Disparate housing strategies and practices of public and private enterprises in India: Analysis of middle class housing and new towns

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ABSTRACT

This paper focuses on housing provision in the context of Indian New Town policy (with special emphasis on new towns such as Rajarhat and Navi Mumbai) and the upsurge of the middle-income group (MIG) and its access to housing. It argues that alternative schemes for housing the growing middle income population should be promoted and—if planned inclusively—new towns can contribute to solving the housing crisis. New policies for housing the middle income groups (such as "Pradhan Mantry Awas Yojna") are unlikely to affect MIG housing, as in spite of the subsidies offered, the market price of housing stock continues to be beyond the reach of the MIG. Unless policy measures to boost the housing stock for MIG is formulated while controlling the pricing and incentivising the developers, it is unlikely that gaps in terms of demand would reduce substantially.

1. Introduction

The post 1990s period is marked by a housing revolution, owing to the liberal approach of Indian governments towards the economy and the housing demands of the expanding middle income group (MIG). Much of this demand is attributed to factors like a rise in urban immigration, disintegration of the joint family structure, congested living conditions and higher expectation of the new middle class. The incapacity of the government to provide adequate living spaces for the increased urban population has led to the breakdown of infrastructure and crowding within cities.

A persistent gap between supply and demand for housing is evident in the steady growth of informal settlements in Indian cities. The slum population rose to 93 million in 2011 (from 75 million in 2001), a clear demonstration that. Indian urbanization is associated with a housing crisis and poverty. Presently, the urban housing shortage is around 20 million dwellings (Government of India, 2012) and it mainly affects the lower income group (LIG) and economically weaker section (EWS) of the growing urban population. As per Census 2011, the total number of houses in the urban areas was around 112 million, of which around 12 million were unused. The total residential housing stock was around 79 million (including purely residential and residential-cum-commercial: Census 2011).

From 2001 to 2011, the number of homes went up by around 81 million, yet this could not diminish the housing crisis. It has been observed that private builders are more inclined towards serving the market-based demands for housing, mainly catering to the UMIG and HIG demands than the needs of the LIG and EWS. Therefore, housing in urban areas remains a major challenge for the government, and, of course, for consumers.

The economic reform of the country after 1990 period marked the onset of the UMIG owing to the better paid jobs in the emerging service sector. Simultaneously with the onset of economic liberalization policies, the Indian market was flooded with newly available consumer items. The steady growth of income and credit-based consumption patterns augmented mass consumption among the MIG, who had previously been constrained by incomes and savings. As such, the market forces were transformed and the focus shifted from the luxury-based items serving the high-income groups, to that of affordable goods for the MIG population. The housing market, following a similar trend, also underwent transformation.

In this paper, we focus our attention on the housing issue of the MIG, in the context of two major cities of India, Mumbai and Kolkata. Both have continued to play the role of economic magnets, in the western and eastern parts of the country respectively. They have their long colonial histories and a massive pull factor has led to tremendous population growth in both cities. The demand for housing has continued to exert pressure on the city structures and the infrastructural arrangements have been compromised. In order to relieve this excessive pressure, decongestion of the cities was undertaken through the building of new towns, including Navi Mumbai and Rajarhat. Of the many objectives discussed, one was to solve the housing crisis. In this paper, we attempt to assess the role of Navi Mumbai and Rajarhat in solving the specific problem of housing in Mumbai and Kolkata. Fig. 1
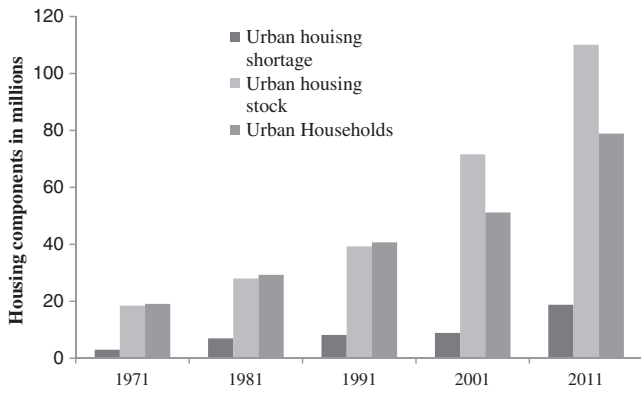
Fig. 1. Urban housing scenario in India.
Source adapted from (Tiwari & Rao, 2016).

shows the urban housing scenario of India.

2. Methodology

The paper illustrates its arguments through various case studies. Initially, an overview of the housing scenario in India has been presented. The housing issue is classified into policy driven and market driven scenarios. Policy driven housing caters to the needs of the LIG and EWS in the form of 'affordable housing'. The market driven housing caters to the demands of the HIG. This study focuses on the MIG and their related housing issues. Further, the study focuses upon the role of new towns in ameliorating the housing crisis, with special reference to the selected case studies of Navi Mumbai and Rajarhat. Fig. 2 illustrates the methodology in detail.

3. Housing scenarios in India

"*Provision of affordable housing has emerged as a primary concern for the Indian government to deal with the issues related to overpricing of housing stocks and lack of housing for middle and lower income groups including the economically weaker sections.*"

(Bardhan, Sarkar, Jana, & Velaga, 2015)

The rise in house prices and less favourable access to loans have

driven the poor to informal settlements. There have been mixed attempts by government to solve the housing shortage. In the early periods (1960–80s), full attention was given to house construction and slum improvement, while the 1990s was slack. The construction process again gained momentum from the mid-2000s when the focus was once more on house construction. 'Valmiki Ambedkar Awas Yojna' (VAMBAY) was launched in 2001 to improve the condition of urban slum dwellers through construction and upgradation of dwelling units and provision of community toilets. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) that ran from 2005 to 2014 had elements of housing provision added under Basic Services for Urban Poor (BUSP). Another similar programme was Integrated Housing and Slum Development Plan (IHSDP), launched in 2005, aimed at combining the objectives of VAMBAY and National Slum Development Programme (NSDP). However, the performance of these projects is unimpressive. In 2012, 'Rajiv Awas Yojna' (RAY) was launched with the objectives of (1) bringing existing slums within the formal system and enabling them to obtain the same level of basic amenities, 2) redressing the failures of the formal system that lie behind the creation of slums; and (3) tackling the shortage of urban land that keeps shelter out of the reach of the urban poor and forces them to resort to extra-legal solutions in a bid to retain their sources of livelihood and employment.

The most recent scheme launched by the government is 'Pradhan Manti Awas Yojna' (PMAY) better known as 'Housing for All 2022'. It aims to create about twenty million housing units for rehabilitation, promotion of subsidized affordable housing for the weaker section, affordable housing based on public private partnerships and subsidized beneficiary-led individual house construction. Around 82,000 houses have been created through March 2017 and around 62,000 have been occupied. Most of these dwellings have been constructed in Gujarat, Karnataka, Tamil Nadu and Maharashtra.

The easy availability of loans for those working in the organized sector, relaxed taxation norms and easy flow of money through foreign direct investments (FDI) in the post-liberalization period contributed to the growth of the housing sector. According to Nijman (2006), "Prior to about 1990, the housing finance industry in India was virtually nonexistent. It started slowly in the early 1990s, accelerated a bit around 1996 and then took off rapidly near the end of the decade." Similarly, in a study on the Indian housing market (Singh, Kumar, & Prasad, 2014), it has been shown that the housing loans by the Scheduled Commercial
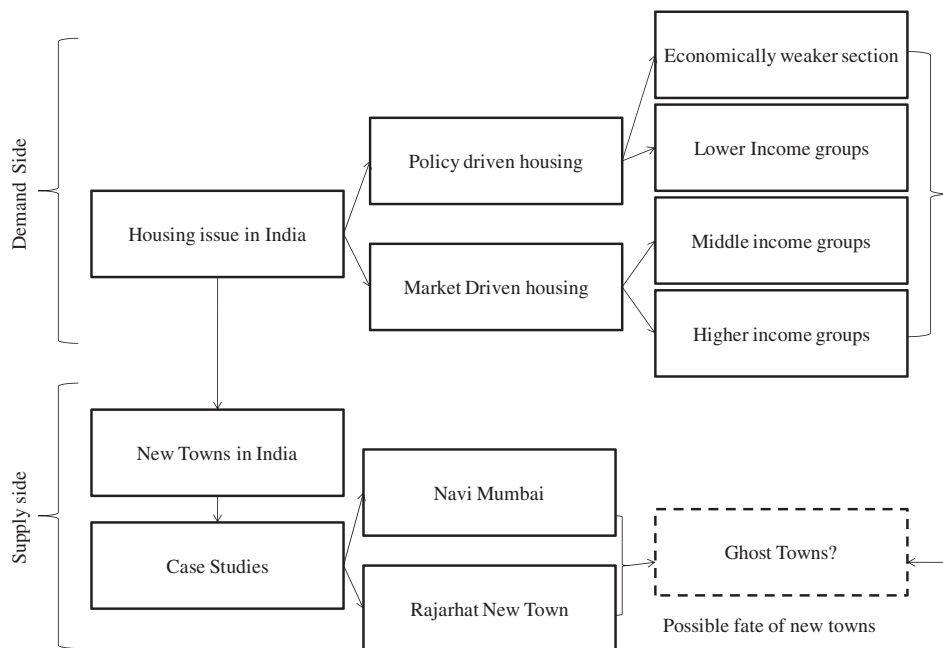

Fig. 2. Methodology.