Issues with Affordable Urban Housing in India

An analysis

On 17th June, 2015, the Union Cabinet chaired by the Prime Minister gave its approval to the Housing for All by 2022 Mission - National Mission for Urban Housing to address the issue of affordable housing in urban areas. Current estimates indicate the need to develop 4.8 crore housing units in urban India by 2022, which would require an investment of up to USD 1.8 trillion. Since Housing and Land are state subjects, it is imperative that both the Central Government and the State Governments work together to develop a comprehensive policy framework to meet the requirements in a planned and time-bound manner. It is in this context that this brief seeks to provide an insight into the housing shortage existing in urban areas, an overview of the new mission and also highlights a successful programme from Singapore.

Urbanizing India and the issue of ‘shelter poverty’

India has been experiencing urbanization at an extremely rapid rate in the past two decades and currently has 53 million-plus cities. Our urban population is expected to reach a figure close to 600 million by 2031. This is not simply a demographic shift, but places cities and towns at the centre of India’s development trajectory. In the coming decades, the urban sector will play a critical role in the structural transformation of the Indian economy and in sustaining the high rates of economic growth. Ensuring high quality public services for all in the cities and towns of India is an end in itself, but it will also facilitate the full realization of India’s economic potential. While the increasing urbanization presents a lot of opportunities, it also poses a set of unique challenges, which need to be addressed in a planned and time-bound manner. One such challenge is the urban housing shortage prevalent across the 4,041 statutory towns in the country.

The Ischer Ahluwalia Committee Report on Indian Urban Infrastructure and Services highlighted the existence of ‘shelter poverty’ due to housing shortage in urban areas, which manifests itself in the form of mushrooming of slums and pavement dwellers. The issue is more acute in the Economically Weaker Sections (EWS) and Lower Income Groups (LIG), whereby creating a mismatch between the supply of housing units and the demand from those needing it. The Technical Group on Urban Housing Shortage 2012-17 estimated the total housing shortage at 18.78 million in 2012, and EWS and LIG categories account for 96% of this shortage. Moreover, Census figures showed that 13.7 million or 17.4% of urban Indian households lived in a slum in 2011.

98.32 million housing units occupied; 78.48 million housing units used for residential purpose.

Total of 11.82 million housing units either lying vacant or remain locked; Rapidly growing stock of vacant houses a big concern

Housing stock has grown 51% between 2001 and 2011 whereas number of HHs has grown by 46.88% in the same period

Reasons for Shortage

Congested Houses: 14.99 mn (80%)
Obsolescent Houses: 2.27 mn (12%)
Katcha Houses: 0.99 mn (5%)
Homeless Condition: 0.53 mn (3%)

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1 Decoding Housing for All by 2022 – a KPMG Report
2 EWS Households are defined as those with income of up to INR 5,000 per month, whereas LIG Households are defined as those with income between INR 5,001-10,000 per month
3 Census defines a slum as “residential areas where dwellings are unfit for human habitation” because they are dilapidated, cramped, poorly ventilated, unclean, or “any combination of these factors which are detrimental to the safety and health”
Public Housing in Singapore – a successful model

Today, more than 80% of Singapore’s population is living in public flats, with 93% of them owning their flats. Because of this, the public housing model of Singapore is considered as one of the most successful examples of affordable housing models in the world. The Housing and Development Board (HDB) is Singapore’s public housing authority and a statutory board under the Ministry of National Development. As Singapore’s sole housing agency, the HDB is unique in its organizational structure, function, and approach to housing. It operates like a single, comprehensive source for housing development and coordinates planning, land acquisition, construction, financing, and policy for housing in Singapore. By centralizing its public housing effort, Singapore has avoided the problems of government silos and fragmentation of duties that are associated with multi-agency implementation.

The unique aspect of Singapore’s housing model is that emphasis is on ownership rather than rental. Affordability is ensured through a set of modalities, including the provision of different unit sizes, progressive mortgage payments (based on income levels), low interest rates and government subsidies. For example, government subsidizes low-income groups and first time buyers for buying houses. Till date, HDB has developed more than 900,000 flats in Singapore, which have been given to Singaporeans.