

## **A Study on Government Intervention in Urban Housing Development in India**

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### **Abstract**

*Housing shortage is a global issue and is more severe in developing countries. In India, the urban housing shortage is estimated to be 18.78 million households in 2012. The housing needs of the urban poor have not been properly addressed in spite of the activities of government in housing delivery and private sector participation as well. This paper reviews the intervention of government in housing in India and critically examines the effect on the general populace, especially the urban poor.*

**Keywords: Government Intervention, Urban Housing, India**

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### **I. Introduction**

Housing is one of the basic necessities of life next to food and clothing. Once this is fulfilled, the physical and mental abilities will develop and man/woman becomes resourceful; who can contribute significantly for the economic development of a family, society and country at large. Thus housing is both an important asset to households and an important contributor to the economic growth of the country.

Housing shortage is a global issue and is more severe in developing countries. The proclamation of the 'International Year of shelter for the Homeless' in the year 1987 by General Assembly of United nation has compelled most of the developing countries to consider housing as an important sector with potential to improve the overall welfare of the nation.

Urban population of India is at 377 million or 31.16 percent of the total population (Census 2011). The resultant problem includes acute shortage of housing stock in qualitative and quantitative terms, overcrowding in households, poor sanitary conditions, degradation of the urban environment etc.

The problems of urban housing have different dimensions in India. It is influenced by several factors such as urban population growth (largely due to rural-urban migration) and the resulting pressure on the land availability. About 40 per cent of urban growth in India is due to the migration from the rural areas. This has resulted in the increase in the urban land values, inappropriate house building materials and increase in the cost of building materials. Other factors which constrained urban housing growth in India are the urban property taxes, by-laws and legislation, lack of standard specifications regarding modern house building activities, inadequate development of innovative low cost technology to build a low cost house, lack of a proper development and operation of housing financial market in the country.

In India, the urban housing shortage is estimated to be 18.78 million households in 2012 (Technical Group on Urban Housing Shortage, MHUPA). The housing needs of the urban poor in India have not been properly addressed in spite of the activities of government in housing delivery and private sector participation as well. The aim of this paper is to review the intervention of government in housing in India and critically examines the effect on the general populace, especially the urban poor.

### **II. Aim Of The Study**

The aim of this study is to assess various measures taken by government in addressing urban housing problems in India.

### **III. Objectives**

- To identify urban housing problems in India
- To examine the role of housing policies and programmes for solving urban housing problems in India
- To identify the limitations of the housing policies and programmes
- To make appropriate recommendations

#### **IV. Research Problem**

In many developing countries including India, due to the increasing population, low rate of addition to the housing stock, inadequate maintenance of the existing housing stock, etc. the housing problem in urban areas has been aggravating.

According to a report submitted by a technical group to the Ministry of Housing and Urban Poverty Alleviation (MHUPA), India's urban housing shortage is estimated to be 18.78 million households in 2012. Besides those living in obsolescent houses (2.27 million), 80 percent of these households are living in congested houses (14.99 million) and are in requirement of new houses. The report also highlights that nearly one million households are living in non-serviceable Katcha houses, while over half a million households are in homeless conditions.

Urban housing has emerged as one of the key concern for policy makers and urban planners. Growing concentration of people in urban areas has resulted in an increase in the number of people living in slums and squatter settlements. Skyrocketing prices of land and real estate in urban areas have induced the poor and the economically weaker sections of the society to occupy the marginal lands typified by poor housing stock, congestion and obsolescence. It is apparent that substantial housing shortage looms in urban India and a wide gap exists between the demand and supply of housing, both in terms of quantity and quality.

The demand for housing is increasingly being made by individuals and households given increasing level of income and prosperity. The supply of houses have to come from builders, developers and construction companies scattered widely across the country, both in the private and public sector when examined in the context of demand and supply of housing units, especially in the face of scarce land in the urban areas. At the same time the major part of urban population that includes poor and the economically weaker sections are not able to afford houses on their own or through any other means.

Government of India has come up with many policies and programmes time to time. But the incidence of urban housing shortage emphasizes a need for organized efforts from the side of government.

#### **GOVERNMENT INTERVENTION IN URBAN HOUSING POST INDEPENDENCE**

In the pre-Independence India there were no significant attempts made by government to address the issues of urban housing. Concrete governmental initiatives began in the early 1950s as a part of the First Five Year Plan (1951-56) with a focus on institution-building and housing for weaker sections of society. The ministry of works and housing was constituted and National Building Organisation (NBO) were set up. In the initial phase government concentrated on giving social housing schemes and other programmes like subsidised housing scheme for industrial workers (1952), housing schemes for low income group (1954) and housing scheme for plantation workers (1956).

The scope of housing program for the poor was expanded in the Second Plan (1956-61). The Industrial Housing Scheme was widened to cover all workers. Three new schemes were introduced, namely, Rural Housing, Slum Clearance and Sweepers Housing. During this plan government began to pursue the policy of slum clearance and rehabilitation.

In 1959 the Central Government announced a scheme to offer assistance in the form of loans to the State Governments for a period of 10 years for acquisition and development of land in order to make available building sites in sufficient numbers. The general directions for housing programs, in the Third Plan (1961-66), were co-ordination of efforts of all agencies and orienting the programs to the needs of the Low Income Groups.

The Fourth Plan (1969-74) took a pragmatic view on the need to prevent the growth of population in large cities and decongestion and dispersal of population through the creation of smaller townships. The Housing & Urban Development Corporation (HUDCO) was established to fund housing and urban development programs.

The Fifth Plan (1974-79) reiterated the policies of the preceding plans to promote smaller towns in new urban centers, in order to ease the increasing pressure on urbanisation. The Urban Land (Ceiling & Regulation) Act was enacted to prevent concentration of land holding in urban areas and to make available urban land for construction of houses for the middle and low income groups. In 1977 India's first retail housing finance company Housing development Finance corporation was set up.

The Sixth Plan (1980-85) refocused attention on the provision of services along with shelter, particularly for the poor. During this plan efforts were made to launch schemes recognising the need for 'direct public sector assistance for housing economically weaker section (EWS) with emphasis on sites and service schemes.

The Seventh Plan (1985-90) made a marked departure in the focus given to the government-led housing development stressing on the need to place major responsibility of housing construction to the private sector. To augment the flow of institutional finance to the housing sector and promoting and regulating housing finance institutions, the National Housing Bank (NHB) was set under the aegis of the Reserve Bank of India in 1988. A new organisation called Building materials technology promotion council (BMPTC) was set up for

commercial production of building materials. Urban Poverty Alleviation Scheme known as Urban Basic Services for the Poor (UBSP) was introduced. National Housing Policy (NHP) was announced in 1988 as a follow up of Global Shelter Strategy. With change in federal government in 1989, government came up with a new housing policy in 1990.

The Eighth Plan (1992-97), encouraged the development of mortgage market and enhanced the flow of credit to housing sector through housing finance institutions. National Housing policy 1994 was aimed to provide affordable housing for all and strengthen the enabling strategies.

The major thrust of ninth five year plan (1997-2002) was state and local government were expected to act as manager of the whole housing and urban development process and establish efficient linkages between the different components of this process so as to optimise the efforts of various intermediaries, such as public agencies, corporations, cooperatives, non-governmental organisations, community groups and individuals. The ninth plan objectives include accelerated development of housing, particularly for low income groups and other disadvantaged groups. The plan also promoted accessibility and affordability of the poor to housing and basic services. The new Housing and Habitat Policy unveiled in 1998 aimed at ensuring “shelter for all” and better quality of life to all citizens by using the unused potential in public, private and household sectors.

The National Common Minimum Program (NCMP) has stated that housing for weaker sections in rural areas will be extended on a large scale. The Tenth Plan (2002- 2007), therefore, had suggested provision of free housing only to the landless SC/ST families and shift to a credit-cum subsidy scheme for the other BPL families. The repeal of the Urban Land (Ceiling and Regulation) Act, 1976 has been a significant step towards reform in the urban land market. It was with the introduction of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) during tenth plan, a first time integrated, big budget schemes for housing, infrastructure, poverty alleviation and systematic urban reform was undertaken.

In order to improve the quality of life in urban areas, the Eleventh Five Year Plan (2007-2012) has stressed the need for improved housing stock through urban renewal, in situ slum improvement, and development of new housing stock in existing cities as well as new townships. Furthermore, the Bharat Nirman Program has also recognized and accorded due priority to the need to end shelterlessness. For the Eleventh Plan, the focus is on targeting the poorest of the poor while targeting the remaining housing shortage with other interventions. National Urban and Habitat Policy, 2007 promotes foreign direct investment in intergrated townships, real estate and public- private partnerships, dwellings for economically weaker sections (EWS) and low income group (LIG) segments. The interest subsidy scheme for housing of urban poor (ISHUP) was launched in 2008 with a view to enabling access of urban poor to long term institutional finance.

Notable measures are suggested by 12<sup>th</sup> plan (2012-17) document for management of housing. According to 12<sup>th</sup> plan, affordable housing is a particularly critical concern for low-income groups. India can meet the challenge through a set of policies and incentives that will bridge the gap between price and affordability. This will enable a sustainable and economically viable affordable housing model for both government housing agencies and as well as private developers. India also needs to encourage rental housing as an option particularly for the poorest of the poor, who may not be able to afford a home even with these incentives.

#### **URBAN HOUSING SCHEMES IN INDIA**

- (1) Social housing schemes for different income groups, operated by the States and city level agencies with budgetary support and loans from HUDCO, LIC and other financing agencies were started.
- (2) Footpath Dwellers Night Shelter Scheme was introduced in 1988-89 to provide shelter, and later on also sanitation facility, to the pavement dwellers in cities
- (3) Housing and shelter up gradation scheme for the urban poor, as part of Nehru Rozgar Yojana (NRY) was introduced in 1990 in cities with population between 1 and 20 lakhs.
- (4) Various other schemes are ownership housing scheme for Central Government employees, working women scheme, subsidized housing scheme for plantation workers, industrial workers and economically weaker sections, slum clearance and improvement scheme, land acquisition and development scheme, rental housing schemes for employees of public sector undertakings, sites and services schemes operated by various State Governments.
- (5) Valmiki Ambedkar Awas Yojana (VAMBAY) was launched in December 2001. VAMBAY was a centrally sponsored scheme with an in-built subsidy for undertaking construction of dwelling units for slum dwellers. The scheme was successful in providing affordable houses to the urban poor and with the launch of Jawaharlal Nehru National Urban Renewal Mission (JNNURM), elements of this scheme were merged into JNNURM.
- (6) Jawaharlal Nehru National Urban Renewal Mission was launched in 2005 with an aim to cover construction of 1.5 million houses for urban poor during the Mission period (2005- 2012). About 1300 projects have been sanctioned covering urban India. These projects involve an outlay of more than Rs. 33,860 crore and Central Govt. subsidy of Rs. 18,500 crore.

It has two Sub-Missions :-

(a) Basic Services for the Urban Poor (BSUP) seeks to provide seven entitlements/services - security of tenure, affordable housing, water, sanitation, health, education and social security in low income segments in the 65 Mission Cities.

(b) The Integrated Housing and Slum Development Programme (IHSDP) seeks to provide the above mentioned seven entitlements, services in towns/cities other than the Mission Cities.

(7) Affordable Housing in Partnership (AHP):- This aims at operationalizing the strategy envisaged in the National Urban Housing and Habitat Policy (NUHHP) of 2007 and was launched in April 2009. It seeks to promote various kinds of public-private partnerships-government with the private sector, the cooperative sector, the financial services sector, urban local bodies, etc.-to create affordable housing stock. Under the scheme, the Government provides subsidy at the rate of Rs. 50, 000 per affordable unit or 25 per cent of the cost of infrastructure (internal and external), whichever is lower.

(8) Interest Subsidy Scheme for Housing the Urban Poor:-The Ministry of Housing and Urban Poverty Alleviation (MH&UPA), Government of India has designed an Interest Subsidy Scheme in December, 2008 as an additional instrument for addressing the housing needs of the EWS/LIG segments in urban areas. The Scheme envisages the provision of interest subsidy to EWS and LIG segments to enable them to buy or construct houses.

The Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) is being redrafted into two parts as (i) Revised ISHUP Scheme and (ii) Rajiv Rin Yojana (RRY) to be implemented in the 12th Plan period.

(9) Rajiv Awas Yojana: - In June 2009, President of India announced "Rajiv Awas Yojana" with a vision of a slum-free India. "The scheme for affordable housing through partnership and the scheme for interest subsidy for urban housing would be dovetailed into the Rajiv Awas Yojana which would extend support under JNNURM to states that are willing to assign property rights to people living in slum areas," President Pratibha Patil said while addressing Parliament. "My government's effort would be to create a slum free India in five years through Rajiv Awas Yojana," she said. The Minister for Housing and Urban Poverty Alleviation Kumari Selja has said that in fulfillment of the Government's vision of creating a Slum-free India, a new scheme 'Rajiv Awas Yojana' (RAY) has been launched on June 2, 2011

(10) The Pradhan Mantri Awas Yojana (PMAY)- Housing for all(Urban) will be implemented during 2015-2022. It will give central assistance to implementing agencies through states and UTs for providing houses to all eligible families/beneficiaries falling under EWS/LIG categories, who do not own a pucca house anywhere in India, by 2022. The mission will be implemented through four verticals that give options to the beneficiaries, urban local bodies (ULBs) and state governments as a centrally sponsored scheme (CSS). This does not, however, include the credit-linked subsidy, which will be implemented as a central sector scheme. The guidelines for these were released by Honourable Prime minister on June 25, 2015. All statutory towns would be eligible for coverage under the mission. While the centrally sponsored schemes cover cities in a phased manner, the central sector schemes cover the entire urban area, consisting of 4,041 statutory towns as per Census 2011.

11) National Urban Livelehood Mission (NULM)

To reduce poverty and vulnerability of the urban poor households by enabling them to access gainful self employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots level institutions of the poor. The mission would aim at providing shelters equipped with essential services to the urban homeless in a phased manner. In addition, the mission would also address livelihood concerns of the urban street vendors by facilitating access to suitable spaces, institutional credit, social security and skills to the urban street vendors for accessing emerging market opportunities. (Ministry of Housing and Urban Affairs, Govt. of India)

The main objective of Shelter for Urban Homeless (SUH) component of the NULM is to provide shelters equipped with basic amenities to the urban homeless. The shelters should be permanent all-weather 24x7 shelters. Depending upon local conditions, each shelter could cater to between 50 and 100 persons. The basic common facilities/ amenities such as water, sanitation, electricity, kitchen/ cooking space, common recreation space will be provided at the shelters for dignified human living. Also linkage with Anganwadi, PHC, childcare facilities and other social assistance programmes will be ensured.

(12) Credit Risk Guarantee Fund Scheme for Low Income Housing (CRGFS)

Under this scheme, the Credit Risk Guarantee Fund Trust (CRGFT) will provide credit risk guarantee to the leading institutions against their housing loans up to Rs. 5 lakhs. This will be granted to the borrowers in the EWS/LIG categories in urban areas without requiring any collateral security and/ or third party guarantee. The extend of guarantee cover to be provided under the scheme is 90 percent of the amount in default in respect of a loan above Rs. 2 lakh and up to Rs. 5 lakh.

The Credit Guarantee Fund is expected to catalyse a flow of credit about Rs. 20,000 crore to the low income sector and generate an enabling environment for the creation of affordable housing stock. The availability of

bank credit without the constraint of collaterals/ third party guarantees would be a key enabler for the urban poor to realise their objective of upgrading/buying their own house.

### **HOUSING POLICIES IN INDIA**

Until 1990s, the housing policy was largely driven by government programmes (budgets) and interventions (regulations). In 1985, the National Commission on Urbanisation called for reorganizing government policies and programmes to meet the challenges of urbanisation in the coming decade. In 1988, the Union government came out with draft 'National Housing policy', modified in 1992, explaining the approach towards the sector and the policy objectives. This document was revised later in 1998, and brought forth as National Habitat and Human Settlements Policy, 1998. However, all these policies were generic and applicable to both rural and urban areas. Taking into account emerging challenges of required shelter and growth of slums, the first ever urban areas specific National Urban Housing and Habitat Policy, 2007 was announced in December 2007.

The aim of first National Housing Policy (NHP) announced in 1988 was to eradicate houselessness and improve the housing conditions. Thereafter a revised National Housing Policy was announced in 1992 as a by-product of economic reforms process initiated in 1991. The goal of this policy was to increase the supply of land and basic minimum services with a view to promote a healthy environment. Subsequently, a National Housing and Habitat Policy (NHHP) was unveiled in 1998 with the vision of "shelter for all" and better quality of life to all citizens by using the potential of public, private and household sectors. The key objective of the policy was on creating strong Public-Private Partnership (PPP) for tackling the housing problem. Under the new policy, the Government proposed to offer fiscal concessions, carry out legal and regulatory reforms and create an enabling environment for the development of the housing sector. The policy emphasised the role of the private sector, as the other partner, to be encouraged to take up the land assembly, housing construction and investment in infrastructure facilities. Ever since the added emphasis was given to private initiative in housing development, there has been a rapid growth in private investment in housing with the emergence of real estate developers mainly in metropolitan centers and other fast growing townships.

The National Urban Housing & Habitat Policy 2007 (NUHHP-2007) has been formulated keeping in view the changing socio-economic parameters of the urban areas and growing requirement of shelter and related infrastructure. The Policy 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. Policy seeks to promote sustainable development of habitat in the country with a view to ensuring adequate supply of land, shelter and services at affordable prices to all sections of society.

### **ASSESSMENT OF GOVERNMENT INTERVENTION IN INDIA**

Despite the time to time intervention by the Indian Government in the urban housing through its policies and programmes, very little is achieved in terms of meeting the urban housing needs of the general populace. A number of reasons can be attributed to this deficit, which includes: wrong perception or lack of understanding of the housing needs of urban poor, improper planning and execution of housing policies and programmes, insensitivity of the government towards the operations of private or other agencies in housing, inadequate housing finance system catering to the needs of urban poor etc.

Urban housing needs have various dimensions: overcrowding, dilapidation of existing stock, deficiency and pavement dwelling. This is always misunderstood as increasing the supply of housing units and is one of the reasons for current deficit in meeting urban housing needs. Private and other agencies were earlier restricted to participate in housing and it is only recently that government has taken up the role of facilitator to the benefit of vulnerable society. Non existence of proper housing financial system has compelled large part of urban poor to depend on informal financial sources.

### **V. Conclusion**

The Indian government has demonstrated its concern for the state of housing in the country in various instances and has come up with policies and programmes time to time. However, government intervention in housing has not significantly improved the housing situation of the urban poor in India. This situation can be reversed through concentrated efforts from the part of government.

The quantitative housing needs of the urban poor have to be realistically estimated, and their multi-dimensional nature should be taken into consideration. This is an important component of strategies for policy formulation and decision-making. It forms a basis for setting targets for housing development programmes. The housing needs can only be met if the housing policies and programmes are set based on the real needs of the people.

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