**Introduction:**

Drawing a home with little hands and crayons is an everlasting part of our childhood. Science could not formulate the theories to explain why children around the world draw homes surrounded with lush green garden, a blossoming lawn, a sun smiling from mountains and a river flowing alongside. It is perhaps, because at every stage of life from its dawn to dusk a man continues to dream about his home. As the child grow up his idea of dream home acquires a clear and distinct shape. The home that he drew with his little hands eventually becomes an important dream to be fulfilled.

### 6.1 Housing: Essential for the Development

Housing holds the key to hasten the pace of development of the economy of the country. The investment made in housing industry has a multiplier effect on the income and employment. The HUDCO – Dholakia report on Indian Housing Industry 1998 estimated that every rupee invested in the housing sector would result in 78 paise coming back to the economy.¹

According to the Construction Industry Development Council (CIDC) it is roughly estimated that a rupee invested into the housing industry yields Rs 1.64 back to the economy. The total cost of
construction includes the cost of material that is 67% of total cost (viz. cement 18%, Steel 9%, Bricks 13%, Timber 10%, Sand 6%, Aggregate for concrete 5% and misc. 6%) and the cost of labour that is 33% (viz. Mason 12%, Carpenter 4%, Painter 1%, Unskilled Labour 16%). The housing sector is the second largest employer after agriculture as it has linkage with 250 associated industries. An investment of Rs 1 crore in this industry may contribute to the generation of 750 man years of employment. The Indian real estate industry is approximately of Rs 1800 crores and it is projected to grow over Rs 10000 crore billion in next ten years. It has been shown an annual growth of 25-30 percent in last few years and contributed 6 percent of the GDP. The study conducted by rating agency ICRA has shown that the construction industry ranks third among the fourteen major sectors in terms of direct, indirect and induced effect in all sectors of the economy. 

6.2 Real Estate Development: An Irony

The section 80-IB (10) of Income Tax Act 1961 was one of the incentives which were announced in 1998 was valid upto 2005, later extended to 2007. It is for real estate developers in India to construct upto 1000 sq ft apartments in Delhi and Mumbai and a
ring of 25 km around it, and upto 1500 sq ft apartments in other cities on a minimum plot size of one acre. The tax break is equivalent to 100% of the profits earned from this project in the previous financial year. This tax incentive was a result of Rakesh Mohan Committee’s India Infrastructure Report 1995 in which it was predicted that annual shortfall of housing units was one million.

Due to the wide scope and fiscal concessions the number of developers has been increasing in India. Real estate sector of India is growing at a tremendous speed. Number of development companies and builders are coming up and investing in residential property. Investment in residential and commercial projects is bringing huge profits to these builders. For instance, the Big Builders in Delhi undertake construction of new home, flats, bungalows, corporate or business parks, shopping malls, townships, penthouses apartments etc at a stretch of couple of acres. Property developers or residential Builders combine fragmented residential space or plot to form beautifully designed housing societies and commercial complexes. The Developers like Ansals, DLF SEZ, Parasvnath, Ashiana Builders, Shipra Group, Jaipuria Group, Pashupati Builders, Omaxe, Mansarovar, Jaypee Infratech, Unitech, Eros Group,
Dwarikadhis Builders, Purvankara Builders etc. have been showing the dazzling surface of the development of the real estate sector of India.⁵

In India the home loan lenders are Banks, Cooperative sector and Housing Finance Companies, Besides the Government has also been taken various measures as a part of the Five Year Plans which may pledge to provide house to masses. The sudden spurt in the volume of housing and the extent of coverage has truly accelerated since 2004 due to the steady and rapid economic growth, rise in personal disposable income, easier borrowing norms, and falling interest rates, spurt in the numbers of developers etc. As a result of change in the policy of RBI regarding repo rate the interest rate on home loans have been increased eventually in the year 2007 but it were low in the period from the year 2004 to 2006.

In India no doubt housing industry is growing with a high rate of development as almost all the banks are offering their loan products to cater the need of real estate sector, even the HFCs are being recognized for this purpose. The IT sector is also playing a vital role in the development of the real estate market in India by providing the database and all required information regarding the development authorities, the availability of land, the procedure and

As per industry records, the volume of housing finance in the year 1998 was about Rs 5000 crore and in the year 2005-06 it was enlarged to Rs 60000 crores and in the year 2006-07 it has reported the growth upto Rs 90000 crores. Despite increase in volume of housing finance by many home loan lenders in India, tax break given by Government of India to developers, allowing Foreign Direct Investment in real sector through joint ventures with Indian partners, with the beginning of Eleventh Five Year Plan in 2007 we still have the shortage of 24.71 million dwelling units. In the Tenth Five Year Plan the shortage was accounted to be of 22.4 million dwelling units. On the basis of the present estimations the housing shortage during the plan period i.e. 2007-2012 would be of 26.53 million dwelling units.
On the basis of the growth of Financial Institutions providing the financial assistance to real estate sector it can be straightforwardly said that the housing shortage is for the Lower Income Group and Economically Weaker section of the society only, the need for housing units for High Income Group and Middle Income Group will be taken care by the market forces. In most of the cases housing finance plans of almost all housing finance lenders are serving the HIG and MIG. The exceptions are like Dewan Housing Finance, HDFC Ltd., Few Government Schemes which have their focus on LIG. As for the current Five Year Plan the Government has a plan to lay emphasis on the following measures:-

1. There is need to facilitate the supply of serviced land at affordable prices and to encourage development ahead of demand.

2. Special Products need to be designed to extend loan finance for retrofitting and housing upgradation.

3. The cost effective material for retrofitting and housing upgradation should be developed.

4. A Fund called “National Shelter Fund” may be created under the aegis of NHB and HUDCO with the initial contribution
from the Government to provide financial support to prime lending institutions to address the housing needs of EWS.

5. A vast segment of population in the urban areas is not being served by the formal credit institutions for the reason they are perceived as high risk. It is recommended to create a “Risk Fund” under the aegis of HUDCO and NHB, with initial corpus of Rs500 crore which is to be contributed by the Government.

6. The current method of credit appraisal does not make the LIG and EWS eligible for finance proper measures to be taken in this concern.

7. Micro Finance for housing should be given strong impetus to ensure that formal financing channels are able to reach credit to the otherwise non eligible segments of households who do not satisfy the norms of formal sector lending.

8. Government may consider encouraging Public –Private Partnership for undertaking integrated housing projects. For projects with a provision of at least 10-15% of the land and 20-25% of the houses for EWS and LIG, appropriate tax incentives may be considered to attract private sector participation.
9. Housing Cooperatives need to be strengthened by providing further incentives and the provision should also be made to include low income housing through cooperatives.

10. There is a proposal to provide an interest subsidy of 5 percent per annum for the period of five years only to commercial lenders for lending to the EWS (having Monthly Family Income upto Rs. 3300) and LIG (having Monthly Family Income ranging between Rs3301 – Rs.7300) of the urban areas. It is expected to leverage the market funds to flow into housing for poor. An aggregate amount of Rs 560 crores per annum as interest subsidy is proposed for 5 years. The end to end maturity of the scheme will be for the period of 9 years and total interest subsidy funds will need to be of Rs14000 crores. It is as

Interest Subsidy Funds Requirement during Eleventh Plan: Rs 8400 crore

2007-08 = Rs 560 crore
2008-09 = Rs 1120 crore
2009-10 = Rs 1680 crore
2010-11 = Rs 2240 crore
2011-12 = Rs 2800 crore
2007-12 = Rs 8400 crore

Interest Subsidy Funds Requirement during XIIth Plan: Rs 5600 crore

2012-13 = Rs 2240 crore
2013-14 = Rs 1680 crore
2014-15 = Rs 1120 crore
2015-16 = Rs 560 crore
2012-16 = Rs 5600 crore

As a part of its social obligations, the government under various schemes has been trying to fulfill the housing needs of LIG and EWS. But the only measures which are listed above are not capable to increase the rate of development and to pull off the target of 24.71 million dwelling units in the period of five years. According to Assocham’s estimates, the Indian Middle Class which numbered around 59 million in 2001-02 is expected to cross the 153 million by 2009-10. The creamy layer with large format requirement has been serviced by most of the housing finance lenders and the lower middle layer has been neglected as they may fetch the risk of increase in NPA for lenders. The Commercial Banks and Housing Finance Companies cannot be compelled to serve the LIG and EWS solely. Because of they are also burdened with other fund based and
fee based activities. Moreover, In case of LIG’s and EWS the NPA may exceed the prescribed limit. The profitability and the operations having accordance with the norms set by RBI are on their priorities. Although these housing finance lenders would not be in favour to focus only the LIG and EWS but it would not be inopportune for them to invest partly in the “Housing for all” project, as a policy measure if implemented by government and based on the PUBLIC–PRIVATE PARTICIPATION. As it has been observed that the scheme like VAMBAY has proved to be more successful than Two Million Programme as it had grant component of 50%.

On January 29, 2008, Reserve Bank of India has announced its Monetary Policy Review, according to that, as for interest rates, the successive increases in Cash Reserve Ratio (CRR), tightening of prudential norms, are all signals to the banking sector to tighten credit both in terms of availability and cost. Accordingly the interest on loans would remain unchanged. In 2004 when the interest rate on home loans were low upto the extent of 8 percent, then the substantial quantum of housing shortage has been observed. And currently when the home loan interest rates ranging from 10 percent to 14 percent, how can we expect to achieve the goal of housing for
all which is a aim of National Housing & Habitat Policy 1998. This
is an irony that in the developing country like India where the GDP
growth rate projection is 8.5 percent currently, the major part of its
population still belongs to LIG and EWS. It means without
government’s own initiative it is almost impracticable to cover up
the gap between the demand and supply of houses for EWS and LIG
utterly.

SUGESSTIONS:

The better way to surmount the problem of housing shortage
in India is the instigation of the government not only in the policy
making but in the setting up a plan for the project “HOUSING FOR
ALL”.

6.3 Project: HOUSING FOR ALL (Self Initiated Project)

Objective of the Project:

The aim of the project is to construct the residential units for
LIG and EWS in the suburban areas of States of the country. It will
help to remove the regional imbalances and lead to the development
of the whole area where project site is located.
**Project Plan:**

The project can be started with a support of Government of India, National Housing Board, Housing & Urban Development Corporation, and Reserve Bank Of India. The initial capital would be provided by all HFCs registered with NHB and all Scheduled Banks working under the guidelines of RBI.

The Land for construction will be provided by Government Authorities so that the project may not affect the Master Plan and the land use may be converted easily. As a part of its function, the government has already conducted the research on the housing shortage for LIG and EWS, it can proved to be supportive for the project. According to the estimates given by Confederation of Real Estate Developers’ Association of India (CREDAI) the cost per dwelling unit for LIG ranges between Rs 1.5 – Rs 3 lakhs, and cost per dwelling unit for EWS is upto Rs 1 Lakh. On the basis of the interviewing a builder we came to know that if we construct one room set with kitchen and toilet, it costs around Rs 95000 excluding the cost of land. For homeless masses one room set would be sufficient due to its affordability and they may use the wooden partition if required.
In the suburban area the cost of land is less as compared to the urban area. The agricultural land can be first acquired and then it can be converted into the residential area by changing the land use for this approval from the Government is required. For the conversion process the fee has to be paid to the Government but as the project is being initiated by the Government itself then there would not be any complexity in this regards.

1. After acquiring the land and conversion of land use we can plan the construction of two units simultaneously, here unit refers to a building. One unit for residential purpose according to the needs and affordability of the LIG and EWS of the society. Another unit will be constructed for the commercial purpose, like the shops to cater the daily needs of people of that residential area can be opened in that unit.

2. Each housing unit will be sold to the public from LIG and EWS only. The payment would be in installments. Suppose the cost of each unit including the interest is Rs 120000 then initially Rs 25000 are to be paid as an advance or cash down and it will be followed by the Equated Monthly Installments of Rs 1000 only for the period of 8 years. If the applicant is not paying the EMI for the three consecutive months then
legal notice shall be given to him and in case of non payment of EMI for the period one year, he should not be allowed to stay in that flat. And the project manager should have the authority to resell that flat.

3. In case of LIG the EMI should be of Rs. 1000 per month but in case of EWS the EMI can be reduced and the term of loan can be increased.

4. Generally in the families which belongs to LIG or EWS the all adult family members are working like husband may be driver and her wife may be working as domestic servant. But they are not able to show any salary slip or document showing their regular stream of income. This makes them unable to comply with the documentation requirement of a formal lending institution.

5. The cost of constructing low cost houses would be recovered by selling the commercial unit or shops at the market value; it means the shop which costs only Rs. 50000 can be sold at Rs. 240000 or more. Because the residential area is near to the shops so there would be the ready market for consumer goods. Due to the residential area the transportation facilities may be developed by private or public sector.
6. The project focuses on no profit no loss objective but as it is a joint venture of financial institutions based on public and private partnership, therefore any single institution would not bear its repercussions. And the goal of Housing for all will be achieved without affecting the profitability of any of the financial institution.

7. The government can also opt for other option that is to invite private builders to construct these blocks based on the same terms and conditions, after that government can purchase that block and resell it to LIG and EWS on the installment basis. In turn, the government may provide tax incentive to private builders to encourage their participation in these ventures.

6.4 Feasibility of the Project

The feasibility of the project can be assessed by conducting the market analysis, financial analysis, economic analysis, technical analysis and ecological analysis of the project to check the benefits which may derived from it.
6.4A Market Analysis

1. The private sector interest has largely confined to the HIG and creamy layer of MIG housing, which is accounts to only 18-20 percent of demand as estimated by the Planning Commission. The 36 percent demand for LIG housing and 46 percent demand for EWS housing still remain neglected by private sector. There is an growing demand for housing units for LIG and EWS.

2. In the era of LPG (Liberalization, Privatization, Globalization) it is difficult for public sector agencies to accelerate the rate of housing development for LIG and EWS, solely, without the support of private sector. For example recently NHB has made announcement of providing a low cost house worth Rs. 100000 to LIG and EWS but alone it would not competent to provide housing to all due to limited financial resources. This project will provide houses to whole financially weaker section of society at low prices along with installment option.

3. This project will help in achieving the target of 24.7 million dwelling units. With the public sector and private sector participation it would work better to cater the needs of LIG
and EWS and it will provide a new market not only for the output of construction sector but for the output of other allied sectors also.

### 6.4B Financial Analysis

1. As a part of the Eleventh Five Year Plan the Government has already planned to provide interest subsidy which accounts to Rs 8400 crore for 2007-2012 and Rs 5600 crore for 2012-2016. Moreover besides the on going housing development schemes, they have planned to create the “National Shelter Fund” and “Risk Fund” also. Ironically the people for whom these provisions are being made, are still unaware of these developments and they themselves would not take initiative to avail the benefits of these facilities, due to the lack of education, unstable financial position, their indifferent attitude towards government policies etc.

2. The project is aimed to construct Residential block (building) where a dwelling unit worth Rs. 95000 and including the interest and excluding the cost of land it costs Rs. 120000. The commercial block (building) comprises the shops, each shop would cost Rs. 50000 and it can be sold at Rs 250000 or
more i.e. on market value. The cost of 100 housing units will be covered by selling 50 shops of commercial blocks. There will be a ready market for these shops due to proximity of residential area and its low price as compare to the price of the same shop in urban area.

Cost of Construction of Residential Block

\[ = \text{Rs 95000 x 100} = \text{Rs 9500000} \]

Cost of Construction of Commercial Block

\[ = \text{Rs 50000 x 50} = \text{Rs 2500000} \]

Total Cost of Construction

\[ = \text{Rs 12000000} \]

Sale Proceeds of 50 shops

\[ = \text{Rs 12500000} \]

Gross Profit

\[ = \text{Rs 500000} \]

Besides this profit the cash inflow includes:

(a) Initial payment of Rs. 25000 for every housing unit.

(b) Equated Monthly Installment of Rs 1000 in case of LIG and Rs 600 in case of EWS.

(c) In case of discontinuation of EMI for one year the housing unit can be resell to any other applicant. The amount taken from defaulter may be the source of additional income.
3. For the project the initial capital is being contributed by all HFCs and all Scheduled banks therefore it is better than government ‘s financial aid or grant as it would not results in increasing the burden of tax on people.

4. This may also encourage the concept of micro finance in under developed area .And it is a part of agenda for the Eleventh Five Year Plan.

5. This project can be started simultaneously in five districts of every state. In this way this project will finance itself and helps to achieve the target of housing for all.

6.4C Technical Analysis

Due to the Public – Private Partnership the project may be benefited with the technological advancement in construction sector. The project would be supported by National Real Estate Development Council (NAREDCO) for the accreditation of the construction activity, National Building Organisation (NBO) for getting housing & building statistics, and The Building Material and Technology Promotion Council (BMTPC) for developing & promoting the innovative and cost effective building material and construction technologies.
6.4D Economic Analysis

1. The project will generate employment opportunities for work force associated with construction sector and other allied sectors.

2. Due to the development of the residential as well as commercial area the transportation facilities would automatically be developed by either public or private sector. It will again generate employment.

3. The project may bring the self sufficiency, employment and social order in that area as it lead to remove the regional imbalances.

4. It will brings stability in the economy of the concerned state as it will discourage the frequent migration of the people in search of jobs. It will bring the political stability also.

5. It may improve the standard of living of the people of that area. As due to residential area, a small scale unit like papad udyog, packaging unit etc can be started to employ the women residing there and it would become a source of earnings for them.
6.4E Ecological Analysis

The project will help to remove the slums and squatter settlement. It will provide a clean and hygienic environment to the people and will reduce the chances of the fatal diseases.

6.5 Other Suggestions

1. In India the laws regarding the clear Land Title should be revised and strengthened so that the off market land should be used legally. It should be made mandatory for all States and Union Territories to maintain all updated records in computerized form; it will increase the transparency in case of land ownership. It will help in reducing the increasing prices of land due to removal of artificial scarcity of land.

2. The rental laws must be revised to make the renting properties a financially viable option. But for the LIG, those who has taken home loan, for widows and for disabled the income from House Property should be exempted from tax.

3. The Government should not levy house tax on the people belongs to LIG and EWS who have taken housing loan till the repayment of their housing loan.
4. The LIG and EWS are still unaware of the housing development schemes like low cost houses worth Rs 1 Lakh (of NHB), interest subsidy (of government). There is need to start the awareness campaign among masses to communicate the policies and concessions which are designed exclusively for them and encourage them to avail the facility given by the government.

5. It has been observed that the agriculture lands of suburban are being purchased by the builders and then after conversion of land use that land are being used for the purpose of educational institute or an industrial set up or Apartments for HIG and MIG , But these type of uses of land are not at all benefiting the urban poor. It is again proves to be beneficial for the HIG and MIG .The Government should control the conversion of land use and this type of land should be used to construct the houses for LIG and EWS.

6. The RBI and NHB must lay down specific guidelines for all public and private sector banks and Housing Finance companies to invest a fixed amount every year in the proposed project “Housing for all ” or in “National Shelter Fund”. Because the financial institutions have some
implications regarding NPA and Capital adequacy ratio etc, these institutions cannot contravene the norms like KYC, they cannot make compromise with the documentation formalities as it may lead to increase in their NPAs. They would not compromise with the profitability of their concern by concentrating only on LIG and EWS.

7. The RBI should issue the guidelines for all commercial banks and all HFCs to charge a low rate of interest on home loans from Low income groups and that rate should be uniformly charged by all these lenders.

As there are still many loop holes in the rules and regulations applicable on the housing sector but here our motive is to concentrate on the housing for LIG and EWS. By keeping that motive in mind these suggestions have been given.
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2. ibid


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