojana (Urban) (PMAY-U)

² BajajFinserv. PMAY - Features and Benefit [online]. Available from: <https://www.bajajfinserv.in/home-loan-pradhan-mantri-awas-yojana>

³ Press Information Bureau, Government of India. June 2015. “Housing for All by 2022” Mission -

- Pradhan Mantri Awas Yojana (Gramin) (PMAY-G)

On combining both the parts, ‘Housing for all by 2022’ mission emanates, which will be studied further in this paper.

Housing for All by 2022 Mission

This mission comes under the scheme ‘Pradhan Mantri Awas Yojana 2015’ which was initiated by Honourable P.M. Narendra Modi. This mission aimed at providing housing facilities to the Economic Weaker Section of society, with the following components: -

- a) In-Situ Slum Redevelopment;
- b) Credit Linked Subsidy;
- c) Affordable Housing in Partnership;
- d) Subsidy for beneficiary-led individual house construction or enhancement.

Beneficiaries of this mission are mainly Economically Weaker Section (EWS) with annual income capped at Rs. 3 lakh, Low-income Groups (LIGs) with income ranging between 3-6 lakhs, and Middle Income Groups (MIGs) having an annual income between 6-18 lakh per annum.³

The scheme includes 4041 statutory towns with the first priority given to 500 Class I cities. This will be done in 3 phases, which are as follows –

- Phase I to cover 100 Cities selected from States/UTs as per their willingness;
- Phase II to cover an additional 200 Cities;
- Phase III to cover all other remaining Cities;

National Mission for Urban Housing [online]. Available from: <http://pib.gov.in/newsite/printrelease.aspx?relid=122576>



The scheme will be implemented as a Centrally Sponsored Scheme except for the credit linked subsidy component, which will be implemented as a Central Sector Scheme.

The Mission will also compile best practices in terms of affordable housing policies of the States/UTs designs and technologies adopted by States and Cities with an objective to spread best practices across States and cities and foster cross-learning.⁴

Eligibility Criterion Under This Scheme⁵

The government will use The Socio-Economic and Caste Census of 2011 to identify and select the list of PMAY beneficiaries. The village panchayats along with tehsils will be considered for consultation of beneficiaries before making the list under the rural housing scheme.

People who already 'own' a house are ineligible to apply for this scheme. No pucca should be owned by the beneficiary or member of the family, in any part of the country.

People who come under the segment of EWS, LIG, MIG, based on their annual income basis, can also apply for the scheme.

Right to Adequate Living/Housing

The International HR law reserves the right to housing as a freestanding right.

Article 25 of the UDHR observes the right to housing as a part of the 'right to an adequate standard of living'.

Similarly, Article 21 of the Indian Constitution promises that no person shall be

deprived of his life and personal liberty and Article 47 which obliges a duty of the state to raise the standard of living, affordable housing not only becomes a responsibility of the state but a legal right of the citizens.

Case - Francis Coralie v Delhi was the first case to mention Right to housing, where Justice Bhagwati observed: "We think that the right to life includes the right to live with human dignity and all that goes along with it, namely the bare necessities of life such as adequate nutrition, clothing and shelter over the head and facilities for reading, writing and expressing oneself in diverse forms, freely moving about and mixing and commingling with fellow human beings."⁶

Laws Relating to Real Estate Linked With Affordable Housing

TRANSFER OF PROPERTY ACT, 1882 – This is a central act, related to sale, exchange, mortgage, lease, and a gift of property.

This act is helpful for private developers, as it suggests and safeguards them against ill-practises of Real Estate Industry.

THE R. E. R. A., 2016 – This act is enacted by the central government through 'Ministry of Housing and Urban Poverty Alleviation' which also plays an important role in Affordable Housing Mission.

This act is helpful in AH mission as it not only regulates the sale of the property but also deals as a Dispute Redressal Forum through established Appellate Tribunal.

⁴ Ibid

⁵ bankbazaar.com. "Pradhan Mantri Awas Yojana(PMAY) - Housing for All by 2022 Scheme [online]. Available from:

<http://www.bankbazaar.com/home-loan/pradhan-mantri-awas-yojana.html>

⁶ Francis Coralie Mullin vs The Administrator, Union Territory of Delhi; 1981 AIR 746, 1981 SCR (2) 516 (Available at <https://indiankanoon.org/doc/78536/>)



THE INDIAN CONTRACT ACT, 1872 –

This is a principal act, governing contracts and contractual obligations. This act is helpful as it gives rights to the beneficiary against the government and private developer, and is also used in the Affordable Housing Partnership component.

ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY ACT, 2014 –

This Act was specifically meant for creation of city Amravati and allows 'Land Pooling' in the state. Adopting the same model across India, the government and private developers can use the scarce land for benefit of a much larger community, eradicating biggest challenge and decrease the cost dramatically.

THE INDIAN REGISTRATION ACT, 1908

– This act provides for the registration of various documents, to ensure the conservation of evidence, assurance of title, and mandatory registration of the documents of sale and purchase of immovable property.

INDIAN STAMP ACT, 1899 – This act provides for stamp duty, through which all contracts are made, properties are registered, transfer of property is done, and beneficiary have a valid government registered document as a proof of work done. This is much needed in AH at each level for both governments as well as the private sector.

LAND ACQUISITION ACT, 1894 – This act allows the government for acquisition of land needed for public purposes, by providing fair compensation to aggrieved. This act will help in AH by creating more land space for building houses for the poor.

SLUM AREAS (IMPROVEMENT & CLEARANCE) ACT, 1956 –

Though this act is applicable only in some UTs, it is helpful, as it makes government improve the slums, making housing more affordable and liveable.

TAXATION LAWS – The Income Tax Act, 1961 and The GST Act, helps in AH by decreasing tax slabs for the real estate market, attracting more investors. And by providing tax exemption U/S 80(C) encouraging home loan schemes.

Measuring Affordability

Prima facie subject as for discussing affordable housing arises of estimating housing affordability and its variations.

Various methodologies adopted internationally as put forth by the Reserve Bank of India in their bulletins to estimate housing affordability are:⁷

1. Housing Cost Burden: The ratio of housing expenditure to household income is used to measure affordability. Housing expenditure covers all the costs related to housing including rentals, mortgage repayments, utilities and maintenance costs. Housing units can be classified as affordable if the ratio is less than some cut-off value. The choice of this cut-off is judgemental; however, as a thumb rule, it is taken to be 30 per cent.
2. Median Multiple Indicator: Under this approach, the median house price is divided by median household annual income to derive housing affordability. Demographia International, an organisation which conducts a survey

⁷ RBI Bulletins. Available from: https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=17314#TB1



across countries for affordable housing, considers price to income ratio below 3 to classify housing units as affordable.

3. **Housing and Transport (H+T):** In this method, transport costs are also included with housing costs to measure affordability. The underlying idea is that congestion in cities has led to a rise in human settlements at long distances from the city centre, which has resulted in an increase in costs and time spent in commuting.

- **Purchase Affordability** is another Measure for AH which measures whether households are able to fund the purchase of their houses. Typically, purchase affordability is measured as a ratio of housing costs (or monthly mortgage payments) to the monthly income of the household.

A standard method to assess affordability in housing is '30% of Income Standard Method'. According to this method, Housing Expenditure that exceeds 30% of household income have historically viewed as problematic, while expenditure under 30% are affordable'

This method cannot be applied in the Indian scenario of PMAY, because

1. Here, Affordability is specifically concerned with EWS & LIG category of society, each of whose affordability differs due to economical reasons.
2. We do not have an average income of poor households, as a result, no standard income &

expenditure can be assessed. Hence no 30% can be determined.

RBI Policies and Guidelines

The Technical Group (TG-12) had concluded their report⁸ on Estimation of Urban Housing Shortage (2012) and found that there has been a huge gap in demand and supply of urban housing in India, where the Economically Weaker Section (EWS) and Low-Income Group (LIG) accounts for 96% of the total housing shortage in India.

Where it took India 40 years, 1971 to 2008, to reach the urban population to rise by nearly 230 million, it is estimated to take only half of that to reach 590 million, adding the next 250 million by 2030.

Table 1: Distribution of estimated urban housing shortage in India

Factors	(million)	
	As at end-2012	
Households living in non-serviceable katcha houses		0.99
Households living in obsolescent houses		2.27
Households living in congested houses		14.99
Households in homeless condition		0.53
Total Urban Housing shortage		18.78
I. Economically Weaker Sections (EWS)		10.55 (56%)
II. Low Income Group (LIG)		7.41 (40%)
III. Medium and High income group (MIG+HIG)		0.82 (4%)

Note: Values in parentheses are percentage shares.
Source: Report of Technical Group (TG-12) on Estimation of Urban Housing Shortage 2012, Ministry of Housing & Urban Poverty Alleviation.

The McKinsey report in July of 2010 has estimated 40% of India's population nesting in urban areas, with 68 cities populating more than 1 million, from the current figure of 42, with 13 cities eclipsing the 4 million residents mark, by 2030.⁹

⁸ Report available at <http://nbo.nic.in/pdf/urban-housing-shortage.pdf> (Under the Ministry of Housing And Urban Poverty Alleviation National Buildings Organization www.mhupa.gov.in)

⁹ McKinsey Global Institute (2010), India's Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth, April



Plentiful projects and efforts had taken place to boost low-cost housing for many years like

- National Housing Policy, 1994
- Jawaharlal Nehru National Urban Renewable Mission, 2005
- Rajiv Awas Yojana, 2013

The 2017 - 18 Union Budget proposed a number of means to boost affordable housing scene:¹⁰

- i. granting infrastructure status to affordable housing;
- ii. increasing the time for project completion to affordable housing promoters from earlier three years to five years;
- iii. reducing the tenure for long-term capital gains for affordable housing from three to two years;
- iv. revision of the qualifying criteria for affordable housing from the saleable area to the carpet area;
- v. announcement of a new CLSS for the MIG with a provision of ₹ 1,000 crores;
- vi. refinancing facility by National Housing Bank (NHB) for individual loans for the affordable housing segment.

Various policy measures taken by RBI to promote AH are:¹¹

1. July 2014, the RBI defined affordable housing loans as eligible under priority sector lending, as also housing loans to individuals up to ₹ 50 lakhs for houses of values up to ₹ 65 lakhs located in the six metropolitan centres (Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad) and ₹ 40 lakhs for houses of

values up to ₹ 50 lakhs in other centres for purchase/construction of dwelling unit per family.

2. RBI allowed banks to issue long term bonds (of minimum 7 years maturity) to finance loans to affordable housing and exempt such bonds from the computation of adjusted net bank credit (ANBC).
3. The RBI allowed the banks to provide home loans up to 90 per cent for properties that cost up to ₹ 30 lakh in October 2015 previously which was 20 lakhs.

The RBI also modified the provisioning or risk-weight norms for home loans to make them cheaper – it cut the standard asset provisioning on housing loans to 0.25 % from 0.4 % in June 7, 2017.

The Modi government has set an ambitious target of providing housing for all Indians by 2022, but it will need an investment Rs 100 lakh crore to meet this goal. The country needs to build 10 crores more houses, says a Reserve Bank of India report.

Single House Clearance System

Developers suggest that the government needs to provide land at concessional rate, but at the same time it needs to provide a single-window clearance to get project approvals as very often it is seen that delay in project approvals due to government authorities delay the projects indefinitely increasing the cost of holding for both the developer and the buyer.¹²

In its Monetary Policy Statement of October 2017, the RBI has indicated that faster rollout of affordable housing programme with time-bound single-window clearances and

¹⁰ RBI Bulletins. Available from: https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=17314#TB1

¹¹ Ibid

¹² “Affordable Housing In India” by Ms. Harshleen Kaur Sethi Barclays, IJERT Vol. 6 Issue 06, June - 2017 ; Available at www.ijert.org



rationalisation of high stamp duties by the state governments can support growth.¹³

Point 3 of Mandatory Conditions in Annexure 'A' of P. M. A. Y. Scheme Guidelines states that "State/UTs shall put in place a single-window- time-bound clearance system for layout approvals and building permissions."

Components

As stated earlier, the P. M. A.Y. has certain components through which the beneficiaries avail advantage. These components are discussed below along with other prominent methods that the Government of India opted to flourish this Yojana.

1. **"In-situ" Slum Redevelopment:** Under this component, the government uses the land as 'Resource' along with private participation. Land herein includes slums on land acquired by the central government, state government, and Urban Local Bodies. On average, the slum rehabilitation grant is 1 lakh rupees per house, which is exclusive of the cost of land. Full flexibility and involvement of state and cities for additional financial grants, to provide additional floor area ratio, floor space index, transferable development rights, etc. The flexibility of dates and other petty issues are given to state but are subjected to national policy. The state is liable to study the tenable slum area, future opportunity related to redevelopment with any private partner using the land as resources, market potential, etc.

2. **Credit-Linked Subsidy Scheme (CLSS):** CLSS is provided on home loans either for

construction of new house or enhancement of an existing house by adding more rooms or toilets. Beneficiaries of EWS & LIG category seeking housing loans from Banks, Housing Finance Companies and other such institutions would be eligible for an interest subsidy at the rate of 6.5 % for a tenure of 15 years or during the tenure of loan whichever is lower. The NPV of the interest subsidy will be calculated at a discount rate of 9 %. This subsidy is available only for loans amounting up-to 6 lakhs, any loans exceeding such limit will be at non-subsidized rates.

This subsidy is channelized and monitored through 'Housing and Urban Development Corporation' and 'National Housing Bank', which collaboratively forms 'Central Nodal Agencies'.

Table 2: Credit Linked Subsidy Scheme

Type	Income (per annum)	Interest Subsidy (%)	Up to Loan Amount (₹ lakh)	Up to Carpet Area (sq.m.)
Economically Weaker Section (EWS)	Up to ₹ 3 lakh	6.5	6	30
Low Income Group (LIG)	₹ 3-6 lakhs	6.5	6	60
Middle Income Group (MIG-I)	₹ 6-12 lakhs	4	9	120
Middle Income	₹ 12-18 lakhs	3	12	150

¹³ RBI Bulletins. Available from: https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=17314#TB1



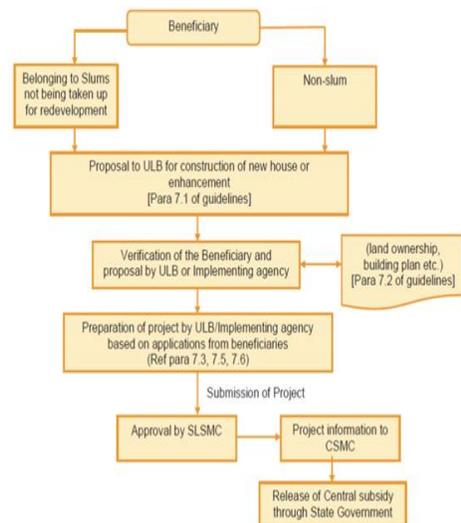
Group (MIG-II)				
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Note: Carpet area of houses eligible for subsidy under CLSS for MIG-I and MIG-II has been increased from 90 and 110 sq.m to 120 and 150 sq.m, respectively, effective from January 1, 2017. Source: Ministry of Housing and Urban Poverty Alleviation (MoHUPA).

This scheme is also a part of ‘Housing For All Plan of Action’ (HFAPoA)

Urban Local Bodies are responsible to implement the scheme along with validating the information given by EWS Beneficiaries, assessing building plans, and other crucial details.

Following is the flow chart, describing the implementation process of this scheme-



Affordable Housing in Partnership (AHP): This component Provide financial assistance to EWS houses being built with different partnerships by States/UTs/Cities. To increase the availability of houses for EWS category at an affordable rate, States/UTs, either through its agencies or in partnership with the private sector including industries, can plan affordable housing projects. Central Assistance at the rate of Rs. 1.5 Lakh per EWS house would be available for all EWS houses in such projects. Concessions such as exemption from stamp duty, state subsidies are provided and the land is made available to private developers by the state at an affordable cost. But the state would determine the sale price of EWS house by imposing a ceiling price. At least 31% of the houses in the project are for EWS category and a single project has at least 250 houses.¹⁴

4. **Beneficiary-led individual house construction or enhancement:** This gives assistance to individual eligible families of EWS category to either construct new houses or enhance existing houses on their own. The beneficiaries can avail central assistance of Rs. 1.5 lakhs.

5. **Infrastructure Tag:** With the clearance of this tag, real-estate builders can now take loans from the market at a lower rate, bringing down the overall cost of construction, along with getting the tax concessions and increased the flow of foreign and private capital into their projects. This leads to easy and dedicated access to institutional financing, and a higher limit on the external commercial borrowings, foreign venture capital investors (FVCI) and foreign portfolio investors (FPIs). With such a cost deduction, the property will become affordable.

¹⁴ Affordable Housing in Partnership (<https://pmay-urban.gov.in/ahp>) (<http://mohua.gov.in/upload/uploadfiles/files/11.pdf>)



6. Defining Carpet Area: The Government had replaced Build-Up Area with Carpet Area so that the beneficiary will get more benefit at affordable price by paying only for the area which he can actually utilise, by taking into account only the carpet area and not the area of the wall. The government also increased the carpet area to 30 sq.mt. for urban and 60 sq.mt. for rural areas, which is approx. 30% increase from previously mentioned sizes.

Snugs of Affordable Housing in India

- Shortage of Land - India, with 2.4% of the world's surface area, accounts for 17.5% of its population. Deficiency in city layout planning, unoccupied units, unequal distribution of public land, the shortage of land availability for construction of affordable houses for poor arise.

The land is the most critical cost in housing projects. Building affordable housing entails land cost should be such that the benefit can be passed on to the end-user.

- Low repayment capacity and Low profit-margin is a financial backdrop for private developers which restrains them from actively involving in schemes of affordable housing.

- High Construction Cost - Due to multiple factors like high-interest rates, lack of subsidised land, recession, the construction cost goes up, making housing unaffordable.

- Tedious Land Approval Process – Due to red-tapism and inclusion of various government departments, the approval process becomes lengthier and requires a lot of efforts, as a result, involvement of private developers are less in government ridden schemes.

- Lack of Knowledge & Clarity - One of the observations in Slum Re-Development projects was the lack of community engagement and participation which severely hindered the planning, implementation and overall success of these projects. Many destitute are also unaware of such schemes/policies due to lack of government advertisement.

- Less Use of Technology – Building 50 million houses all across India is not an ordinary task, hence to accomplish it India needs to adopt advanced technology for the construction, approvals, management, which will help in time efficiency and producing a better quality product.

- Unacknowledged Property Records – To avail any scheme/subsidy for construction or enhancement the title documents of property are required. But, most slum-dwellers are unlikely to have such collateral documents along with income validation certificate. Governmental management for document keeping is also poor. As a result, the beneficiary remains deprived of opportunity.

- Regulatory constraint – In India, the process of development on land is time-taking, because it is channelled through various levels in Centre, State and ULBs. Acquiring such approvals generally consumes a year, which results in increased cost and risk of deferment of project.



Criticism of Scheme of Affordable Housing¹⁵
These scheme(s) ignores some particular character such as –

Interest subsidies on housing loans require reliable formal income documentation and financial assistance for beneficiary led construction to require certain land and property documentation, both of which are very difficult to avail in the context of informal urban India.

Financial assistance is available only in areas notified as ‘urban’ while most of the houses of the Economically Weaker Sections (EWS) and Low Income Groups (LIG) are constructed in the peripheries of cities, which are not notified.

It is difficult for developers of affordable housing projects to strike a balance between costs (including lengthy approval processes) and profits, with such projects ending up in the isolated peripheries of cities which lack connectivity and trunk infrastructure, away from employment opportunities.

Housing schemes in India have focused on time-bound targets to construct a fixed number of units as if to suggest that doing so will solve the urban housing shortage. India requires a housing policy that synchronises and evolves with its urbanisation agenda. In such a policy, the government is envisioned as a facilitator and not a direct producer of affordable housing stock. Accordingly, the government must enable innovation, scaling up of viable solutions and correction of markets.

A housing policy must provide for low-cost rental accommodation for seasonal migrants

who, in the absence of such accommodation, are forced to live in dehumanised conditions such as slums, open spaces or in shared rental homes and, quite often, in their workplaces. The PMAY scheme has failed to provide such accommodation

Suggestions & Conclusion

The Government of India has well initiated the mission of affordable housing for the development of India. Implementing such nation-wide plans requires lots of effort, cost, paperwork, enormous planning and comes with several challenges. The government had formulated various components, schemes but had failed to address some serious issues such as -

- Reduce land cost through ULB / State Govt. facilitation for land acquisition/allotment/re-adjustment.
- Simplification of land-related laws.
- Land Pooling
- Availability of subsidised land to treat as a resource.
- Single Window Clearance.
- Cost-Effective, innovative building material and technology for AH required.
- Release state-owned and government entities own large chunks of unused land.
- The need for city planning is required and should be done through ULBs.

The improvement of the above points will make this mission successful and a global model. Ultimately, what matters is neither failure nor success, but the welfare and work have done for society.

¹⁵ “Articulating an Affordable Housing Policy for Urban India”. Renita D’Souza [online] Available from: www.orfonline.org