

## Chapter-III

### Housing Requirement Projections for XI<sup>th</sup> Plan (2007-2012)

#### 3.1 Data on Housing Stock

The Housing and Building statistics are necessary for the formulation, execution and evaluation of housing policies and building programmes which constitute an integral part of the overall social and economic plans of the country. At the central level, the National Buildings Organisation (NBO), which is an attached office under Ministry of Housing and Urban Poverty Alleviation, is the Organisation which collects, maintains and disseminate the authentic data on housing and related infrastructure statistics. It also caters to the need of the planners, policy makers and researchers in the field of housing statistics. The housing and building statistics are also necessary for the purpose of national accounts. In the context of National Housing Policy, the availability of varied details has become all the more important.

The data on urban households and housing stock from various Population Censuses are presented in the table given below. It may be noted that the decadal growth rate in the number of households has been modest 38 per cent only during eighties and nineties. This is significantly below the figure of 54 per cent recorded during seventies. The decline in the growth during the past two decades can be attributed to deceleration in the rate of urbanization, which was phenomenally high during seventies, the corresponding rate being 48 per cent.

Census Year	Households (Mn.)	Total Housing Stock (Mn)	Pucca (Mn)	Semi-Pucca (Mn)	Kutchha Servicable (Mn)
1961	14.9	13.30	6.44	4.90	1.96
1971	19.1	18.50	11.80	4.35	2.35
1981	29.3	28.00	18.09	6.80	3.11
1991	40.7	39.30	29.79	6.21	3.30
2001	55.8	50.95	41.17	8.08	1.70

The decadal growth rate in pucca housing has come down from 53.30 per cent and 64.68 per cent during seventies and eighties to 38.20 per cent only during nineties. As far as

semi pucca and kutcha houses are concerned, the growth rates were very high during seventies, similar to that of the pucca houses, the rates being 56 per cent and 32 per cent respectively. The absolute number of semi pucca houses came down by 0.59 million units during 1981-1991 while it registered a jump of 1.87 million i.e. 30.11% in the following decade. Interestingly the growth in kutcha dwelling units was as low as 6 per cent during eighties while the number came down to fifty per cent during 1991-01. In case we decide to combine semi pucca and kutcha houses, the growth rate has gone down from 48 per cent during 1971-81 to (-) 4.0 per cent during 1981-91 and then to 2.8 per cent during 1991-01. It is possible to argue that a large number of kutcha houses have been converted into (or reported as) semi pucca houses during 1991-2001 which would explain the spurt in the growth of semi pucca houses compared to the previous decade. The decline in the number of kutcha houses is also attributed to that.

It has also been noted that as per the Census of India, 2001, 9.01% of census houses are lying vacant. These vacant houses are not available for residential purposes and may not be accessible for the EWS and LIG category of households.

Taking all these factors into consideration, it is evident that the growth in the total housing stock during the 1991-2001 decade is much less than the preceding two decades. This could be due to limited withdrawal of public agencies like Housing Boards, and Development Authorities from house construction activities. The fiscal benefits provided in the housing sector during the last 5 to 10 years do not seem to have led to a boost in housing activities. The drastic reduction in the number of kutcha houses may be due to the impact of various housing schemes such as VAMBAY etc. being implemented by the Central Govt

### **3.2 Findings and Recommendations of Technical Group on Estimation of Housing Shortage**

A Technical Group was constituted by the Ministry of Housing and Urban Poverty Alleviation to review the methodology adopted by the 9<sup>th</sup> and 10<sup>th</sup> Plan Working Groups on Urban Housing for estimation of housing shortage and further evolve a more sustainable and viable methodology to estimate the requirements and needs for urban

housing at National and State level. The Technical Group identified following limitations in the methodology adopted by the 9<sup>th</sup> and 10<sup>th</sup> Plan Working Groups:-

- (a) The methodology utilizing the exponential regression line of the type  $\text{Log } Y = a + rT$  adopted by the 9th plan group to estimate the housing shortage suffers from the serious flaws such as
  - (i) A uniform rate is applied for all regions/states of the country. Thus, the regional and size class variation in the level of housing activity is not taken into consideration.
  - (ii) In computing the growth rate, the regression model gives equal weight to the data of the distant past as to the recent past. The growth rates of the sixties or seventies may not be of great significance in projecting construction of dwelling units during the first seven years of the twenty first century. The growth experience of the recent past, say of the nineties, may be much more relevant in this context. Ideally one should adopt a method which assigns higher weightage to the data of recent years compared to that of earlier years in a time series analysis.
  
- (b) If the methodology adopted by the 9<sup>th</sup> Plan Working Group is adopted, housing shortage for 2007 works out to be negative which means there is surplus housing in the country; - this is contrary to the empirical evidence.

In view of the above, the working group for 11<sup>th</sup> Plan has estimated the housing needs and shortage based on the recommendations and suggestions received from the Technical Group which is further elaborated here:

### **Estimation of Households:**

Based on the data from previous censuses of India it is observed that the percentage growth in the number of households for the period 1971-1981, 1981-1991 and 1991-2001 is 53.43%, 38.91% and 37.10% respectively. Thus, for estimation of the number of households, if the period relating to 1971-81 or earlier is taken into account, the

projection of households is likely to be erroneous. We may consider the data relating to recent past say nineties rather than the period of last 30 or 40 years.

The number of households at the beginning of the 11th plan period i.e. 2007 works out to be 67.4 million utilizing the exponential growth function based on the Population Census data of 1991-2001. The implicit assumption here is that the number of households will grow exponentially (as is generally assumed in case of population) at the same rate as observed during the nineties. There is an alternate method of estimating the number of households in 2007. The Registrar General and Census Commissioner, India (RGI) has projected the urban population for the year 2002-2026. As per this projection, the total urban population in country will be 328.49 million in 2007. Assuming that the household size will remain constant at 5.1 over the period of time from 2001 to 2007, the estimated number of urban households will be 64.41 million. It may be noted that the implicit growth rate behind the computations is a growth rate of 2.34 per cent per annum which is on the lower side as per the assessments made by various research agencies and researchers. It would be more appropriate to take the rate to be 2.50 per cent as opposed to that of 2.73 per cent noted during nineties. This would give urban population figure of 331.5 million by 2007. Assuming the size of urban households to come down from 5.1 to 5.0, their number can be computed as 66.3 million. The decline in the size of household in urban areas can be justified in view of the fact that the household size has come down from 5.35 in 1991 to 5.1 in 2001. The figure of 66.3 million has therefore been taken as the basis for the calculations here.

To have a basic idea of the division of households among the various categories i.e. EWS, LIG, MIG and HIG, the data on percentage of households by MPCE classes on the basis of NSS 60th round (Jan.-Jun 2004) (NSS report No. 505) may be used. The distribution of households estimated i.e. 66.3 million at the beginning of 2007 among the various categories will be as follows

MPCE Class (Rs.)	Household Size	% of households	Estimated No. of Households (Mn.) as on 2007
0-300	6.1	1.3	0.86

300-350	6.5	1.5	0.99
350-425	6.0	4.0	2.65
425-500	5.7	5.2	3.45
500-575	5.6	6.1	4.04
575-665	5.4	7.3	4.84
665-775	5.3	9.7	6.43
775-915	4.7	10.3	6.83
915-1120	4.3	12.5	8.29
1120-1500	3.9	15.7	10.41
1500-1925	3.4	9.4	6.23
1925 +	2.9	16.9	11.20
Total No. of Hhs.	4.40		66.30

The household expenditure on durable goods incurred by the households in a MPCE class may be considered as appropriate proxy variable for its saving rate. The ratio of expenditure incurred on durable goods by the households in the lowest expenditure class i.e. 0 – 300 to the expenditure incurred on durable goods by the households in the highest class i.e. 1925+ is 0.011:1. The saving in the EWS category can therefore be taken as zero which is corroborated by a large number of studies based on secondary and primary data. The savings ratio for EWS & LIG thus work out to be 0%, & 17.54% respectively. By taking the expected savings of the households, income levels for different expenditure classes can be worked out. Based on the income criteria, it is now possible to work out a new classification system for the households to place these under EWS, LIG, MIG and HIG categories. One would note that the households with income less than Rs. 3300/- per month are classified as EWS, between Rs. 3301/- and Rs. 7300/- as LIG; between Rs. 7301 and Rs. 14500/- as MIG and above Rs. 14501/- as HIG, and the distribution of households will be as shown in the Table below:

Monthly household income (Rs.)	Estimated no. of households (Mn).
0 –3300 (EWS)	21.81
3301 - 7300 (LIG)	27.57
7301 – 14500 (MIG)	} 16.92
14501 and above (HIG)	
Total No. of Households (Mn)	66.30

### **Estimation of Housing Stock:**

For estimation of housing stock in the year 2007, simple exponential growth rate in housing stock has been computed for the nineties using the data from Population Census. The growth rate of 3.2 per cent per annum for pucca houses, thus computed, has been taken as valid for the next six years for projection purposes. The estimated number of pucca housing stock thus works out to be 49.99 million in 2007. The growth rate for this combined category (semi pucca and serviceable kutchha) is noted to be 0.28 per annum during the nineties. Using this, it is estimated that the total number of semi pucca and serviceable kutchha houses would be 9.94 in 2007, giving the total housing stock to the tune of 59.93 million.

The NSSO in its report No. 488 has also estimated that 7.17 million constructions have been completed during the last 5 years (1997-2002). This implies that about 1.45 million constructions have been completed and added to the existing housing stock every year, based on the assumption of constant addition in housing stock in each year. The annual exponential growth rate in the housing stock thus comes to about 2.63 per cent in the acceptable housing stock during nineties. This is much on the higher side since the figure for kutchha does not exclude the unserviceable kutchha. Once that figure is taken out in the calculations, the growth rate will be less than even what is noted from the Census data for the nineties.

One may note that the growth rate in housing stock used in our calculations is much less than the regression growth rate estimated based on the Census data during 1971-1991. It has been noted above that the experience of the seventies and eighties may not be of much help in making projections for the present decade in this century. The rate is slightly below the rate noted for pucca or even total houses during nineties. The CSO data on income from housing sector may be cited to support this perspective and the implicit assumption.

As per the CSO estimates, housing sector's contribution to GDP for the period 2003-04 is 4.5% (for urban areas 3.13%) at current prices. It may also be observed that this

proportion has remained more or less constant at 4.5% over the period of time. This indicates that the investment in housing sector has not been made to the extent it can eradicate housing shortage in the country. It is well recognized that much of the investment in housing sector has been restricted to residential pucca units which has been made mostly by the affluent section of society except a small portion attributable to Government run schemes.

### CONTRIBUTION OF HOUSING TO NATIONAL INCOME

(Rs.Crore)

Year	GDP of Dwellings (At current prices)			GDP at Factor Cost	% of Total GDP to GDP at Factor Cost
	Rural	Urban	Total		
1993-94	18917	24590	43507	781345	5.6
1994-95	19896	27310	47206	917058	5.1
1995-96	20620	30279	50899	1073271	4.7
1996-97	21759	33621	55380	1243546	4.5
1997-98	22853	36863	59716	1390148	4.3
1998-99	24770	42798	67568	1598127	4.2
1999-00	27287	50277	77564	1761838	4.4
2000-01	29731	57528	87259	1902999	4.6
2001-02	31907	65076	96983	2081474	4.7
2002-03	33659	71860	105519	2254888	4.7
2003-04	35300	78770	114070	2519785	4.5
At 1993-94 prices					
1993-94	18917	24590	43507	781345	5.6
1994-95	19270	25436	44706	838031	5.3
1995-96	19647	26311	45958	899563	5.1
1996-97	20033	27219	47252	970083	4.9
1997-98	20430	28155	48585	1016595	4.8
1998-99	20717	29123	49840	1082747	4.6
1999-00	21099	30127	51226	1148367	4.5
2000-01	21486	31164	52650	1198592	4.4
2001-02	21874	32238	54112	1267945	4.3
2002-03	22269	33344	55613	1318362	4.2
2003-04	22669	34489	57158	1430548	4.0

To have the estimates of housing stock for EWS, LIG, MIG and HIG respectively, the data provided by NSS in its 58th Round (July-Dec., 2002) (Report No. 488) may be used. As per the NSS estimates the percentage of pucca and kutcha dwellings by MPCE is

MPCE Class (Rs.)	Percentage of Dwelling Units		
	Pucca	Semi Pucca	Kutchha
0-300	48	41	11
300-350	48	38	14
350-425	54	39	7
425-500	59	32	9
500-575	65	29	6
575-665	69	28	3
665-775	75	23	2
775-915	81	17	2
915-1120	87	12	1
1120-1500	91	9	0
1500-1925	93	7	0
1925 +	98	2	0
All	77	20	3

The above data shows that households in category EWS, LIG, MIG and HIG have approximately 50%, 80%, 92% and 98% pucca dwelling units respectively while approximately 10%, 2% households in EWS and LIG category respectively will have kutchha houses. Thus it is evident that all the households in the MIG and HIG category have either pucca or semi pucca houses. Thus it can easily be said that the housing shortage or the requirements of housing is for EWS and LIG sections of the society only need addition housing units and rest of the sections of society will be taken care of by the market forces.

Indeed, the percentage of pucca houses is 80.8 only as per Census of 2001, the semi pucca and serviceable kutchha accounting for the remaining 19.2 per cent. However, as per NSSO, semi pucca and kutchha account for 24.7 per cent of the incremental housing during the five years of the present decade. In case we take serviceable kutchha to constitute only 3.33 per cent of acceptable housing stock, the number of serviceable kutchha constructed during 2001-07 would be 0.30 million only. The total housing stock in 2007 would then be 58.83 million giving a growth rate of 2.39 only which is realistic. This is less than what has been observed from the Census data viz. 2.59 per cent. This appears reasonable if one accepts the proposition that the declining trend in house construction as noted during nineties would continue in the subsequent years.

The NSSO Report further reveals that of the total constructions, 73.64% were pucca, 12.41 were semi pucca and the rest were kutcha (includes non serviceable) structures. The growth rate in pucca houses then would work out to be 2.41 which is less than what was noted during nineties (3.29 per cent) per cent. Thus, it is estimated that total number of housing units by 2007 will be 58.83 million out of which 47.49 million will be pucca dwelling units, 9.16 million will be semi pucca and 2.18 million will be katcha units.

### **Estimation of Congestion Factor:**

The 9th Plan Working Group and the 10th Plan Working Group observed the congestion factor as the percentage of households in which each married couple does not have a separate room to live. With this definition, the congestion factor on the basis of Census of India, 2001 comes out to be 3.52%. This definition of congestion does not consider a situation wherein a couple is sharing a room with a person of age 10+ as undesirable or a reflective of congestion. When a household living in a house with only one living room has one couple, it would not be considered to be a “congested” situation. In fact, no question regarding couples sharing rooms with adult members is asked from the respondents while conducting the population census. The question asked from the respondents during the house listing operations of census pertain to the number of couples in the households and number of rooms available in the dwelling unit. Thus this definition fails in capturing real congestion by ignoring the privacy factor. The working group thought of exploring the other methods and sources of data for an appropriate estimation of the congestion factor.

Indeed, the congestion factor can be worked out by utilizing the data on household size and the average number of room available to every household by MPCE. Larger the household size in comparison to the availability of room, larger will be the congestion factor. The data on household size by MPCE is available from NSS 60th Round (Jan – Jun 2004) (Report No. 505) and Average number of room available by MPCE is available from NSS 58th Round (July – Dec 2002) (Report No. 488). The data shows as follows:

MPCE Class (Rs.)	Average Household Size	Average No. of Rooms Available
0-300	6.1	3.07
300-350	6.5	2.40
350-425	6.0	2.48
425-500	5.7	2.70
500-575	5.6	2.64
575-665	5.4	2.90
665-775	5.3	2.96
775-915	4.7	3.06
915-1120	4.3	3.25
1120-1500	3.9	3.80
1500-1925	3.4	4.00
1925+	2.9	4.72

The data reveals that the higher is the expenditure class, lower is the household size and larger is the number of rooms available. This is understandable as the households in higher expenditure classes tend to have only the nuclei families while the EWS and LIG families have joint family system. One can note in the table that the households in high expenditure class have larger number of rooms than the couples or even the family members. They have surplus housing at their disposal. Congestion factor, however, is severe at the lower expenditure classes. In the EWS and LIG groups a high congestion factor can be inferred from the fact that the number of family members is much larger than the number of rooms. On the other hand, the congestion factor is non-existent for average households in MIG and HIG categories, since the number of rooms available, after catering to the married couples within the household, is larger than the number of other family members.

Importantly, in the 58<sup>th</sup> round survey a specific question was asked if each married couple had a separate room in the house, disregarding if children under the age of 10 shared the room with the couple. The results<sup>1</sup> show that even in homes with only one married couple, as many as a quarter of the households did not have a separate room. In the slums as many as 44 per cent of the homes, with at least one married couple, did not have separate room for the married couple.

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<sup>1</sup> NSS Report No. 489, Household amenities and other Characteristics, May 2005

Based on the data from the 58th round NSS survey, the total number of couples not having a separate room was computed for households with different numbers of couples, living in houses with varying room numbers. It was estimated that 22.94% of all couples do not have a separate room to live in. As the average number of couples per households is 1.20, one can convert the couples into households by assuming the figure to be constant across expenditure classes. This would give us the figure of 19.11% of the households having congestion problem.

**Estimation of Obsolescence factor:**

The Obsolescence factor has been defined by the 9th Plan Working Group as the percentage of households living in the dwelling units aged 80 years or more. These units are deemed to be unfit for habitation. The value of the obsolescence factor has been calculated on the basis of NSSO data. The Census of India, 2001, for the first time, has provided the estimates of the households living in dilapidated dwelling units. The percentage figure of the households living such units is 3.60%. The NSSO in its 58th round (July – Dec 2002) (Report No. 488) has also provided the estimates of number of households living in the house by age and condition of house, as mentioned below:

**Percentage of Households by age and condition of house**

Age of the House	Condition of House		
	Good	Satisfactory	Bad
< 1	1.2	0.5	0.3 (15)
1 – 5	4.8	2.0	0.9(11.7)
5 – 10	12.5	7.4	1.6(7.4)
10-20	16.1	13.2	2.8(8.7)
20 –40	9.3	11.9	3.0(12.4)
40 – 60	2.4	4.3	1.3(16.25)
60 – 80	0.6	1.4	0.4(16.7)
80+	0.5	1.0	0.4(21.0)
All Ages	47.4	41.7	10.7(10.7)

**Note:** The figures in the brackets show the percentage of dwelling units perceived to be in bad conditions to the total units in a given age category.

From the above data, if only the households living in dwelling units that are older than 80 years are taken to be having obsolescence problem, one would believe that only 1.9 % of

the households suffer due to it. The data, however, clearly reveals that a substantial percentage of households in each age specific category report living in bad conditions, the figures range from 7 to 21 per cent. Indeed the percentages of bad housing reported by households living in dwelling units aged between 40 and 60 years or even less than one year category are only marginally less than the 80 + category.

The dwelling units which are acknowledged to be bad but are of less than 40 years of age would mainly be in slums and belonging to serviceable or non serviceable kutcha category. This category of dwelling units does not form a part of the acceptable housing stock in urban areas and thus are excluded from the purview of calculation of housing shortage. Therefore, the percentage of households living in bad houses aged between 40 and 80 years along with percentage of households living in dwelling units aged 80 years or more have been added to compute the obsolescence factor. This percentage comes out to be 3.60%.

#### **Estimation of Housing Shortage as on 2007:**

Utilizing the alternate estimates of the congestion and obsolescence factors as mentioned above, housing shortage has been estimated as on 2007 as follows:

	As on 2007
1. Households (Mn)	66.30
2. Housing Stock (Mn)	58.83
2.1 Pucca	47.49
2.2 Semi Pucca	09.16
2.3 Kutcha	02.18
3. Excess of HHs over Housing Stock (Mn) (1 – 2)	07.47
4. Congestion factor (%)	19.11
4.1 Congestion in Hhs. (Mn)	12.67
5. Obsolescence factor (%)	3.60
5.1 Obsolescence in Hhs. (Mn)	02.39
6. Upgradation of Kutcha (Mn) (2.3)	02.18
7. Total Housing Shortage (3+4.1+5.1+6)	24.71

#### **Distribution of Housing Shortage among the Socio-economic category:**

The National Sample Survey Organisation in its Report No. 488 (58th Round, July – Dec. 2002) has estimated that out of the total urban households, 3.24% of the households are

living in kutcha houses. The data on percentage of households by type of structure and area type for each MPCE as per NSS 58th Round, 2002 (Report No. 488) is as follows:

Slum+Squatter Settlement Areas

MPCE (Rs.)	Slum Area			Estd. No. of HHs.(000)
	Pucca	Semi Pucca	Katcha	
1	2	3	4	5
0-300	28.9	50.4	20.6	282
300-350	43.7	38.5	17.8	407
350-425	49.8	40.9	9.3	733
425-500	55.9	29.7	14.4	412
500-575	64.7	25.7	9.6	968
575-665	69.7	26.5	3.8	633
665-775	77.6	17.8	4.6	830
775-915	77.8	19.9	2.3	592
915-1120	79.3	17.7	3.0	624
1120-1500	91.8	6.2	2.0	389
1500-1925	82.2	17.2	0.6	190
1925+	90.9	8.6	0.5	55
N.R.	52.9	8.1	38.9	4
All Classes	66.8	25.7	7.5	6119

Non Slum Areas

MPCE (Rs.)	Non Slum Area			Estd. No. of HHs.(000)
	Pucca	Semi Pucca	Katcha	
1	2	3	4	5
0-300	52.3	38.8	8.9	1145
300-350	49.1	37.7	13.2	1665
350-425	54.9	38.1	6.9	3487
425-500	59.4	33.2	7.5	1978
500-575	65.1	29.7	5.3	5876
575-665	68.3	28.3	3.4	4633
665-775	75.0	23.3	1.6	5573
775-915	81.2	16.6	2.1	5250
915-1120	87.5	12.1	0.4	6847
1120-1500	90.5	9.1	0.2	6273
1500-1925	93.4	6.2	0.4	4588
1925+	98.3	1.7	0.0	4927
N.R.	84.6	9.2	6.2	98
All Classes	78.0	19.2	2.8	52340

All Areas

MPCE (Rs.)	Slum Area			Non Slum Area			Estd. No. of HHs.(000)
	Pucca	Semi Pucca	Katcha	Pucca	Semi Pucca	Katcha	
1	2	3	4	5	6	7	8
0-300	5.7	10.0	4.1	42.0	31.1	7.1	1428
300-350	8.6	7.6	3.5	39.4	30.3	10.7	2073
350-425	8.6	7.1	1.6	45.4	31.5	5.7	4221
425-500	9.6	5.1	2.5	49.1	27.4	6.2	2390
500-575	9.2	3.6	1.4	55.9	25.5	4.5	6844
575-665	8.4	3.2	0.4	60.1	24.9	3.0	5266
665-775	10.1	2.3	0.6	65.3	20.3	1.4	6403
775-915	7.9	2.0	0.3	73.0	15.0	1.9	5841
915-1120	6.6	1.5	0.2	80.2	11.1	0.4	7471
1120-1500	5.4	0.4	0.1	85.2	8.6	0.2	6663
1500-1925	3.3	0.7	0.0	89.7	5.9	0.3	4778
1925+	1.0	0.1	0.0	97.2	1.7	0.0	4984
N.R.	2.0	0.3	1.5	81.4	8.9	6.0	102
All Classes	7.0	2.7	0.7	69.8	17.2	2.5	58463

The share of households who are living in kutchha houses belonging to EWS category to the total number of households living in kutchha houses works out to be 88.13%. The corresponding figures for LIG is 11.69% and MIG and HIG taken together constitute 0.18%. The total housing shortage can now be distributed amongst the categories by taking **this to be collinear with the percentages of households living in kutchha houses**, as mentioned above. Therefore the category wise housing shortage will be as follows:

Category	Housing shortage in Mn. as on 2007
EWS	21.78
LIG	2.89
MIG	0.04
HIG	
Total	24.71

#### **Housing requirement during the 11th Plan Period ( 2007-2012):**

The housing requirement during the 11th Plan period has been worked out by utilizing the rate of growths on various parameters as has been applied for arriving at the housing shortage as on 2007 assuming that the rates will not change drastically during the 5 year

period of the plan. Therefore, the estimates of households, housing stock etc. as on 2012 will be:

	As on 2012
1.Housing Shortage as on 2007 (Mn)	24.71
2.Households (Mn)	75.01
3.Pucca Houses (Mn)	53.49
4. Semi Pucca Houses (Mn)	10.05
5. Katcha Houses (Mn.)	2.56
6. Addition to households (Mn.)	8.71
7. Addition to housing stock	7.27
8. Upgradation of Katcha Houses (Mn.)	0.38
10. Additional requirement (Mn.) (6-7+8)	1.82
11.Total requirement (Mn.)	26.53

Thus it is clear that, taking the business as usual scenario, the total shortage of dwelling unit at the beginning of the 11th Plan Period i.e. 2007 will be 24.71 million. The housing shortage during the plan period (2007-2012) including the backlog can then be computed as 26.53 million.

#### **Distribution of estimated Housing Shortage as on 2007 amongst the States:**

The estimated housing shortage has been divided amongst the States on the basis of the proportion of the number of households in the urban areas of State to the total number of households in the urban India as per the Census of India, 2001. The distribution of the housing shortage amongst the States as on 2007 is as follows:

State/UTs	(million) Housing Shortage
Andhra Pradesh	1.95
Arunachal Pradesh	0.02
Assam	0.31
Bihar	0.59
Chhatisgarh	0.36
Goa	0.07
Gujarat	1.66
Haryana	0.52
Himachal Pradesh	0.06
Jammu & Kashmir	0.18
Jharkhand	0.47
Karnataka	1.63

Kerala	0.76
Madhya Pradesh	1.29
Maharashtra	3.72
Manipur	0.05
Meghalaya	0.04
Mizoram	0.04
Nagaland	0.03
Orissa	0.50
Punjab	0.69
Rajasthan	1.00
Sikkim	0.01
Tamil Nadu	2.82
Tripura	0.06
Uttaranchal	0.18
Uttar Pradesh	2.38
West Bengal	2.04
A & N Islands	0.01
Chandigarh	0.08
Dadra & Nagar Haveli	0.01
Daman & Diu	0.01
Delhi	1.13
Lakshadweep	0.00
Pondicherry	0.06
All India	24.71

Reasons for variation in estimates of housing shortages vis-à-vis the 10th plan Working Group:

- The results of Census of India, 2001 relating to the housing and housing amenities were not available at the time the estimates of housing shortages were being worked out by the 10th Plan Working Group on Urban Housing. Understandably, therefore, the latter had arrived at the projections by utilizing the data from the Census of India for the period 1961-1991.
- The estimates for housing parameters for the period 2002-2007 i.e. 10th plan period arrived at by utilizing the data pertaining the earlier decades i.e. 1961-1991 are statistically not acceptable.
- In the present case, the more recent information available from Population Census as well as NSS has been used in projecting the housing scenario.

- Greater weightage has been given to the trend observed during 1991-2001 rather than to that of the earlier decades.
- Information on socio economic characteristics of households living in different types of houses available from NSS has been utilized in understanding the trends as also in projecting these into future.
- A different methodology and data set have been adopted to arrive at the estimation of congestions in the households.
- The 10th Plan Working Group had defined the concept of congestion and obsolescence in a limited manner which does not capture the reality on the ground.
- In the present case, an attempt has been made to define the concepts in a socially and empirically satisfactory manner by taking into consideration the housing situations as reflected through the latest publications of national level statistical agencies.
- While arriving at the total requirement of dwelling units at the beginning of the 10th plan period, a very important factor i.e. increase in the number of households was left outside the purview of the calculations.
- In the present exercise, this has been taken into account to project the total requirement of dwelling units at the end of the 11th plan period.

**Conclusions:**

The following conclusions have been made by the Technical Group:

1. That the housing shortage as on 2007 is 24.71 million and the total requirement of housing during the 11th Five Year Plan period (2007-2012) will be 26.53 million.

2. Due to time constraint, the Group could not delve upon the issues relating to the finances available to households and its repayment capacity of the housing loans which also affects the affordability of the better housing units by the households.
3. That a detailed study be given to NBO to study the requirements of housing, both in rural and urban India, which may take into account various other issues which may be identified crucial for the study.
4. That the NBO needs to be strengthened suitably, both by manpower and machines, for better coordination between the Central and State Govt. Organisations engaged in collection and dissemination of housing statistics. The technical manpower may be outsourced from open market as suggested by Deptt. Of Expenditure, Min. of Finance in its restructuring of NBO.
5. NBO also needs to be strengthened to discharge its duties as the nodal organization in the field of Housing Statistics to meet the requirements of planners and policy framers by means of creating a national resource and warehousing centre in housing statistics.

**The definitions adopted by the Technical Group:**

Household: A group of persons normally living together and taking food from a common kitchen constituted a household. The members of a household might or might not be related by blood to one another.

Dwelling Unit: A accommodation availed of by a household for its residential purposes. It might be entire structure or a part thereof or consist of more than one structure.

**Pucca:** A structure whose walls and roof were made of pucca material such as cement, concrete, oven burnt bricks, hollow cement/ash bricks, stone, stone blocks, metals, asbestos cement, wood, plywood etc.

**Katcha structure:** The structure whose wall and roof, both, are made of non pucca material.

**Unserviceable Katcha:** Unserviceable katcha structure is the structure with thatched walls and thatched roof.

**Serviceable Katcha:** A katcha structure other than the unserviceable katcha is serviceable katcha.

**Semi-pucca:** A structure which could not be classified as a pucca or a katcha structure as per definition is semi-pucca. Such structure had either the wall or the roof, but not both, made of pucca material.

**Living Room:** A room with floor area of at least 4 square metre, a height of at least 2 metres from the floor to the highest point in the ceiling and used for the living purpose. A bedroom, sitting room, prayer room, dinning room, servant room meeting the size criterion, are considered as living room. A room used in common for living purpose and as kitchen or store was also considered as living room.

**Obsolescence factor:** Percentage of households living in the dwelling units having age 40-80 years and are in bad condition and percentage of households living in all structures aged 80+ years, irrespective of condition of structure, taken together is taken as obsolescence factor for the purpose of the report.

The Ninth Plan Working Group on Urban Housing had adopted the obsolescence factor as “percentage of households living in 80+ years old dwelling units”

**Congestion factor:** Percentage of households in which atleast one couple is not having a separate room to live in. This includes the households in which couples are sharing the room with 10+ age member of the household.

The Ninth Plan Working Group on Urban Housing had adopted the factor as “percentage of married couples require separate room/house”.

**Couple:** All married couples in a households irrespective of their ages. A man with two wives in a household constituted two married couples. But a woman with two husbands in a household formed a single couple.

### **3.3 INVESTMENT REQUIRED**

#### **Investment requirements for XI Plan**

For estimating the investment requirements for XI Plan, we have made different **assumptions** on unit cost of construction of houses **in million plus cities and other urban areas**. The details of unit cost of houses for different categories of housing and the investment requirement are discussed in the following sub-sections.

#### **Apportioning of requirement among different income groups:**

The construction of semi-pucca houses during the plan period has been assumed to be in the EWS category. The maximum requirement for new pucca construction has been assumed to be for the EWS and LIG categories constituting 81 percent of the new housing requirement, **which also include the additional housing shortage of 1.82 million during the 11<sup>th</sup> plan period**, whereas MIG and HIG categories would account for the rest 19 percent. The distribution of the housing requirement adopted for estimating the investment needs is as in the given Table.

<b>Income wise distribution of Housing Requirement</b>			
(in millions)			
<b>Sl No.</b>	<b>Category</b>	<b>Basis of Assumption</b>	<b>Total Housing Units</b>
1	Pucca Housing		<b>6.00</b>
	(a) EWS	EWS New - 43% of Pucca	2.58
	(i) Shelter upgration	12.5% EWS New	0.32
	(ii) Sites & Services	12.5% EWS New	0.32
	(iii) Skeletal Housing	25% EWS New	0.64
	(iv) Plotted Housing	50% EWS New	1.29
	(b) LIG	LIG New - 38% of Pucca	2.28
	(c) MIG	MIG New - 11% of Pucca	0.66
	(d) HIG	HIG New - 8% of Pucca	0.48
2	Semi-Pucca upgradation	EWS	<b>0.89</b>
3	Kutcha upgradation	EWS	<b>0.38</b>
<b>TOTAL NEW HOUSING (1+2+3)</b>			<b>7.27</b>

**(i) Unit cost of houses in urban areas.**

For calculating the cost of housing units, the costs have been assumed as per expected market prices in the million plus metropolitan cities at the beginning of the plan period. The cost of construction in million plus metropolitan cities has been assumed to be 25 percent more than the cost of the unit in other urban areas. The unit cost adopted for the million plus metro cities is tabulated in given table. The market prices of basic building materials have been on the increase during the post-recession period including the past year and the current fiscal year. The unit cost of

Dwelling Units has been taken as per the adopted norms by Xth plan document plus increasing building construction costs index (as per CIDC data) approximately to increase in cost of Dwelling Units.

<b>Unit costs of Construction adopted for Million-plus Metropolitan cities</b>			
<b>Category</b>	<b>Basis of Assumption</b>	<b>Unit Cost in Rs./Hsg Unit</b>	
EWS			
1	Housing for Shelterless	78% of EWS(P)	97,500
2	Shelter Upgradation	35% of EWS(P)	43,750
3	Serviced sites + Cash Loan	57% of EWS(P)	71,250
4	Complete EWS	EWS(P)	1,25,000
	LIG	LIG(P)	2,00,000
	MIG	MIG(P)	1,207,000
	HIG	HIG(P)	1,810,500
	Cost of upgradation of kutchra to semipucca	35% of EWS(P)	43,750
	Cost of upgradation of semipucca to pucca	50% of EWS(P)	62,500
	Cost of adding additional room relieving congestion	40% of EWS(P)	50,000
	Cost of repairs/renewal or obsolete houses.	75% of EWS(P)	93,750

The unit cost in million plus metros has been taken as equivalent to Rs.1,25,000 for EWS and Rs.2,00,000 for LIG.

## **(ii) Investment Requirement for Urban Housing**

Based on the projections and the estimated unit costs, the investment requirement to cover the shortage at the beginning of the XI Plan is given in Table. The total requirement of funds for meeting the housing shortage at the beginning of the XI Plan (i.e. 2007) works out to be **Rs. 147195.0 crores.**

### Investment required to cover Housing Shortage at the beginning of XI Plan

(Hsg units in millions)								
Category	Total Hsg Units	Other Urban Areas (62.2%)			Million Plus Metro (37.8%)			Grand Total of Fund Requirement (Rs. Millions)
		Hsg Units	Unit Cost in Rs./Hsg Unit	Total Inv. (Rs. Million)	Hsg Units	Unit Cost in Rs./Hsg Unit	Total Inv. (Rs.)	
Housing for the shelterless households	7.47	4.65	78,000	362700	2.82	97,500	274950	637650
Relieving Congestion	12.67	7.88	40000	315200	4.79	50,000	239500	554700
Upgradation of Kutcha	2.18	1.36	35,000	47600	0.82	43,750	35875	83475
Replacement of Obsolete houses	2.39	1.49	75,000	111,750	0.90	93,750	84,375	196125
<b>Total</b>	<b>24.71</b>	<b>15.37</b>		<b>565539</b>	<b>9.34</b>		<b>429610</b>	<b>1471950</b>

The fund required for meeting the additional (New) housing units during the XI plan period is estimated in Table

Investment Required to cover Housing Requirements at the beginning of the Xith Plan								
(Hsg. Units in millions)								
Category	Total hsg units	Other urban areas (62.2%)			Million plus Metro (37.8%)			Grand Total Fund requirement
EWS		Hsg units	Unit Cost	Total investment	Hsg units	Unit Cost	Total investment	
Shelter Upgradation	0.32	0.20	78000	15600	0.12	97,500	11700	27300
Sites & Services	0.32	0.20	35000	7000	0.12	43750	5250	12250
Skeletal Housing	0.64	0.40	57000	22800	0.24	71250	17100	39900
Plotted Housing	1.29	0.80	100000	80000	0.49	125000	61250	141250
LIG	2.28	1.42	160000	227200	0.86	200000	172000	399200
MIG	0.66	0.41	965600	395896	0.25	1207000	301750	697646

HIG	0.48	0.30	1448400	434520	0.18	1810500	325890	760410
Semi-Pucca upgradation	0.89	0.55	50000	27500	0.34	62500	21250	48750
Kutchha upgradation	0.38	0.24	35000	8400	0.14	43750	6125	14525
Total new housing	7.26	4.52			2.74			2141231

As can be seen from Table, the investment requirement for new additional urban housing alone during the XIth Plan period including the pucca, the upgradation of semi-pucca and kutchha housing units is Rs.214123.1 crores.

The total fund requirement in the urban housing sector for the XIth Plan period is estimated to be Rs.361318.1 crores. The summary of investment requirements for XI Plan period is indicated below

Scenario	Investment Requirement (in Rs. crores)
Housing Shortage at the beginning of XI Plan Period	147195.0
New additions to the housing stock during the XI Plan Period including the additional housing shortage during the plan period.	214123.1
Total Housing Requirement for the XI Plan Period	<b>361318.1</b>

The estimation of housing shortage has been done by the Technical Group set up by the Ministry of Housing & Urban Poverty Alleviation, Govt. of India. The total investment requirement would be in the order of Rs. 361318.1 crores consisting of Rs. 147195.0 crores required for mitigating housing shortage at the beginning of the XI plan and Rs. 214123.1 crores for new additions during the XI Plan period.

### 3.4 FLOW OF FUNDS FOR HOUSING FROM FORMAL SECTOR INSTITUTIONS

This chapter examines the flow of funds for housing sector during the X plan period and estimates the expected flow of funds to the urban housing sector from the formal sector institutions for the XI plan period. The chapter also describes FDI in housing, avenues of resource mobilisation, credit deployment for housing and related activities, promotion of public private partnership in housing, strengthening housing co-operatives, setting up of risk fund, involvement of SHGs, NGOs and MFIs and role of state and local governments.

#### Flow of Funds during Xth Plan

During the 10<sup>th</sup> Plan period, the total urban housing requirement was 22.44 million units for which the investment requirement was more than Rs. 4.27 lakh crores. Of this total fund requirement more than 50% was the expected contribution from the formal sector institutions including banks, housing finance companies, other financial institutions and budgetary allocations.

From the available data it is observed that the banks, housing finance companies, and cooperative sector institutions had disbursed an amount of Rs. 1.73 lakh crores during the period 2002-05. It is expected that these primary lending institutions will provide a further amount of Rs. 1.90 lakh crores during 2005-07 (assuming the same rate of growth as of the last few years). Accordingly, it is expected that the overall contribution of these three institutions i.e. banks, HFCs and cooperative sector institutions, would be around Rs. 3.60 lakh crores during the 10<sup>th</sup> plan period 2002-07 as shown in Table given below:

#### LOAN DISBURSEMENT DURING Xth PLAN

Institutions	Total Housing Loan Disbursements (Rs. in crore)				
	2002-03	2003-04	2004-05	2005-06 (P)	2006-07(P)
Commercial Banks	23,553	32,816	50,398	60,000	67,000
HFCs	17,832	20,862	26,000	29,500	32,500
Co-op.	642	623	421	500	500

<b>Institutions</b>					
<b>Total</b>	<b>42,027</b>	<b>45,301</b>	<b>76,819</b>	<b>90,000</b>	<b>1,00,000</b>

From the various indicative reports like flow of credit for rural housing under various ongoing schemes like Golden Jubilee Rural Housing Finance Scheme, it is observed that approx. 15% of the above mentioned institutional credit is flowing towards rural housing. Therefore, it is estimated that about Rs.3.0 lakh crores of institutional credit would be flowing towards urban housing during the 10<sup>th</sup> Plan period i.e. 2002-07.

### **Expected flow of credit during 11<sup>th</sup> Plan 2007-12**

As per the estimates the urban housing shortage at the beginning of the 11<sup>th</sup> Plan period is 24.71 million units. In addition to this, it is expected that 7.27 million units will be constructed during the plan period. The total funds required to meet the total construction of the dwelling units during the 11<sup>th</sup> Plan period will be around Rs. 3.61 lakh crores.

In view of the current economic and monetary scenario it is expected that the housing finance disbursements by banks, HFCs and cooperative sector institutions would grow at a rate of about 15% per annum during the 11<sup>th</sup> plan period. Taking this into account, it is estimated that the flow of credit disbursement from these institutions would be about 7.75 lakh crores (gross flow of funds) during 2007-12 as shown in Table below. Assuming the flow of credit to increase to 25% for rural housing during 11<sup>th</sup> plan period, it is estimated that about Rs. 5.80 lakh crores would be the credit flow towards urban housing.

It may be pointed out that these projected fund flow figures include multiple counting and resale of properties, in the sense that cross-funding/ bulk borrowing is involved among the various institutions. It is therefore, assumed that the net flow of funds to the housing sector from formal sector institutions would be 50% of the gross flow of funds, for construction of new houses, given in the Table. This comes to approximately Rs.2.90 lakh crores, which is 80% of the total investment requirements for urban housing for the 11<sup>th</sup> Plan.

## EXPECTED FLOW OF FUNDS

Institutions	Expected Total Housing Loan Disbursements (Rs. in crore)				
	2007-08	2008-09	2009-10	2010-11	20011-12
Commercial Banks	77,000	88,000	102,000	117,000	135,000
HFCs	37,500	43,500	49,500	57,500	66,500
Co-op. Institutions	500	500	500	500	500
Gross Flow of Fund Total Housing	115,000	132,000	152,000	175,000	201,000
Gross Fund Flow for Urban Housing	86,250	99,000	114,000	131,250	150,750
Net Fund Flow for Urban Housing (50% of Gross Urban Housing)	43,125	49,500	57,000	65,625	75,375
Net Fund Flow for Urban Housing for the 11 <sup>th</sup> Plan period	<b>2,90,625</b>				

### FDI in Housing

Govt. of India has permitted 100% FDI for development of township including housing, built up infrastructure and construction development projects, subject to minimum capitalisation, minimum land/built up area etc. However, to encourage FDI from more and more companies, there is a need to minimise the procedural delays in sanctions and approvals of the projects.

### Resource Mobilisation

The housing sector requires huge investment to tackle the housing shortage in the country over the next five years period upto 2012. Resources need to be mobilised through the domestic as well as the international markets. In order to do so, a multi-pronged strategy and multi institutional approach must be adopted to tap retail and bulk savings/surpluses from households, communities and institutions

including international market. In view of the long-term tenor of housing funds, it is imperative to build and sustain the confidence and interest of depositors and investors in the housing sector. This will provide stability to the housing finance system with core funding coming from household/community's savings.

### **3.5 LEGISLATIVE REFORMS AND FISCAL CONCESSIONS**

#### **Measures required to promote larger flow of funds:**

It is suggested that some corrective measures are required to promote larger flow of funds to accelerate supply of housing to a cross-section of households. These corrective measures cover three specific broad areas of action such as (1) Legislative and Regulatory Actions, (2) Expansion of Housing Finance and (3) Outreach Related actions.

#### **LEGISLATIVE AND REGULATORY ACTIONS**

There is a need to make investments in housing safe, liquid and attractive with reasonable returns. The investment in housing include a range of safety barriers covering implication of Rent Control Laws, Lease conditions, other regulations and bye-laws and tax provisions. The return on investment is currently significantly low as compared to market rate of return. Aimed at improved access to accommodation, efforts should be made to make sale and purchase of houses as liquid as sale and purchase of cars. Therefore, a range of legislative and regulatory actions are required which may inter-alia include:

- (a) Residential mobility is fairly low in India, particularly among low and middle income groups. In this regard, barriers in the frequent sale and purchase of house should be removed which require special attention towards rationalization of taxes and stamp duty. Fiscal impediments on investments should be removed. In this regard,

specific concessions and incentives should be given in the form of (a) rationalization of Stamp duty on housing transaction and registration through reduction to a reasonable level (b) exemption from capital gains tax on sale of house and (c) tax exemption for investments in housing.

- (b) Higher Returns in rental housing should be encouraged to avoid speculation and hoarding. There is also a need to leverage a large chunk of houses which are kept vacant by the house-owners due to various reasons. This will require couple of initiatives aimed at promoting rental housing which will take care of safety, liquidity on investments and assure good return.

### **Safety**

A range of actions are required to promote safety on investment in housing and minimize risk thereon:

- a) Re-possession of house on agreed date should be made mandatory without legal recourse. In this regard, Rent Control Act should be amended;
- b) Rental housing should be encouraged so as to meet housing needs of those who cannot currently afford a house at desirable location;
- c) Pre-approval and excessive regulations limit free competition in the market. Therefore, cumbersome regulatory procedures for housing should be made simple and user friendly.
- d) The projects which earn carbon credit should be encouraged and given fiscal incentives.

## **Liquidity**

A range of actions are required to improve liquidity in housing sector:

- (i) Depreciation allowance of 50% be allowed on investment made by employers in housing projects for employees.
- (ii) Tax at source from gross rental income be brought down from the present level of 15% to 7.5% in case of Individuals & HUF and from 20% to 10% in other cases.
- (iii) Deduction for irrecoverable rent accounted for in earlier years may be provided under Section 24 of the I.T Act.
- (iv) Lease conditions imposed by local bodies should be relaxed so that transfer of property be made easier.

## **Returns**

The actions required to ensure adequate return on investment in housing include :

- (i) Property tax rate should be the same irrespective of the use of property such as self occupied, rented or vacant. Rebate (vacancy remission) on vacant house should be withdrawn to discourage non-productive use of national assets.
- (ii) Rental income should be tax-free for atleast women, senior citizens and physically handicapped;
- (iii) Income from renting of properties should be taxed at flat rate of 10% for first five years in case of all new constructions, except for categories mentioned at point (ii) for which case it should be free.
- (iv) To improve effective rate of return from renting, deduction from rental income under Section 24 be increased from 30% to 50%.

## **EXPANSION OF HOUSING FINANCE**

Liquidity of housing finance with a particular reference to EWS, Low Income Group and Middle Income Group households has to be improved so that financial institutions are in a position to supply requisite funds. In this regard, Securitization, External Commercial Borrowings, FDI (Foreign Direct Investment) and creation of HIT (Housing Investment Trust), or REIT (Real Estate Investment Trust) and REMF (Real Estate Mutual Fund)etc. require special attention as follows:-

### **Development of Secondary Mortgage Market**

- (i) Recognizing the role of Securitization as a source of funding, initiatives for developing the secondary mortgage market have already been taken by the National Housing Bank (NHB). Further, necessary measures should be undertaken by NHB to strengthen and develop a sound and sustainable Secondary Mortgage Market. The Government should also provide a conducive and supportive fiscal and regulatory framework for banks and other participants to actively engage in Residential Mortgage Backed Securitization (RMBS) transactions.

### **Promotion of Foreign Direct Investment**

- (ii) Foreign Direct Investments, Investment from Non Resident Indians and Persons of Indian Origin should be encouraged in housing and real estate and infrastructure sectors with a level playing field between foreign investors/NRIs/PIOs and domestic investors. FIIIs may be allowed to invest in RMBS (Residential Mortgage Backed Securities) issues as this would connect the housing sector with the international capital market and would facilitate cross-border transactions. Special efforts are needed to simplify procedures pertaining to FDI to avoid delays.

### **External Commercial Borrowings**

- (iii) In view of the limited domestic institutional capacity to fund fully the investment requirements, HFCs may be allowed to raise External Commercial Borrowings (ECBs) from the international markets. This would enlarge resource base for housing sector as also bring in international stake holding.

### **Housing Investment Trusts**

- (iv) “Housing Investment Trusts (HIT)” may be allowed to be set up to serve as mutual fund for real estate development. It is well recognized that the HITs pool-in retail funds and allow individuals with small amounts of cash to take advantage of returns available from the buoyant housing and real estate market. Larger funds would thus become available for investment in housing related projects by the HITs.

### **Formation of Joint Venture**

- (v) All Financial Institutions shall be encouraged to fund joint ventures to augment supply of funds for development of housing. This would inter-alia result in easing of constraints on the supply side.

### **Real Estate Exchange**

- (vi) Real estate should be promoted for trading in derivatives and mutual funds.

### **Fiscal Incentives**

- (vii) Section 80C (xvi) (a) of Income Tax Act may be amended to permit benefit to all public companies in public or private sector. This will enable private sector HFCs to continue to attract households and community retail savings for investment in housing.

- (viii) To encourage primary lending institutions (PLIs) to enhance credit flow to poor/EWS in urban and slum settlements, Government may consider complete tax exemption of profit derived from the business of long term housing finance for the weaker segments of the population.

## **OUTREACH RELATED ACTIONS**

Outreach of formal housing finance is largely confined to middle and high income groups of households which also include a large number of borrowers for speculative demand. Although there is further scope for expansion of formal finance to middle and high income households, the requirements of EWS and LIG need special attention. Formal supply of housing needs to address this segment which is currently attended by Public Sector policies and programmes only. In this context, scope for real estate development on social housing with the involvement of all stakeholders is significantly wide. Specific actions in this regard should include :-

### **Supply of Serviced Land**

- (i) There is a need to facilitate supply of adequate serviced land at affordable prices and to encourage development ahead of demand, the Public-Private Participation should be encouraged by earmarking adequate area of development in advance, taking into account future growth of cities by adopting the town planning schemes as applied in Gujarat, Maharashtra, etc.

### **Housing Upgradation and Retrofitting**

- (ii) Special products need to be designed to extend loan finance for retrofitting and housing upgradation. A majority of backlog in the beginning of XI Plan period belong to the category which needs retrofitting and upgradation. The current flow of funds in this

activity is fairly small. Special schemes need to be devised for funding retrofitting and housing upgradation.

- (iii) Cost effective material for retrofitting and housing upgradation should be developed, taking into account the optimum use of local material.

### **Equitable Access to Housing Finance**

- (iv) There is a pressing need for improving the “availability” and “affordability” of housing loans for the home seekers in the EWS segment. A dedicated Fund called the ‘National Shelter Fund’ (NSF) with an initial contribution from the Government may be created under the aegis of NHB and HUDCO to provide financial support to primary lending institutions to address the housing requirement of the EWS. This will go a long way in meeting the housing needs of the poor/EWS segment of the population on an on-going basis.
- (v) A vast segment of the population in the urban areas is currently not being served by the formal credit institutions for the reason that they are perceived as higher risk. This segment accounts for a sizeable portion of housing shortage in the country. To enable the primary lending institutions (PLIs) to lend to these people, it is recommended to create a “Risk Fund” with an initial corpus of Rs 500 crore (to be contributed by the government) under the aegis of NHB and HUDCO. Modalities need to be worked out including suitable premium on credit risk insurance.
- (vi) The current method of credit appraisal does not make the segments of the vast population in the lower middle and low income population eligible for finance. There is a need to conduct pilot

projects on the financing and delivery model, so as to scale up successful attempts.

- (vii) Micro-financing especially for the poor residing in Urban Slums and Squatter Settlements should be encouraged. In this context, Micro-credit for housing should be given a 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 for formal sector lending.
- (viii) Micro-Finance Institutions (MFIs) may be promoted at State level to expedite the flow of formal finance to urban poor. In this regard, suitable mechanisms should be evolved to develop simplified norms for prudential rating and provide wholesale finance to MFIs.

#### **Partnerships for Housing Projects**

- (ix) Government may consider encouraging Public-Private Partnership (P-P-P) for undertaking Integrated Housing Projects. For Projects with provision of at least 10-15% of the land and 20-25% of the houses for economically weaker sections (EWS) and lower income groups (LIG) appropriate tax incentives may be considered to attract private sector participation.

#### **Strengthening of Housing Cooperatives**

- (x) Housing Cooperatives need to be strengthened by providing further incentives and also the provision should be made to include low income housing through cooperatives in a suitable manner taking into account affordability and equity.

## **EMERGING INNOVATIONS**

### **Special Economic Zone (SEZ)**

- (xi) Scope for housing as integrated residential complex within SEZ and nearby suburban areas should be fully explored and planned to meet the housing requirements of households connected to various activities of SEZ.

### **Additional FSI**

- (xii) Pooling of land with provision for additional FSI for high rise developments in core city area at major cities should be incentivised through specific schemes and programmes to be taken up as part of urban renewal strategy.
- (xiii) Cities are Centres of economic activity and engines of economic growth. Therefore, commercial and economic activities such as malls, industrial estates, mixed land use, etc. should be an integral part of housing development in a city.

### **Urban Extension**

- (xiv) Urban Extensions should be developed among larger cities in a planned manner giving suitable provision of housing and related activities.
- (xv) Expansion of city limits should be based on long term requirements of land. There is no dearth of land and proper planning and smooth acquisition process is needed. By the year 2050, only 3.5% of land area would be needed to accommodate entire urban population.

### **Additional Space for Non-residential Activity**

- (xvi) Adequate supply of non-residential space among residential clusters should be ensured to minimize the conversion of

residential use into commercial and income generating activities. It will have negative or artificial scarcity and speculative prices.

The initiatives as above will go a long way to liberate housing market from speculative demand and increase supply for genuine buyers and tenants. At the same time, availability of funds for investments including retrofitting and upgradation shall also increase.

### **3.6 Mechanism for data collection/collation/maintenance for housing and role of National Buildings Organisation (NBO).**

The National Buildings Organisation was established by the Government of India in 1954 as an attached office under the control of the then Ministry of Urban Development for technology transfer and experimentation and dissemination of housing statistics. The Government examined the need for restructuring the organization in the context of the long term policy of technology transfer within the framework of National Housing Policy and the increased need of the information system for Housing Policy. It was observed that the functions of NBO in the technology side were required to be transferred to a more flexible and autonomous institution, while NBO's socio-economic and statistical functions needed to be emphasized and expanded.

In view of above and having regard to the requirements under National Housing Policy to strengthen the Management Information System (MIS) and various other socio-economic and statistical functions connected with housing and building activities, the National Buildings Organization was restructured with effect from 25<sup>th</sup> August, 1992 and then again restructured in March 2006.

The major functions of the restructured NBO are as follows:-

- (a) To collect, collate, validate, analyse, disseminate and publish the housing and building construction statistics.
- (b) To organize training programmes for the officers and staff of the State Govts. engaged in collection and dissemination of housing and building construction statistics.
- (c) To create and manage a documentation centre relating to housing, poverty, slums and infrastructure related statistics.
- (d) To coordinate with all the State Govts./ Research Institutions/ UNCHS/ International Bodies etc.
- (e) To conduct regular short-term sample surveys in various pockets o the country.
- (f) To undertake special Socio-Economic studies evaluating the impact of the plans, policies and programmes in the filed of housing and infrastructure.

NBO is the only organization in the Government of India which is responsible for developing an authentic and reliable database on housing and building statistics. The statistics collected and disseminated by NBO is not only used in policy formulation but is also used by various research organizations in the filed of housing. The information disseminated by NBO is also used and taken by international agencies as the authentic official statistics.

NBO being the nodal agency in respect of housing statistics at the central level not only coordinates with State Governments but also guides the State.

It is also proposed to make NBO, the hub of all the statistical information relating to Urban Development, housing, slums, urban poverty and the development in the urban sector due to implementation of JNNURM. The data relating to all these sectors, will

flow to NBO directly and will work as the resource centre for the data users, planners, policy makers and the stakeholders.

The Ministry of Housing and Urban Poverty Allevation, on the recommendations of National Statistical Commission constituted a Technical Advisory Committee (TAC) on Construction Statistics under the Chairmanship of Addl. Director General, National Accounts Division, CSO with a view to review:

- i) The current status of construction statistics, identifying data gaps in relation with the requirements of National Accounts,
- ii) Conceptual issues, methodological problems and organizational difficulties in collection of current building construction statistics.
- iii) Viable system of regular collection and compilation of current building construction statistics including review of the existing schedules and annexure.

TAC submitted report to the Government of India in June 2006. The TAC reviewed the present system of data collection on construction statistics both from public and private sector including the data collection on number of building permits issued and completion certificates issued and suggested various measures not only to streamline but also to strengthen the data collection system and data delivery system to the planners and policy makers without time lag.

As per the recommendations of the TAC and the advise of the Deptt. of Expenditure in the Ministry of Finance on restructuring of NBO, some of the activities have already been outsourced, the training of the state govt. officials who are engaged in data collection are being organized on regular basis. During the year 2006-07, so far 3 training camps have been organized in the states of Nagaland, Pondicherry and Goa. It is also expected to organize one more training camp in the State of Bihar in the month of January, 2007. Efforts are also being made to make the public aware through electronic

and print media about the importance of housing and building construction statistics being collected by NBO.

It is also planned to improve the capacity building of the State Dtes. Of Economics and Statistics by linking all the State Dtes. Of Economics and Statistics and Municipalities with the NBO so that the data could be transmitted to NBO server without time lag and to make efficient and successful, the need to develop the customized software at both the ends is necessary. **It is estimated that the total expected expenditure involved in the exercise for the period 2007-2012 will be 75 crores.**

The annual activities of NBO are included in the Annual Report of the Ministry of Urban Employment & Poverty Alleviation.