CHAPTER I

INTRODUCTION

1.1 INTRODUCTION

Food, clothing and shelter are the three essential requirements of human beings. The housing promotes the formulation of a family, which is a very important social institution. It constitutes the most important part of physical environment that continuously influences man’s health and well being. Housing as shelter leads to better working efficiency, productivity and social development. Proper housing acts as a catalytic agent in promoting human welfare. It is rightly said, “Man builds houses but houses mould man”.

The role of housing in economic development is both an end and a means – as an end housing is an essential ingredient of one basic requirement of civilized living; as a means, it plays a tremendous role in influencing the economy of a country. The economic importance of housing may be judged from the point of view of housing as an economic activity with special reference to its contribution to national employment. As per the estimate of Prof. Nanjundappa, an investment of Rs.1 crore in housing
creates 5000 jobs. But the same amount of investment can employ only 700 people and 1270 people respectively in major and medium industries\(^1\).

To the modern man no others problem is as intriguing and mind boggling as the housing problem. Today people need a single shelter over their heads. Experience shows that a person spends a good part of his life in the house. As per the estimate of E.E.Wood, “a man working 44 hours a week, and 50 weeks a year spends substantially from a minimum of one third to a maximum of over two thirds of his time at home.”

A housing programme can be important in developing savings and also increasing unproductive capital. People will save for housing even when they might not save for anything else\(^2\).

Housing is one of the most important public utilities and social services and an indispensable necessity of life, which will have to be attended to as an integral and essential part of national planning programme. While the economic utility of a large housing programme is not

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questionable, it presents many difficulties on account of its magnitude and complexity and its demand on financial resources. Housing is an expensive affair. Housing remains a critical, personal and governmental problem in virtually every country of the world\(^3\).

Even the steps taken by the international organizations like the United Nations Organisation (UNO), the World Bank, and South Asian Association for Regional Co-operation (SARRC) are not adequate to meet the housing problem. This global housing problem is more severe in India. Though the Indus valley people occupied houses with many of the modern facilities, even 5000 years before the birth of Christ, India could not maintain the superlative standards as a result of population explosion, rural-urban migration, and financial constraints. The rural as well as urban India has been experiencing housing scarcity for the past 50 years. The planners and policy makers could not overcome the Indian housing problem fully, in spite of vigorous planning at national and regional levels. “Since any declaration of ‘right to housing’ as fundamental right has only a symbolic value, it is immaterial whether or not the union government finally comes out with such

a policy decision. Just as the ‘right to work’ has not solved the unemployment problem, surely another addition to the list of fundamental rights will not solve an equally big problems⁴.

Housing is generally considered to be a mere collection or accommodation of bricks and mud in a symmetrical form. But really housing is much more than that. Satisfactory solution of the problem of housing involves the adoption of the concept of modern housing.

The modern housing development does not constitute mere mechanical extension of streets and agglomeration of individual compartment dwellings.

The modern housing provides certain minimum amenities for very dwelling, like cross ventilation, sun light, quiet and pleasant outlook from every window, adequate privacy, space and sanitary facilities and adjacent play space for children.

1.2 HOUSING AT GLOBAL LEVEL

It is a universal experience that the whole world is confronted with the housing problem. Housing scarcity has assumed alarming proportions not only in developing countries but also in affluent and advanced countries of Europe and America. Though the nations able to fulfill and achieve self sufficiency in the production of food and clothing, none of the countries in the world has been able to solve the problem of housing. So far as housing is concerned, the whole world has remained under developed. There is probably not a single major city in the world without some form of housing problem.

Russia is one of the industrially developed and technically virtuoso countries, but it could not build a cheap house and failed to establish a good housing programme\(^5\).

Vladimir Lenin highlighted the housing problem in Russia. The working people of Russia, at the beginning of this century, had a miserable life like animals, in dugouts of town suburbs or in terrible slums\(^6\).

The richest country in the world U.S.A. has also been facing the problem of housing for a very long period. The severity of the housing problem has been reduced but the problem still remains. Neither industrial nor economic development can be a solution to the housing problem\(^7\).

In Asian cities, inadequate housing ranges from 25 to 80 percent. Inadequate housing in African cities ranges from a minimum of 33 percent to a maximum of 90 percent. It is difficult to get reliable data about the number of people in the third world countries that are ill equipped with housing facilities. In the developing countries nearly 40 percent of the houses are unauthorized and about half of them contains squatters with no claim to the land. They are in unsafe conditions without water and sanitary facilities. This housing problem prevails in the world due to faulty housing


\(^7\) K.V.Varghese, *Housing Problem in India*, Eureka Publications, New Delhi, pp.63-64.
policies. The housing problem in the third world countries including India is more acute\textsuperscript{8}.

\subsection*{1.3 HOUSING PROBLEM IN INDIA}

India is rich in heritage, culture, arts and literature; she has a very ancient civilization. Houses built and streets organized several centuries ago in Mohanjadaro and Harrappa are testimonies to Indian taste, life styles and life values. Forts, palaces and temples in India speak of the architectural calibre of ancient Indians. But the exponential growth in population over the years and the unplanned urbanization and inflation particularly in the Post-Independence period have made the situation totally different. Having reached one billion population, India now is struggling hard to face the challenges on housing. Thus housing in India is a topic that merits the attention of all.

R. Venkatraman, former President of India, said, if the population growth is a time bomb ticking every minute of the day, the housing shortage

\footnote{M.Mahadeve, Housing Situation in Maharastra, \textit{Southern Economist}, Vol.32, No.19, 1 February 1944, p.29-30.}
is nothing short of a hidden thermos-nuclear explosive device, which must be defused soon\(^9\).

1.4 HOUSING PROBLEM IN URBAN INDIA

Urban housing in India is quite a complicated issue. On the one hand there are modern houses and on the other hand there are slums and squatter settlements found co-existing. In India around 40 million people live in urban slums. Delhi, the capital city of India, has 30 per cent of its population as slum dwellers. Population explosion and over-urbanisation contribute to the intensity and complexity of the housing problem. As population grows, housing supply should also follow suit. If not, people have to go without adequate shelter. The growing number of industrial workers, slum dwellers and pavement dwellers accelerate the problem of urban housing.

National Building Organization (NBO) has estimated state wise urban housing shortage in India. It is found that the housing shortage was 8.23

Million houses in 1991 and it decreased to 6.64 million houses in 2001. Among 29 states/union territories, Andhra Pradesh has severe housing shortage, with an estimated shortage of 1.10 million houses in 1991 and 0.89 million in 2001.

At the national level Tamil Nadu has the second position in housing shortage, with a shortage of 1.03 million houses in 1991 and 0.83 million houses in 2001. Table 1.1 gives the state wise urban housing shortage in India.

**TABLE 1.1**

**SELECTED STATE WISE URBAN HOUSING SHORTAGE IN INDIA FROM 1991 TO 2001**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Andhra Pradesh</td>
<td>1.10</td>
<td>1.01</td>
<td>0.98</td>
<td>0.96</td>
<td>0.93</td>
<td>0.89</td>
</tr>
<tr>
<td>2.</td>
<td>Tamil Nadu</td>
<td>1.03</td>
<td>0.95</td>
<td>0.92</td>
<td>0.90</td>
<td>0.87</td>
<td>0.83</td>
</tr>
<tr>
<td>3.</td>
<td>Uttar Pradesh</td>
<td>0.96</td>
<td>0.88</td>
<td>0.86</td>
<td>0.84</td>
<td>0.81</td>
<td>0.77</td>
</tr>
<tr>
<td>4.</td>
<td>Maharashtra</td>
<td>0.85</td>
<td>0.78</td>
<td>0.76</td>
<td>0.74</td>
<td>0.72</td>
<td>0.69</td>
</tr>
<tr>
<td>5.</td>
<td>Delhi</td>
<td>0.36</td>
<td>0.33</td>
<td>0.32</td>
<td>0.31</td>
<td>0.30</td>
<td>0.29</td>
</tr>
<tr>
<td>6.</td>
<td>All-India</td>
<td>8.23</td>
<td>7.57</td>
<td>7.36</td>
<td>7.18</td>
<td>6.93</td>
<td>6.64</td>
</tr>
</tbody>
</table>

Source: Indian Construction Statistics
1.5 HOUSING IN FIVE YEAR PLANS

The Housing Policy was formulated for middle or low-income groups in the successive five-year Plans. In 1949, the Industrial housing scheme was formulated to issue interest-free loans to the Central Government, State Government and Private employees.

The Central Government was prepared to pay subsidy up to 20 per cent of the cost of construction including the cost of land, the balance being met by the employer. The first plan admitted these concessions but it has not produced the desired effect. Table 1.2 explains Five Year Plan allocations to Housing.
**TABLE 1.2**

INVESTMENT IN HOUSING IN DIFFERENT FIVE-YEAR PLANS

(Amount Rupees in Crores)

<table>
<thead>
<tr>
<th>Plan</th>
<th>Plan allocations to housing</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public Sector</td>
<td>Private Sector</td>
<td>Total</td>
<td>Percentage of Investment</td>
</tr>
<tr>
<td></td>
<td>(Amount Rs. in Crores)</td>
<td>(Amount Rs. in Crores)</td>
<td>(Amount Rs. in Crores)</td>
<td></td>
</tr>
<tr>
<td>First</td>
<td>250 (21.74)</td>
<td>900 (78.26)</td>
<td>1,150 (100)</td>
<td>34.00</td>
</tr>
<tr>
<td>Second</td>
<td>300 (23.08)</td>
<td>1,000 (76.92)</td>
<td>1,300 (100)</td>
<td>19.00</td>
</tr>
<tr>
<td>Third</td>
<td>425 (27.42)</td>
<td>1,125 (72.58)</td>
<td>1,550 (100)</td>
<td>15.00</td>
</tr>
<tr>
<td>Fourth</td>
<td>625 (22.32)</td>
<td>2,175 (77.68)</td>
<td>2,800 (100)</td>
<td>12.00</td>
</tr>
<tr>
<td>Fifth</td>
<td>796 (22.30)</td>
<td>3640 (77.70)</td>
<td>4436 (100)</td>
<td>9.30</td>
</tr>
<tr>
<td>Sixth</td>
<td>1,491 (7.65)</td>
<td>18,000 (92.35)</td>
<td>19,491 (100)</td>
<td>12.50</td>
</tr>
<tr>
<td>Seventh</td>
<td>2,458 (7.81)</td>
<td>29,000 (92.19)</td>
<td>31,458 (100)</td>
<td>9.00</td>
</tr>
<tr>
<td>Eighth</td>
<td>6377 (25.51)</td>
<td>18,623 (74.49)</td>
<td>25,000 (100)</td>
<td>5.75</td>
</tr>
<tr>
<td>Ninth</td>
<td>7590 (35.15)</td>
<td>14,000 (64.85)</td>
<td>21,590 (100)</td>
<td>5.80</td>
</tr>
</tbody>
</table>

Source: Ministry of urban affairs, Housing Section 1997, Ninth Five Year Plan Indian Construction Statistics.

Note: Figures in brackets indicate percentages.

Table 1.2 reveals that the actual investment in housing sector during successive plan periods, it was Rs.1150 crores in First Five Year Plan and it
was Rs.21,590 crores in Ninth Five Year Plan. The total outlay is divided into public sectors’ and private sectors’ share for provision of houses. The public sector outlay was Rs.250 crores during First Five Year Plan and it was Rs.7590 crores in the Ninth Five Year Plan. The percentage of investment in housing was 34.00 per cent during the First Five Year Plan but it has reduced to 5.80 per cent in Ninth Five Year Plan. And the private sector investment was Rs.900 crores in First Five Year Plan and it was Rs.14000 crores during Ninth Five Year Plan. But in the Seventh Five Year Plan period the private sector and in housing is comparably high than public sector investment.

Successive five-year plans have recognized that housing will have to continue to be a people’s activity and government intervention is confined to meeting the housing needs of the lower sections of the society. In the housing market the selected disadvantaged groups whose needs may not be effectively or adequately met by market driven forces will, in other cases be prime movers of housing development activities particularly in the urban areas.
1.6 HOUSING POLICY IN INDIA

National housing policy was announced by the government in different years namely 1989, 1992, 1994, and 1998.

Housing policy envisages a major shift in government’s role to act more as a facilitator than as a provider. The needs of vulnerable sections of the society will continue to be attended to by the government. Housing policy also envisages to facilitate housing activity for the lower and middle income groups and to encourage them to own a house within the framework of housing policy. The local planning authorities and the voluntary agencies are taking efforts to upgrade shelter, extend basic services, and environmental conservation. The policies and programmes define and strive for progressive minimum standards for an acceptable quality of life.

Different National Housing Policies were announced to secure affordable shelter and to achieve sustained growth of housing stock with a view to raising the quality of life through the provision of drinking water, sanitation and other aspects of development such as poverty alleviation, environmental protection, conservation of heritage, settlements, planning
and attention to the needs of the landless, scheduled castes and victims of calamities with the aim of eradicating the problem of houselessness.

1.7 HOUSING IN TAMIL NADU

The state is aiming at achieving the goal of a house for each family. With this in mind, various schemes have been in implementation. The 10\textsuperscript{th} plan outlay for housing sector is Rs.1000 crores out of the total plan outlay of 4002.69 crores.

In Tamil Nadu nearly 33 per cent of the state population lives in urban areas of the 434 urban centers. Eight million people live in 21 class I towns including Chennai metropolitan area, Madurai, Coimbatore, Thiruchirappalli and Salem, which account for 45 per cent of urban population. The State housing policy has addressed itself to the issues of mobilizing the resources and developing the delivery system to meet the housing needs of all segments of the population.

The policy envisages a major shift in the government towards being a facilitator than a provider. A look at the housing status of the people in Tamil Nadu shows that the growth of housing stock (24.3 per cent) had been
higher than that of households (22 per cent) during 1981-91. Housing at the rate of 2.65 lakh units is required annually to house the urban population and wipe out current deficit in housing stock\(^\text{10}\).

The Tamil Nadu Housing Board, Tamil Nadu Slum Clearance Board, Tamil Nadu Co-operative Housing Federation are the main government agencies which provide shelter for different target groups. They also act as a catalyst for the promotion of housing activities by the private sector. T.N.H.B. was established in 1961. T.N.H.B. provides 55 per cent of its total outlay for economically weaker sections and low-income groups. The Board has so far provided 3.92 lakh dwelling units at a cost of Rs.1901.4 crores from 1961 up to March 31\(^\text{st}\) 2005. The Tamil Nadu Slum Clearance Board implemented slum clearance scheme with 30 per cent initial grant from government and 70 per cent of the project cost from HUDCO.

The Tamil Nadu Slum Clearance Board constructed 5396144 tenements at a cost of 13146.5 crores, during the period of 1970-2005. Tamil Nadu Housing Co-operative Federation is by far the single largest housing agency which has financed sizeable amount for promoting the

\(^\text{10}\)Social Infrastructure Development, Tamil Nadu – An Economic Appraisal, 1994-95, p.195.
housing activities through a net work of 874 Primary Housing Cooperatives in urban areas and 195 Taluk Cooperative Housing Societies in rural areas of the state. Cumulatively this agency has helped to construct 10.67 lakh dwelling units involving an expenditure of Rs.2763 crores.

The department of Rural Development has also been augmenting dwelling units for SC/St and Backward sections of society under Indra Awass Yojana. Under Indra Awass Yojana scheme 6.79 lakh housing units have been constructed at a cost of 1339 crores.

1.8 HOUSING IN MADURAI CITY

Next to Chennai in Tamil Nadu, Madurai City has expanded length and breath to accommodate the influx of population from rural areas. Originally Madurai City was planned and built according to the ancient town planning principles in the form known as “Nandiya Vardha” with centrally located temple and square pattern of roads in concentric form. Over the years, haphazard and unplanned growth of Madurai has resulted in congestion of all types–congestion of population, housing, industry, commerce and traffic. These have not only caused severe strain on civil services but also created extremely poor living conditions for the majority of
the residents and upset the ecological balance. In the earlier days of industrialization, people built their houses on the banks of Anuppanadi Channel, the main sewer of the city, with hardly any basic amenities. So the municipal council has introduced several extension schemes.

The fast increase in the area of the city has also increased the number of wards apart from adding to the residential houses. Table 1.3 shows the growth of Madurai City area and households.

### TABLE 1.3

**GROWTH OF MADURAI CITY BY AREA NUMBER OFWARDS AND HOUSES**

<table>
<thead>
<tr>
<th>Year</th>
<th>Area of City (sq.km)</th>
<th>Percentage of Increase</th>
<th>No. of Wards</th>
<th>Percentage of Increase</th>
<th>No. of Houses</th>
<th>Percentage of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>20.92</td>
<td>-</td>
<td>35</td>
<td>-</td>
<td>103930</td>
<td>-</td>
</tr>
<tr>
<td>1981</td>
<td>46.99</td>
<td>124.62</td>
<td>65</td>
<td>85.71</td>
<td>159154</td>
<td>53.14</td>
</tr>
<tr>
<td>2001</td>
<td>51.04</td>
<td>8.62</td>
<td>72</td>
<td>10.77</td>
<td>199668</td>
<td>25.46</td>
</tr>
</tbody>
</table>

Source: Madurai Corporation Office, Madurai.

The geographical area of the city has increased from 21 sq.kms in the year 1971 to 51 sq.kms in the year 2001. Correspondingly the number of wards has increased from 35 to 72 during the period 1971-81. The total
number of houses in Madurai City has increased from 103930 in 1971 to 199668 in 2001. It is attributed to the housing policies of the State Government and liberal financial assistance from commercial banks and Urban Co-operative Societies. The residential dwelling density varies from less than 2000 units/per sq.km to above 4,000 units per sq.km within the Madurai City.

1.9 STATEMENT OF THE PROBLEM

Housing problem in Madurai city is multi dimensional. The population of Madurai City has been growing due to the addition in local population and through the exodus of migrants from villages to the city. Hence the first problem that arises from the growth of population is the growing scarcity of houses. The remedy to this problem is through the construction of houses for own occupation and rent. Housing, being a durable good which requires heavy investment, with soaring land prices, limited availability of land and non-development of house sites, involves substantial investment. Owing to cumulative increase in building material and labour costs, the construction of a house becomes expensive and is beyond the reach of common man. Moreover the limited land available in
the city causes a rise in the land value. With the expectation of the city limits, in many cases even fertile agricultural lands have been converted into house sites. Therefore urban housing has private cost as well as social cost. These costs find a steady rise thwarting and frustrating the gallant efforts of many to construct decent houses. Therefore the government has come up with several housing schemes. They have solved the problem of scarcity to some extent. But many prefer living outside city limits and commute to the workplaces located in the city area.

In this context, the economic analysis of urban housing problem in Madurai city deserves a detailed study on several counts, such as temporal variation in house rent, changes in the cost of construction of houses, and the various housing schemes of the government to the beneficiaries of Madurai City.

1.10 NEED FOR THE STUDY

The specific aim of this study is to analyse the urban housing problems in Madurai City. Next to Chennai, the capital of Tamil Nadu, Madurai City has expanded in its length and breadth to accommodate the ever increasing influx of population from the surrounding rural areas.
Madurai City consists of 72 wards in which there are about 1, 99,668 houses. It is estimated that nearly 31,133 households constitute the houseless population in the city.

The demand for housing envisages the rental and ownership of the houses in relation to the housing conditions, housing features and the neighbourhood amenities.

On the other hand the supply considers the provision of housing by the government and by private parties. There is a dearth of studies on urban housing problem in Madurai City. There is, therefore, a case for an academic and practical study of the urban housing problems in Madurai City.

**1.11 OBJECTIVES OF THE STUDY**

1. To analyse the housing famine in relation to the growth pattern of population, houses and households in Madurai City.
2. To study the role of housing finance institutions and the government in the housing development of Madurai city.
3. To estimate the income elasticity of housing by tenure status.
4. To analyse the house occupancy pattern and the house space utilization by PPR ratio, income, household size, rent and value of the house by tenure status.

5. To identify the determinants of rent and their relative strength in urban areas of the city.

6. To assess the quality of life in the study area by tenure status.

7. To provide major ideas in finding solutions to the urban housing problems in the City.

1.12 LIMITATION OF THE STUDY

The study area is limited to the city in order to bring out a clear exposition of the city. The houses have been classified by tenure status as rented houses, owned houses, and leased houses. In case of rental houses the rental values of the houses were easily identifiable. But in the case of owner occupied and leased houses the rental value is difficult to assess. So in order to determine the rental value of the owner occupied and leased houses the imputed rental value of the house is used. The imputed value can be measured by the market value approach and opportunity cost approach. But the limitation of the study is that the imputed value of the house is
determined by the actual market price on the basis of the age of the house, size of the house and neighbourhood amenities of the house.

In the urban areas the poor do not have much choice with respect to occupation and employment is not regular to fix the monthly average. The only option is to ask the respondent about his general income, which may be often under reported. Mostly the urban slum dwellers are illiterates and do not maintain records and therefore suffer from a certain degree of recall bias.

1.13 THE SCHEME OF WORK

The report of the present study has been organised and presented in Nine chapters. They are:

The first chapter, the present one, introduces the problem and explains the significance, objectives and limitations of the study.

The second chapter provides a comprehensive review of earlier studies on urban housing.

The third chapter discusses the methodology and concepts used in the study.
The chapter four presents the profile of the study area.

The chapter five deals with housing famine and institutional support for housing in Madurai City.

The chapter six focuses on the Socio economic profile of the sample households in Madurai City.

The chapter seven deals the house space utilization in relation to PPR ratio by value, rent, and household size and density of occupancy.

The chapter eight presents the house occupancy pattern and the quality of life among the households in Madurai city.

The chapter nine deals with major findings of the study and suggestions for improvement and final conclusion.