

## **An Overview of Affordable Housing in India**

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**Abstract** - India is a developing Country as well as the 2<sup>nd</sup> most populated country in the world with more than 130 crore people. As developing, most of the population comes under low-middle income groups. India accounted for the world's largest number of poor people in 2012 using revised methodology to live poverty, reflecting its massive population. However, in terms of percentage, it scored somewhat less than other countries holding large poor populations.

The Government of India had estimated a shortage of quite 18.78 million homes at the start of 2012, of which 95% were within the EWS (Economically Weaker Sections) and LIG (Low Income Group) segments. Indian government have started affordable housing scheme as a pilot program collaborating with public & private partnership in states of Maharashtra, Rajasthan, Kerala, Andhra Pradesh & Telangana. Construction of low-cost housing by using the low-cost building materials increases the access to buildings by low-income group people. Low-cost housing is often achieved by the use of efficient planning and project management, locally available materials, economical construction technologies and use of alternate construction methods available. This research paper aims at taking an overview of the total aspects and conditions of the affordable housing in India. The profit gained from the use of such methods can decrease the cost of construction and make the low-cost housing accessible to all. The utilization of local materials reduces cost of transportation whose contribution to the artifact cost is high for long distance. A use of locally available building materials not only reduces the development cost, but is also suitable for the local environmental.

**Key Words** – EWS (Economically Weaker Sections), LIG, Low-cost Housing, Pradhan Mantri Awas Yojana, Housing for All by 2022.

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### **I. INTRODUCTION**

It is vital to possess a shelter of your own. The housing market has undergone constant change over the years. And it's changed for the development. There are innumerable housing projects coming up in different countries of the world but are they catering to the requirements of the people with low income? Several residential projects are undoubtedly coming up but there are very few which would help. So, need of the hour is low-cost homes. Construction of low-cost housing by using the low-cost building materials increases the access to buildings by low-income group peoples. Low-cost housing can be achieved by use of efficient planning and project management, low-cost materials, economical construction technologies and use of alternate construction methods available. The profit gained from use of such methods can decrease the cost of construction and make the low-cost housing accessible to all or any. The utilization of low-cost alternate building materials also prevents the increase of construction cost due to use of scarce building materials which eventually increase the value of the project.

To address this concern Prime Minister Narendra Modi broadened the reforms to foster construction and residential buying under his "Housing for All" program, Launched in June 2015. It aims to create 20 million urban homes and 30 million rural houses by 2022. However, the govt knows that these efforts undertaken by it alone aren't sufficient to achieve this ambitious mission and thus, so as to realize this daunting target, the govt also seeks participation from the private sector.

### **II. OBJECTIVES OF RESEARCH PAPER -**

- 1) To study various policies made by the government regarding Affordable housing Scheme.
- 2) To overlook at the present scenario of affordable housing in India.
- 3) To study the effect of policies on affordable schemes.
- 4) To view the methods of affordable construction.

### **III. METHODOLOGY -**

Various case studies and papers as well as primary and secondary market data are the sources used to get an overview of Affordable Housing in India. News and various Government websites are firm sources for present scenario of the Scheme. The Pradhan Mantri Awas Yojana, Housing for All by 2022 – is the basis of all

the data both primary as well as secondary. Real estate industry including builders as well as buyers too are a good source of information and feedback.

#### **Present Scenario -**

Finance Minister (FM) Nirmala Sitharaman while presenting Union Budget 2021 said that 'Housing for All' and affordable housing are priority areas for the central government.

FM allocated Rs.54,581 crore to Ministry of Housing and Urban Affairs within the Budget 2021. The govt. also extended the extra tax write-off of Rs.1.5 lakh home loan interest to March 31, 2022.

In the July 2019 Budget, the govt provided a further deduction of interest, amounting to Rs.1.5 lakh, for loan taken to get a reasonable house. FM proposed to increase the eligibility of this deduction by another year, to March 31, 2022. The extra deduction of Rs.1.5 lakh shall therefore be available for loans granted till March 31, 2022, for the acquisition of a reasonable house.

Further, to stay up the availability of affordable houses, FM proposed that affordable housing projects can avail a tax holiday for another year – till March 31, 2022. To market supply of Affordable Rental Housing for migrant workers, FM proposed to permit tax exemption for notified Affordable Rental Housing Projects.

#### **IV. OVERVIEW**

Taking into consideration the huge requirement of affordable housing in India, private interest within the space has been negligible. Private developers have largely stayed faraway from this segment due to very low margins, mainly thanks to the high land and finance costs, and taxes, which makes the project non feasible for them. To overcome this challenge, the govt. has tried to form the affordable housing segment more rewarding for private party participation by introducing a slew of measures within the union budget.

The Budget has provided for 100% deduction for profits from the affordable housing projects, however the minimum alternate tax will apply. This move is predicted to get 15-20% more profit for the developer, hence providing him more margin and scope to form the project viable.

The government has also increased the utmost time to finish the project to five years. This provides more breathing margin to the builder as he's already struggling from sluggish sales and liquidity crunch. Also, it gives longer to the developer to catchup on delay in statutory approvals which may be a norm in most of the states in India.

The government has granted the much desired 'infrastructure tag' to the affordable housing segment, which means the sector can now enjoy lower borrowing rates, easy and dedicated access to institutional financing, and better limit on the external commercial borrowings. This suggests that the borrowing costs for the project construction can go down drastically to 10% p.a. from the present rates ranging anywhere from 12%-16% p.a. or maybe higher just in case of borrowings from NBFCs. This may significantly reduce the burden on the debt laden sector which is struggling to boost fresh funds for brand spanking new projects. The lower borrowing costs will cause savings for the developer which can be indirectly passed on to the customer making the property cheaper for him.

The revised Credit Linked Subsidy Scheme (CLSS) provides an interest subsidy of roughly Rs.2.67 Lakhs for first time home buyers. Under this scheme, Interest subsidy of 4% are provided on loans upto Rs. 9 Lakhs for construction/acquisition of house with carpet area of up to 90 sq.m. for those with income of up to Rs. 12 lakh per annum, and Interest subsidy of three are going to be provided on loans upto Rs.12 Lakhs for construction/acquisition of house of up to 110 sq.m. for those earning between Rs. 12 lakh and Rs. 18.00 lakh per annum. Although this scheme isn't restricted to the affordable housing segment and may be availed under other projects also, but it's expected to offer a serious boost in demand for affordable housing units to the customers because it significantly reduces the value of borrowing for the buyer making it cheaper for him to have a house.

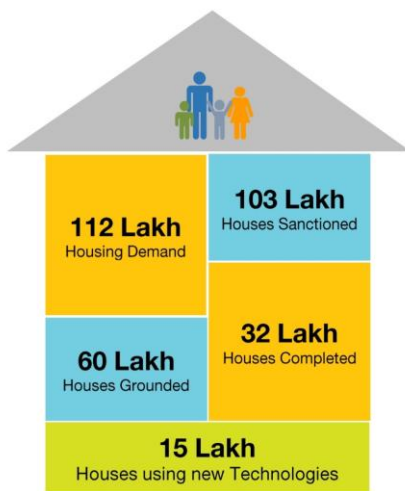


Fig. 1 PMAY Progress

## Journey so far...

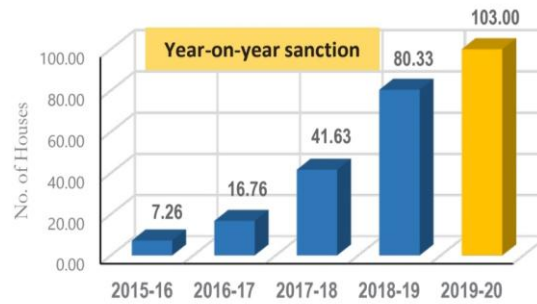


Fig. 2 PMAY Journey

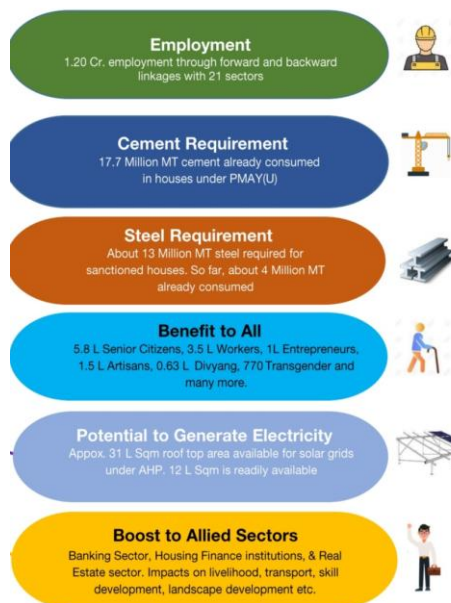


Fig. 3 Impact on other Sectors.

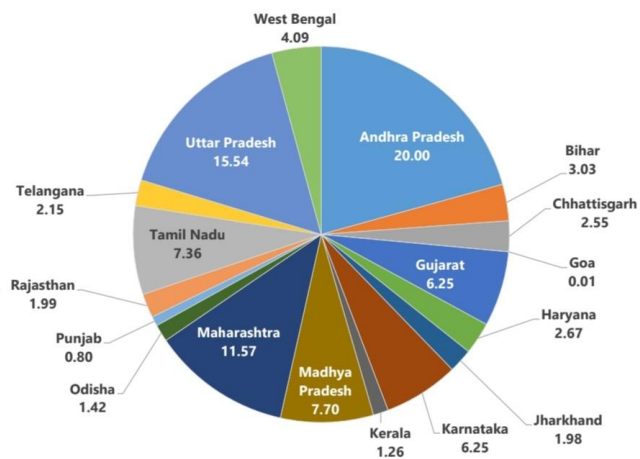


Fig. 4 Sanctions in States.

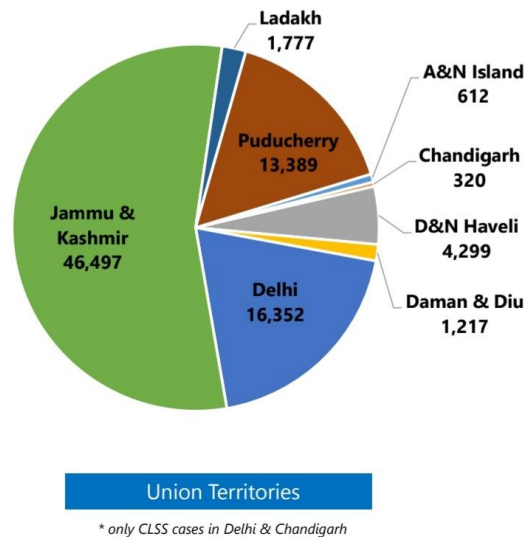


Fig. 5 Sanctions in Union Territories.

## V. CONCLUSION

The Sanction graphs show a good increase in developers as well as buyers. The market is getting used to the affordable houses and the builders are gaining a good profit. The amendments in government policies are making a positive impact on the builders as well as buyers.

The policies like Subsidized loans, tax exemptions, service tax exemptions and possible stamp duty exemption are a blessing for builder as well as buyer.

If the state governments successfully implement the measures suggested by central government for the affordable housing projects like, providing single-window clearance, preapproved building permission and layout approval system, additional FAR, and better density, it'll give the developers a desired margin and can help them in completing the projects in time without the unnecessary delays caused thanks to multiple approvals.

Many State government Departments like MHADA, Maha Housing, etc. Are functioning effectively in order to make affordable housing easy and profitable.

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