

## **Act of State and Market in Housing Delivery for Different Group of Urban Population in India**

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### **ABSTRACT**

*Even though the importance of housing, it has generally been given a very low priority in India's public policy and investment programs, which has changed all the time since independence in 1947. While the government has started on a different innovative housing programs and policies, especially for low income group (LIG) and medium income group (MIG) in urban areas, the study of these programs and schemes is compared to the overall housing needs of the urban population. And also concerted on aim of the public and private sectors has not been able to achieve the growing demand for urban housing, especially for which the market accessible to the urban poor. In evidence of state and market failure are the many unauthorized housing settlements scattered in and around major cities in India. This paper examines the role of the state, the market and non-governmental organizations (NGOs) in providing housing to low-income groups and middle income group. New policies for housing the middle income groups (such as "Pradhan Mantri Awas Yojna") are unlikely to affect MIG housing, even though the subsidies offered, the market price of housing stock continues to be beyond the reach of the MIG. There is evidence that formal public and private sector housing agencies do not build quickly enough to meet demand or build cheaply to reach the poor. As a result, an informal sector has come out in almost every city in India.*

**KEYWORDS:** Affordable housing, Low income group, Medium income group, Public and private sectors, Urban poor, Informal settlements

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Date of Submission: 23-02-2021

Date of acceptance: 07-03-2021

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### **I. INTRODUCTION**

India is experiencing a high rate of population growth, it now has the second largest population in the world: 1009 million according to census 2001 (United Nations, 2001), which constitutes nearly 16% of the world's population. And 1210.2 million according to 2011. Rapid increasing in the population has one result, that related with the urbanization process and changing socio-economic patterns, is severe shortage of housing and related infrastructure, especially for the poor and low income households. The shortage of housing in urban areas has increased from 10.4 million in 1991 to 15.5 million in 2001 (Government of India, 1992). The evidences of the housing shortage are the various unauthorized settlements scattered in and around the city. The population of such settlements has been increasing at an alarming rate, particularly in large cities, where such developments contain 18-50% of the housing stock. A relative percentage of the slum population in the four mega cities of the country is 40%, 52%, 33% and 18% respectively for Kolkata (Calcutta), Mumbai, Delhi and Chennai (NIUA, 1993). The phenomenal growth and development of these informal settlements can be considered as evidence of the failure of the state and the market to provide housing at affordable prices to the poor.

The private sector was the main player in the housing sector. The government of India had no comprehensive and integrated housing policy up to 1988. It merely launched disjointed programs and schemes to provide housing for low-income groups. The post 1990s period is marked by a housing revolution, owing to the liberal approach of Indian governments towards the economy and the housing demands of the expanding middle income group (MIG). Also the increasing in the population because of that rise in the urban immigration, disintegration of the joint family structure, congested living conditions and higher expectation of the new middle class. That is why the incapacity of the government to provide adequate living spaces for the increased urban population has led to the breakdown of infrastructure and crowding within cities.

The urban housing shortage is around 20 million dwellings (Government of India, 2012) and it mainly affects the lower income group (LIG) and economically weaker section (EWS) of the growing urban population. According to Census 2011, the total number of houses in the urban areas was around 112 million, of which

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around 12 million were unused. The total residential housing stock was around 79 million (including purely residential and residential-cum-commercial: Census 2011).

From 2001 to 2011, the number of homes to be built by around 81 million, even though this could not decrease the demand of housing. It has been observed that private builders are more inclined towards serving the market-based demands for housing, mainly catering to the UMIG and HIG demands than the needs of the LIG and EWS. Therefore, housing in urban areas remains a major challenge for the government, and also for consumers.

This paper reviews the role and contributions of the various actors in the public and private sector in the provision of housing for the urban poor. The paper concludes by drawing some lessons from the Indian experience of housing the urban poor and suggesting some feasible and viable policy options.

## **II. ROLE OF PUBLIC SECTOR**

During the First Five Year Plan (1951–56) government-directed various programs such as the subsidized Housing Scheme for Industrial Workers (1952), Housing for Low Income Group (1954), and Housing Scheme for Plantation Workers (1956). The result of this indicated that the poor benefited the least from this policy.

During the Second Five Year Plan (1956–61), the government began to pursue the policy of slum clearance and rehabilitation of housing. The slum clearance scheme was self-defeating in the sense that it did not take into consideration the situation of acute shortage of housing stock. On the contrary, it sought to demolish existing stock.

**Table 1,**

National Housing Policy, 1988	• To promote the interest of higher and middle income groups.
Draft National Housing Policy, 1990	• To link shelter provision with economic improvement of the poor.
National Housing Policy, 1994	• To provide affordable housing for all and strengthen the enabling strategies

Source: National Housing Policy 1988, 1990, 1994

### **2.1 ROLE OF STATE AND MARKET IN HOUSING DELIVERY IN INDIA**

The government's approach to housing has changed significantly over the period. Until the Fifth Five-Year Plan, the approach was mainly to provide subsidized housing to some of the weaker sections of society. Since the Sixth Five-Year Plan, housing subsidies have undergone changes. During the same period, non-governmental organizations (NGOs) have had a role to play in community development programs. Housing in weaker sections provided by the public sector was heavily subsidized, depending on repayment capacity. The same approach continued throughout the Seventh Five Year Plan. In 1988, the government issued the National Housing Policy, reiterating greater financial responsibility on the part of individual households. The Eighth (1992-1997) and the Ninth Five-Year Plan (1997-2002) placed more emphasis on policies that would allow the market to produce housing by acting as a facilitator rather than getting directly involved in housing construction.

The plan placed a strong emphasis on providing a policy framework comprising legislative, fiscal and financial systems that would link the enabling role of government in promoting the housing provision system in urban and rural areas. These activities were the pillars of the eighth and ninth five-year plans.

## **III. NATIONAL HOUSING POLICY**

The National Urban Housing & Habitat Policy 2007 seeks to promote various types of public-private partnerships for realizing the goal of "Affordable Housing for All" with special emphasis on the urban poor.

The Policy intends to promote sustainable development of habitat in the country with a view to ensuring equitable supply of land, shelter and services at affordable prices to all sections of society. Given the magnitude of the housing shortage and budgetary constraints of both the Central and State Governments, the National Urban Housing and Habitat Policy, 2007 focuses the spotlight on multiple stake-holders namely, the Private Sector, the Cooperative Sector, the Industrial Sector for labour housing and the Services/ Institutional Sector for employee housing. In this manner, the Policy will seek to promote various types of public-private partnerships for realizing the goal of "Affordable Housing for All".

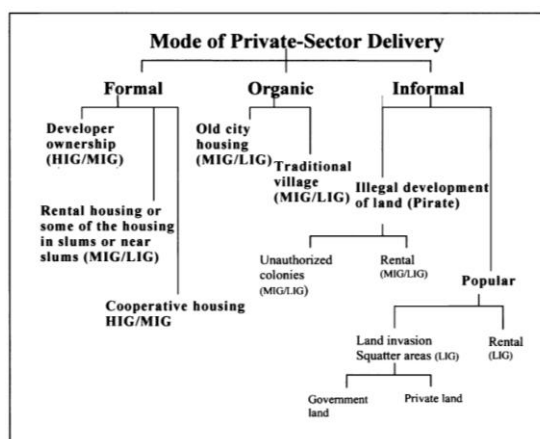
The formulation of the National Housing Policy is an ongoing process which started in 1986. Last time policy was revised in 1998. Since then there have been major changes in Habitat and Human Settlement issues. Particularly, the urban housing sector has been facing emerging challenges with regard to availability of affordable shelter, growth of slums, and gaps in provision of basic services to the urban poor.

**Table 2.** State policies for provision of housing for low-income group – the Indian perspective

Name of scheme	Aim	Funding Agency	Major actors of development
Social housing schemes cross-subsidizing scheme	Housing the weaker sections, cross-subsidization from MIG and HIG to LIG and EWS Composite housing schemes for the poor	Central government, LIC of India	Central and state governments, LIC, state housing boards and development authorities
Slum clearance and relocation	The aim of the scheme was to get the existing slum cleared off and resettle the inhabitants at an alternative site.	Central government, state government	Central government, state governments
Sites and services schemes	Provision of developed site rather than complete housing	Central government, World Bank, the people	Central government, state governments, local communities
Environmental improvement of slums	Improvement of slum environment Improvement in the quality of life of slum-dwellers with minimum financial input	Central government, state governments	Central government, state governments, local communities
Urban community development projects	Serviced sites Community participation	HUDCO, commercial banks	Local communities

Source: Ansari (1995); Sivam (1999,1995); various documents and reports.

#### IV. ROLE OF PRIVATE SECTOR



The total public-sector contribution to the housing stock is no more than 16% for the country as a whole, while the majority of the housing stock (84%) is provided through the efforts of the formal and informal private sector. The formal sector includes direct budgetary allocations and also net financial assistance through financial agencies like the Housing Development and Finance Corporation (HDFC), the Life Insurance Corporation (LIC), the Unit Trust of India (UTI), commercial banks, provident funds, etc. The informal sector includes households themselves as well as public- and private-sector employers who extend housing loans to their employees (Government of India, 1992). Another form of informal development is “farmers’ land subdivisions”, where land in urban development zones is owned and cultivated by farmers. The farmers themselves subdivide the land without the intervention of middlemen.

A substantial proportion of the urban population in India is housed in the informal housing, ranging from 33% in Delhi to over 52% in Mumbai. The share of the formal private sector in this investment is only about 12%. Indeed, housing provided by the formal private sector is beyond the reach of the poor. Most of the housing for the poor is provided by the informal private sector.

However, for the poor, most of the housing is provided by the illegal informal private sector. The illegal informal sector manages to bring the cost of housing within the affordable limits of the poor, as land is either acquired free of cost or at low cost because of undesirable site conditions.

**Table 3.** Public and Private Investment in Housing

Plan	Investment in housing (million rupees)		
	Public	private	Total
First Five Year Plan (1951-56)	2500 (22%)	9000 (78%)	11500 (100%)
Second Five Year Plan (1956-61)	3000 (23%)	10000 (77%)	13000 (100%)
Third Five Year Plan(1961-66)	4250 (27%)	11250 (73%)	15500 (100%)
Fourth Five Year Plan (1969-74)	6250 (22%)	21750 (78%)	28000 (100%)

Fifth Five Year Plan (1974-79)	7960 (18%)	36400 (82%)	44360 (100%)
Sixth Five Year Plan (1980-85)	14910 (08%)	180000 (92%)	194910 (100%)
Seventh Five Year Plan (1985-90)	24580 (08%)	290000 (92%)	314580 (100%)

Source: <http://planningcommission.nic.in/fiveyr/8th/vol2/8v2ch14.htm>

**Table 4, Population density of the four main census tracts in Delhi, 1981-1991**

Union territory census tract	Population density 1981 (persons per square kilometer)	Population density 1991 (persons per square kilometer)
Delhi Cantonment	1,982	2,195
New Delhi Municipal Corporation (NDMC) Urban	6,388	6,882
Municipal Corporation of Delhi (MCD) Urban	13,547	16,643
Municipal Corporation of Delhi (MCD) Rural	476	1,183
Delhi Union Territory Total	4,194	6,319

Source: Directorate of Census of India 1991.

#### 4.1 ROLE OF HOUSING COOPERATIVES

- There are three types of cooperative societies in India:
  1. Building Cooperative Societies (BCS),
  2. Housing Finance Cooperative Societies, and
  3. Tenure Cooperative Housing Societies.
- In New Delhi, they are known as Cooperative Group Housing Societies; they undertake the planning, construction, and management of housing.
- In Mumbai, there are Tenant Ownership Housing Societies (where land is held by the cooperative and members lease the unit from the cooperative).
- In Chennai, housing cooperatives are mainly housing finance cooperatives that serve middle- and, to some extent, low-income households.

#### 4.2 ROLE OF NGOs

In the 1990s, the central government indicated a strong interest in involving NGOs and CBOs (Community –based organization) in the delivery of housing and housing-related services to low-income communities. The government's interest is indicated in the National Housing Policy, which require specific roles for NPOs (Government of India, 1995).

There are three type of Non-Profit Organizations (NPOs) involved in low-income housing in urban areas:

- Non-Governmental Organizations (NGOs),
- secular Welfare Churches' Organizations (WCOs),
- Community Based Organizations (CBOs) (Sen, 1998).

The Delhi experience shows that NGOs had been involved in housing since the 1970s, when a large number of squatters were relocated to the outskirts of the city. In Delhi, the involvement of NGOs is very limited. Also the Mumbai experience demonstrates that many NGOs got involved in housing from the early to mid-1980s because of the Mumbai Slum and Pavement Dwellers Case. In India, the role of the NGOs in the housing sector is very limited. It may still be too early to comment on the role of NGOs in developing housing for the urban poor.

### V. ROLE OF PUBLIC AND PRIVATE FINANCIAL INSTITUTIONS

From the 1950s onward, the Indian financial market was regulated by government bodies, the Government of India did not consider housing as a priority sector; housing was seen as a social welfare sector rather than an economic sector.

- In the Seventh Five Year Plan, it was proposed that HUDCO should largely concentrate on EWS and LIG housing and not on MIG and HIG housing.
- In 1977, the Housing Development and Finance Corporation (HDFC) entered the Indian finance market. Its housing program caters mainly to middle- and high-income groups.
- The guidelines for lending were liberalized by the commercial banks in 1988 and the amounts of admissible loans were enhanced. The beneficiaries' margin was reduced and the interest rate was pushed down for small loans while the period of repayment was increased from 10 years to 15 years.
- In 1988 Government of India set up the National Housing Bank (NHB) to mobilize resources for the housing sector, particularly to help the low- income groups and promote housing finance institutions at the regional and local level.

## **VI. DISCUSSION**

Governments have failed to meet their primary responsibility to provide housing for the urban poor. The result of this failure can now be seen in most cities: the practice of unauthorized occupation of land for shelter. The government liberalized and improved the housing finance sector during the period, but the beneficiaries are mainly the middle and upper income groups. The poor continue to face issues of accessibility and affordability of formal housing finance. Public agencies are now starting to realize that private agencies should be encouraged to complement their efforts.

There is no easy solution to the housing problem in India. Poor housing is merely one manifestation of general poverty. However, it is evident from the review that there is a very definite move towards a support policy framework. At the same time, it is clear that an exclusively top-down approach is untenable, especially as the local housing context is extremely important.

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