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URBAN HOUSING TO STIMULATE INDIAN ECONOMY

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As the social agenda, the economics of [urban housing](#) is equally important and mutually reinforcing. Urban housing due to value addition and monetisation of land has immense potential to absorb investments and perform decisive role to stimulate Indian economy, which is striving to move towards a six trillion dollar GDP and the largest size of middle income group in the world during next ten years.

Despite a temporary slowdown in the economic growth, latest trends (as observed in August 2017) suggest early signs of economic revival. [Demonetisation](#) and [GST](#) (Goods and Service Tax)

have provided additional liquidity and scope for cash flow-based lending to 8.9 million firms in the formal market. Further, biometric identity under Aadhaar and mobile connectivity along with Jandhan accounts have increased number of potential borrowers of housing finance in the economy.

Yet, the economy is stressed to have employment elasticity of income and productivity and housing can facilitate jobs and income to a cross section of low income households.

Overall employment generation on investment in housing (as part of construction sector) is eight times the direct employment (IIM, Ahmedabad, 2000). It is also noted that residential (housing) sector has 6.8 per cent share in the total employment (NCAER, 2014). The income multiplier from housing is five. Further, housing sector caters to the needs of the poor providing 99 per cent jobs in the informal sector. At the same time as per the RBI data, the growing middle class also plays a positive role and seeks 94 per cent of housing loans along with their household savings. Further, investment in housing also provides indirect taxes to the tune of 12 per cent.

This year has special significance for urban housing initiatives in India. The Real Estate (Regulation and Development) Act 2016 is being implemented by States; urban housing policy of the Government of India is undergoing periodic revision; the Pradhan Mantri Awas Yojana (PMAY) of the NDA Government is undergoing periodic feedback; stakes in housing as accelerator of economy are high; and the United Nations has declared affordable housing and housing policies as the theme of Habitat Day celebrated on first Monday of October for further deliberations on global urban agenda.

The urban housing backlog in India being 188 million dwelling units in the year 2012 indicates its undeviating association with low and middle income segment of households who belong to 99 per cent of Indian economy with access to only 42 per cent of wealth whereas top one per cent occupy 58 per cent of wealth generated during 200-2016 (Oxfam study, 2016). Besides three per cent homeless households, 80 per cent backlog belongs to households living under congestion factor (two or more married couples in a single room) and 17 per cent for those living in obsolescent houses or kutchha houses.

Further, the official backlog does not represent the urban areas in totality. It is confined to statutory towns only leaving behind nearly 20 per cent of urban population living in census towns. Further, a large part of adjoining areas also have urban characteristics. Successive housing policies recognised the economics of housing right from 1988 to 1994 and put emphasis on increased supply at a massive scale and a transformation from hire purchase (public agency construction) to direct lending after creation of National Housing Bank in 1986.

The current policy namely National Urban Housing and Habitat Policy (NUHHP) 2007 for the first time gave exclusive focus on urban sector and affordable housing. Yet the housing supply failed to effectively address the realistic demand leading to a massive backlog and high incidence of vacant houses being 12 million houses in 2012.

The PMAY has tried to minimise the weakness of earlier initiatives to divert the supply to a range of target group as part of four verticals covering credit-linked subsidy. Unlike the past, the PMAY has given flexibility to States to choose respective vertical along with project development and approval process and technology improvement and adaptation as per local context. Yet, the PMAY needs to be strengthened to include

a larger context and options to a cross section of

urban households.

Housing agenda to stimulate Indian economy has to, therefore, cover corrective measures to remove impediments in the supply of affordable housing. The NUHHP should duly recognise the magnitude and spread of the demand for urban housing. Midterm economic survey released in August 2017 confirm under-estimation in the level of urbanisation in India being 31.16 per cent in 2011.

It is noted that urban population has crossed fifty per cent mark by comparable and reliable standards. We should revisit the classification method to give due regard to density and economic activity to bring all eligible settlements, including census towns within the ambit of policy.

We have so far tried to adopt whole city approach particularly since follow-up to Rajiv Avas Yojana, which could not cover the entire city due to land tenure and regulatory issues. Urban housing backlog should be examined in a larger urban context covering administrative city (for example New Delhi Municipal Council), physical city (NCTD, NOIDA, Faridabad and Gurugram, etc) and city region (beyond physical city).

As accepted elsewhere, urban housing includes “Habitat” in relatively wider context distributive and jurisdictional aspects of services and infrastructure, including illegal and unauthorised development.

A well-planned renewal mechanism using secure tenure, revenue model, transit- oriented development and FSI concessions should be part of local plan for housing. Rental housing is yet another area to accommodate demand and increase supply particularly in relation to the proximity to work place. In this regard, supply of employee housing along with concessions and incentives needs specific attention. The respective Rent Control Acts also need modification to safeguard tenants and landlords.

Finally, as part of federal structure the provincial Governments hold the key to assess sector, identify stakeholders and bring their own urban housing policy in line with the NUHHP to accommodate local concerns and context to promote local economy and achieve balanced economic development.

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