



FINAL REPORT

AFFORDABLE HOUSING SECTOR IN INDIA

Prepared for: DEPARTMENT FOR INTERNATIONAL DEVELOPMENT



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ABBREVIATIONS

Gol	Government of India	SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
HFCs	Housing Finance Companies	SCB	Scheduled Commercial Banks
NABARD	National Bank for Agriculture and Rural Development	PSB	Public Sector Banks
NBFC	Non-Banking Financial Company	AHFC's	Affordable Housing Finance Companies
PSU	Public Sector Unit/Undertaking	y-o-y	Year-on-Year
IFC	International Finance Corporation	C.B.	Cantonment Board/Cantonment
CBD	Central Business District	G.P.	Gram Panchayat
CDP	City Development Plan	M.	Municipality
DP	Development Plan	M.B.	Municipal Board
HH's	House Hold's	M.C.	Municipal Committee
GNPA	Gross Non-Performing Assets	M.Cl.	Municipal Council
IT	Information and Technology	M.Corp.	Municipal Corporation/Corporation
ITES	Information & Technology Enabled Services	N.A.	Notified Area
KPO	Knowledge Process Outsourcing	N.A.C.	Notified Area Committee/Notified Council
EWS	<i>Economically Weaker Section</i>	N.P.	Nagar Panchyat
LIG	<i>Low Income Group</i>	N.T.	Notified Town
MIG	Middle Income Group	C.T.	Census Town
UMIG	Upper Middle-Income Group	U.A.	Urban Agglomeration
HIG	Higher Income Group	O.G.	Outgrowth
PBD	Peripheral Business District	IRR	Internal Rate of Return
SBD	Suburban Business District	No's	Numbers
SEZ	Special Economic Zone	INR./sq.ft.	Rupees per Square Feet
BUA	Built Up Area	Sq.ft.	Square Feet
COC	Cost of Construction	Sq.m.	Square Meter
FSI	Floor Space Index		

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INTRODUCTION

Department for International Development (DFID), is a United Kingdom government department responsible for administering overseas aid to promote sustainable development and eliminate world poverty. DFID's main programme areas of work are Education, Health, Social Services, Water Supply and Sanitation, Government and Civil Society, Economic Sector (including Infrastructure, Production Sectors and Developing Planning), Environment Protection, Research, and Humanitarian Assistance.

Affordable housing is a major area which offers DFID scope to make interventions to correct the demand-supply asymmetry in the low-cost housing finance market in India. The possible scope for intervention arises due to the following

- Nearly 85 percent of the demand for housing in India is from the EWS – Economically Weaker Section and LIG – Low Income Group segment of the population.
- Housing Finance companies and Scheduled Commercial Banks are not focusing on this sector, owing to high cost of operations as well as higher chance of loan defaults.
- Regulations in few states forbid Housing finance companies to provide loans to slum households.

In order to understand the possible intervention areas in the field of low-cost housing aimed at EWS – Economically Weaker Sections and LIG– Low Income Group segments of the Indian population, DFID has engaged Knight Frank India Pvt. Ltd, to undertake a research study on state of the Affordable Housing sector in India.

This research report on “**Affordable Housing Sector in India**” provides a detailed understanding of the demand for affordable housing, the state of the affordable, various stakeholders involved and the prevalent regulatory scenario in the low-cost affordable housing sector in India.

EXECUTIVE SUMMARY

Despite being one of the fastest growing economies in the world, a significant majority of households in urban as well as rural India are devoid of adequate housing. The Ministry of Housing and Urban Poverty Alleviation had estimated an urban housing shortage of 18.78 million units in 2012, which stood revised at 10 million in the year 2017. Although 95 percent of the urban housing shortage is primarily driven by EWS (Economically Weaker Sections) and LIG (Low Income Group) segments, most of the capacity addition has been going on in the segments beyond the reach of EWS and LIG customers. This ever increasing gap between demand and supply in the affordable housing segment is forcing people to live in slums and informal settlements in urban areas without proper civic amenities and facilities. It is evident that the issue, if not dealt with effectively, will have negative impact on the country's economic growth and poverty reduction efforts.

In this regard, the research study "Affordable Housing Sector in India" is an effort to understand the state of low-cost affordable housing sector in India and seven focus states (Uttar Pradesh, Madhya Pradesh, Jharkhand, West Bengal, Chhattisgarh and Rajasthan). The study has made special focus in analysing factors driving demand for low cost housing such as growth of population, growing urbanisation, proliferation of slums, demand supply scenario, housing gap and impact, state of the low cost affordable housing finance market & addressable opportunity, various measures undertaken by the government through policy and its impact so as to ascertain the possible interventions that are required to be undertaken to bridge the demand-supply gap and improve the accessibility of the EWS and LIG sector towards dignified housing.

Growth of Population, Urbanisation and Impact

The growth of population with rising levels of urbanisation in India has resulted in increasing pressure on the housing sector as well as the basic urban infrastructure and services provided in the cities. Apart from organic growth of the urban population, employment-based migration appears to be the biggest driver for urbanisation. As a result, Urban population in India is expected to grow from the current 31 percent to 53 percent by 2050. Displacement of labour force from the rural economy and their absorption in manufacturing and other labour-intensive sectors in cities has created serious stress on the urban infrastructure. The capacity of the cities and towns to assimilate the migrants by providing employment, access to land, basic amenities etc. has remained limited and not expanded in line with the demand.

This has led to emergence of slums or squatter settlements in urban locations with poor housing conditions and lack of civic amenities. The slum population in India has increased from 52 million in 2001 to 65 million in 2011. Data from Census 2011 suggests that nearly 18 per cent of India's urban population live in slums or squatter settlements due to the non-availability of decent affordable housing in urban areas. Unavailability of urban land for affordable housing, difficulty of the slum dweller to access formal financing due to lack of credit history as well as informal employment, ineffective implementation of government policies and schemes, hesitance on part of beneficiary for slum relocation due to socio-economic considerations, lack of incentives to developers to participate

in affordable housing are some of the reasons for proliferation of slum settlements. Over the years, the percentage of slum population as a share of state population has grown in most states under the focus of the study. Three of the focus states under study coverage i.e. West Bengal, Uttar Pradesh and Madhya Pradesh account for ~28 percent of the total slum population of the country.

Substantial housing shortage looms in urban India and a wide gap exists between the demand and supply of low-cost affordable housing, both in terms of quantity and quality. Available data suggests that the gap of low-cost housing in states is positively correlated with the amount of informal employment and the net migration in the state. Amongst existing housing stock in the country, approximately 45 percent of the units needs immediate repair or reconstruction.

Despite huge gap in low cost affordable housing, the real estate developers and private players tend to focus on middle income and high-income segments due to higher returns, which are generally difficult to achieve in an extremely price conscious low-cost affordable housing segment. In addition, issues relating to high land costs, land use regulations, building height restrictions, delays in project approvals, increasing raw material costs and lower profit margins have made low cost housing projects less attractive for developers, private realty investors and real estate funds.

Policy Intervention by Government & Impact

In order to bridge this demand – supply gap in the low-cost affordable housing segment in India, the central as well as the state governments have enacted various policies and taken initiatives to provide a boost to affordable housing in India. The central government has launched PMAY -Pradhan Mantri Awas Yojana, which subsumes all earlier applicable government affordable housing schemes and aims to provide “Housing for All” families by 2022. The scheme which has been channelized through four separate components – (Insitu slum redevelopment, Affordable Housing in Partnership, Beneficiary led construction and credit linked subsidy scheme) has seen good outreach as well as traction in terms of growth in the supply of low-cost homes, but the results on the ground in terms of construction and delivery of completed houses are behind schedule. The following demonstrates this amply where it indicates huge gap in terms of central assistance sanctioned & released as well as number of houses sanctioned for construction & houses completed/occupied.

Performance of PMAY – Urban (Houses Sanctioned vs. Delivery)	
Numbers of Project proposals considered	17,113
Central assistance sanctioned (in INR Cr.)	1,30,293
Assistance released (in INR Cr.)	51,550
Number of Houses sanctioned	83,68,861
Number of Houses Grounded for construction	49,54,357
Number of Houses completed	26,13,799
Number of Houses occupied	23,96,783

Source: Ministry of Housing and Urban Development, July 2019

Components of the schemes such as In-situ slum re-development and Affordable Housing in Partnership have seen limited success due to minimal participation by stakeholders such as real estate developers, funds, banks etc. due to higher risk and lower profitability involved in such engagements. At a national level, only 4 percent of the total beneficiaries have availed a housing unit under in-situ slum redevelopment, whereas 33 percent have availed a housing unit created under affordable housing in partnership.

Also, majority of the schemes promoted and run by various state governments in states under focus of the study have limited reach and impact due to limitation with respect to funds, infrastructural limitation and lack of manpower with relevant skillsets needed for successful implementation.

State of Affordable Housing Finance Market and Support needed by market participants

Housing Finance companies and Scheduled Commercial Banks are not focussed on the EWS and LIG Segment, where the bulk of the housing demand is present. Majority of the housing finance companies refrain from engaging and providing loans to EWS and LIG segment due to higher risks and the difficulty involved in establishing the creditworthiness of the loan seeker. Although the Housing finance market has witnessed rapid growth over the past decade, the focus has been on the formal income customers with higher loan ticket sizes. Data published by NHB suggests that the loans provided to EWS and LIG segment as a percentage of total disbursement is decreasing.

- Although ~95 percent of the total housing shortage is in the EWS and LIG segment, only 43 percent of all housing loans were extended to this category by the formal housing finance market. Housing loan extended to EWS and LIG segment as a percentage of total loan disbursement has shown a consistent decline from 60 percent in 2012-13 to 43 percent in 2017-18.
- Share of loans with a ticket size of less than INR 10 lakhs is a mere 12 percent and 15 percent for Banks and Housing Finance companies respectively.

After the introduction of the government scheme PMAY which aims to facilitate EWS and LIG segment to purchase a housing unit for use, few Affordable Housing finance companies have started to look at the low-cost affordable housing segment in a proactive manner and are focussing their attention purely on the EWS and LIG segment, to encash on the huge housing loan opportunity presented by the EWS and LIG sector. Estimates by knight Frank suggest that the size of the low cost housing loan market opportunity based on the addressable gap in urban India is worth a staggering amount of INR 5,18,47,465 Lakhs, which shall translate into housing loan demand over the period 2019-2030.

However, low cost affordable housing finance companies face several operational and structural issues such as difficulty to access long term funds at low interest rates, higher operational costs, high cost of customer acquisition etc, which discourage participation for finance companies in the sector. The low cost affordable housing finance companies need to be incentivised by the government to help them grow their business and maximise their outreach. Similarly, NGOs who are working in the sector to help beneficiaries access formal financing face several structural and operating challenges such as

funding, limited understanding of new markets, limitation in terms of infrastructure and administrative capabilities etc. and need to be supported via policy intervention.

Intervention needed in the low-cost affordable housing sector

Despite various interventions undertaken by the government as well as other stakeholders such as NGOs, several structural and operational challenges remain to be addressed in the low-cost affordable housing sector. Organization like DFID can make meaningful intervention in the following areas to make the sector more vibrant for all stakeholders associated with the sector.

- Facilitating Affordable Housing finance companies with long term capital at lower interest rates.
- Providing early stage capital for affordable housing projects.
- Formulation of risk cover fund, which would help low cost affordable housing finance companies to consider funding to customers who were earlier not considered.
- Providing technical support to Housing Finance companies and NGO working in the sector.

DEFINITIONS

A. SOCIO ECONOMIC CLASSIFICATIONS

- SEC or Socio-Economic Classification is the division of a total potential market into smaller groups based on Education & Occupation of the Chief Wage Earner (CWE) of the Household. SEC A, the most affluent households include those whose Chief Wage Earner is a businessman or professional or a executive/manager and where the highest educational qualification of adult household members is graduate/post-graduate level. SEC B, the households in the second rung of affluence, includes those whose Chief Wage Earner is a school educated business man or graduate/post graduate skilled worker and where the highest educational qualification of chief wage earner is graduate/post graduate level.

B. India Zone Classification

- North Zone: North zone of India houses the states of Jammu and Kashmir, Himachal Pradesh, Punjab, Uttarakhand, Uttar Pradesh and Haryana.
- East Zone: Comprised of states of Bihar, Orissa, Jharkhand, and West Bengal
- West Zone: Comprised of states of Rajasthan, Gujarat, Goa and Maharashtra and Goa
- South Zone: States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu
- Central Zone: Madhya Pradesh and Chhattisgarh.
- North East Zone - Assam, Sikkim, Nagaland, Meghalaya, Manipur, Mizoram, Tripura and Arunachal Pradesh are located in this zone.

C. Census definitions

India, the words “cities” and “towns” are defined in the Census of India – which provides statistical information on different characteristics of the people of India.

A. Urban Area: Constituents of Urban areas are Statutory town, Census Towns and Outgrowths

- **Statutory Towns:** All places with a municipality, corporation, cantonment board or notified town area committee, etc. so declared by a state law are called statutory towns.
- **Census Towns:** Places which satisfy the following criteria are called census towns:
 - A minimum population of 5,000;
 - At least 75 per cent of the male main working population engaged in non-agricultural pursuits; and
 - A density of population of at least 400 persons per sq. km. (i.e. 1000 per sq. Mile)
- **Urban Agglomeration (UA):** An urban agglomeration is a continuous urban spread constituting a town and its adjoining outgrowths (OGs), or two or more physically contiguous towns together with or without outgrowths of such towns. An Urban Agglomeration must consist of at least a statutory town and its total population (i.e. all the constituents put together) should not be less than 20,000 as per the 2001 Census.
- **Out Growths (OG):** An Out Growth (OG) is a viable unit such as a village or a hamlet or an enumeration block made up of such village or hamlet and clearly identifiable in terms of its boundaries and location. Some of the examples are railway colony, university campus,

port area, military camps, etc., which have come up near a statutory town outside its statutory limits but within the revenue limits of a village or villages contiguous to the town.

- Towns are further classified into different classes based on the size of population:
 - Class I: 100,000 and above;
 - Class II: 50,000 to 99,999;
 - Class III: 20,000 to 49,999;
 - Class IV: 10,000 to 19,999;
 - Class V: 5,000 to 9,999 and
 - Towns with population of 1,00,000 and above are called cities.

D. RBI definition of urban /rural

Based on the size of the population, a centre, is classified either into rural, semi-urban, urban, or metropolitan as under:

- Rural: population less than 10,000
- Semi-Urban: 10,000 and above and less than 1 lakh
- Urban: 1 lakh and above and less than 10 lakh
- Metropolitan: 10 lakh and above

E. PMAY Definitions

- **Economically Weaker Section (EWS):** EWS households are defined as households having an annual income up to Rs. 3,00,000 (Rupees Three Lakhs).
- **Low Income Group (LIG):** LIG households are defined as households having an annual income between Rs.3,00,001 (Rupees Three Lakhs One) up to Rs.6,00,000 (Rupees Six Lakhs).

F. The following classification have been used for the study

- **Low income state:** The Low-income state defined for the study comprise of Uttar Pradesh, Jharkhand, Chhattisgarh, Rajasthan, Madhya Pradesh, Odisha, West Bengal
- **Urban Area:** A City or an Urban Agglomeration with a population greater than 1 million

DEFINING AFFORDABLE HOUSING

The term 'Affordability' is considered as relative term which has different meaning depending on the stake holders. However, 'Affordable Housing' has been categorized based on certain criteria set by the Government to accommodate housing for every household in India.

According to RICS Report on Making Affordable Housing Work in India, Affordability in the context of urban housing would mean provision of "adequate shelter" on a sustained basis ensuring security of tenure within the means of the common urban household.

As per "Taskforce on promoting Affordable Housing" with respect to LIG and EWS, area of the dwelling unit, income level and EMI repayment capability were considered as a benchmark for defining the affordability as mentioned below:

- Carpet area of the dwelling Unit should not exceed 300 sq.ft. for EWS and 600 sq.ft. for LIG
- For both EWS and LIG, cost of the dwelling unit should not exceed four times of the household's gross annual income
- For both EWS and LIG, monthly repayment obligation/EMI should not exceed **30 percent** of the household's gross monthly income

As per the "Affordable housing in partnership" scheme launched in 2009 by The Ministry of Housing and Urban Poverty Alleviation, criterion for EWS and LIG was categorized in terms of unit area and repayment capability as defined below:

- In terms of super built-up area, EWS and LIG category units should not exceed 300 sq.ft and 500 sq.ft respectively
- In terms of carpet area, EWS and LIG category units should not exceed 25 sq.m and 48 sq.m respectively.
- Monthly repayment obligation/EMI for housing loan should not exceed 30% to 40% of monthly income of the buyer

As per "Pradhan Mantri Awas Yojana", Housing for all scheme launched in 2015 by the Ministry of Housing and Urban Poverty Alleviation, criterion for EWS and LIG was categorized in terms of income level and unit area as defined below:

- In terms of income level for EWS, annual household income should not exceed 'Rupees three lakhs' per annum
- In terms of unit area for EWS, carpet area of the dwelling unit should not exceed 30 sq.m
- In terms of income level for LIG, annual household income should be ranging from 'Rupees Three Lakhs to Rupees Six lakhs'
- In terms of unit area for LIG, carpet area of the dwelling unit should not exceed 60 sq.m

For this report the different categories of affordable housing which consists of the EWS and the LIG category is defined as per the following:

EWS

- EWS household Income: Annual household income up to INR 0.3 mn or INR 3 Lakhs
- EWS Housing – House Ticket size upto INR 1.0 million
- EWS for Home improvement and home extension.

LIG

- LIG household Income: Annual household income up to INR 0.5 mn or INR 5 Lakhs
- LIG Housing – House Ticket size less than INR 2.50 million

Non-Affordable

- Household Income: Annual household income greater than INR 0.5 mn or 5 lakhs
- Housing – House Ticket greater than INR 2.50 million

DEFINING INFORMAL SECTOR

In Indian official statistical documentation there is no mention of informal sector. National Accounts Statistics (NAS) uses the term organised and unorganised sector.

However, the organised/ unorganised terms are used interchangeably with formal/ informal and as such they are consistent with the international definition as recommended by the International Labour Organization (ILO).

There is no standard definition for informal economy as different organisations and different studies have used varying definitions. Informal economy is commonly understood as a section of the economy which is not formal. A formal economy is generally referred to as that part of the economy which operates under the regulatory framework, is taxed by the government, and is monitored for inclusion in the gross national product.

Existing Definitions of Informal (unorganised) Sector

International Definition

As per International Labour Organisation (ILO), the informal sector consists of units that are unincorporated (i.e. not constituted as separate legal entities of their owners), produce goods or services for sale or barter, and satisfy a number of criteria, for example, they are unregistered, small, have unregistered employees and/or they do not maintain a complete set of accounts. Here, enterprises/ units include not only those that employ hired labour but also self-employed persons such as street vendors, taxi-drivers, home based workers, etc.

Definitions used in India

1. National Sample Survey Organization (NSSO): Adopts the following criteria for the identification of un-organized sector:
 - In the case of manufacturing industries, the enterprises not covered under the Annual Survey of Industries (ASI) are taken to constitute the un-organized sector.
 - In the case of service industries, all enterprises, except those runs by the Government (Central, State and Local Body) and in the corporate sector were regarded as un-organized.
2. **National Commission on Enterprises in the Unorganised Sector (NCEUS):** Defining the sector as under:
 - Consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers.

- The employees with informal jobs generally do not enjoy employment security (no protection against arbitrary dismissal) work security (no protection against accidents and illness at the work place) and social security (maternity and health care benefits, pension, etc.) and therefore any one or more of these characteristics can be used for identifying informal employment.

However, since the focus of the report is estimating the size of the informal housing finance market, informal income or informal worker may be defined as follows:

- Self- employed persons like street vendors, mechanics, taxi drivers, hawkers on the streets etc who do not have any official account of income/ do not possess any bank account etc.
- Informal workers working in the unorganised enterprises or households without any employment/ social security benefits provided by the employers.
- Informal income where the Person is neither paying goods and services tax (GST) or filing income tax returns (ITR)
- Informal workers working in the informal sector of the economy, where the income is neither taxed nor monitored by any form of government.

APPROACH & METHODOLOGY

The study has been executed using a composite approach including secondary and primary research.

Secondary Research

- Extensive secondary research has been conducted by the research team to attain a detailed understanding of the low-cost affordable housing sector in India.
- Published data and content available in the secondary domain such as applicable policies and policy pronouncements, demographic as well other data pertaining to the beneficiaries, annual reports of housing finance companies in India, interviews of key stakeholders representing the low cost affordable housing sector in India has been accessed and analysed to develop a comprehensive understanding of the target beneficiaries, affordable housing finance companies, NGOs working in the sector as well as the operating dynamics prevalent in India as well as focus states.
- Data and Insights obtained from secondary research has been validated and substantiated using primary research.

Primary Research

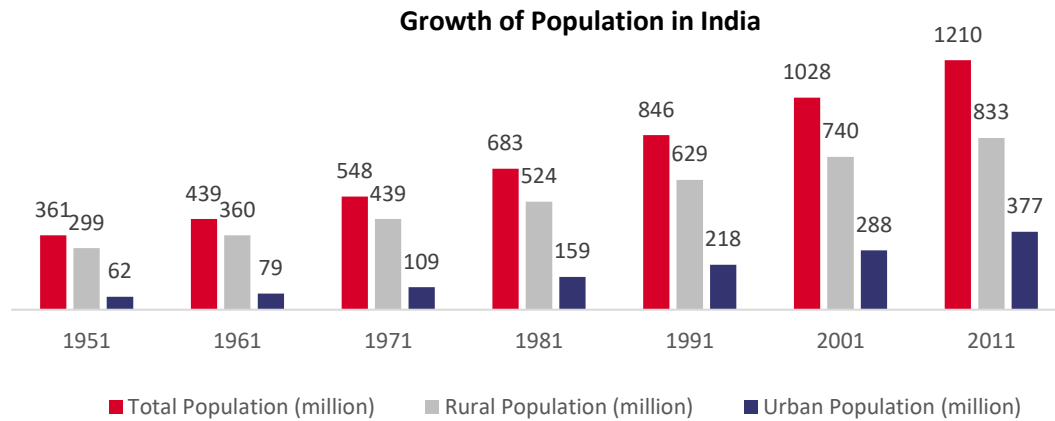
- Face to Face Discussion (Depth Interviews) have been conducted with prominent stakeholders such as Low-Cost Affordable Housing Finance companies, NGOs working in the low-cost housing sector, Policy makers and Affordable Housing Developers.
- Depth Interviews were conducted with the said stakeholders at a national level as well as key stakeholders in each state under the focus of the study.
- The no. of interactions conducted during the course of the study are as follows

Respondent category	No. of Interactions
Housing Finance companies	28
Policy Makers	15
Affordable Housing developers	12
NGO/Civil Society Groups	15
Total	70

- Apart from face to face interactions, insights and perspectives have been collated via face to face group discussions with business leaders involved in the sector in Mumbai and Delhi.
- Validity of insights collated via primary research has been ascertained through subsequent interactions as well as secondary research.

1 Growth of Population in India

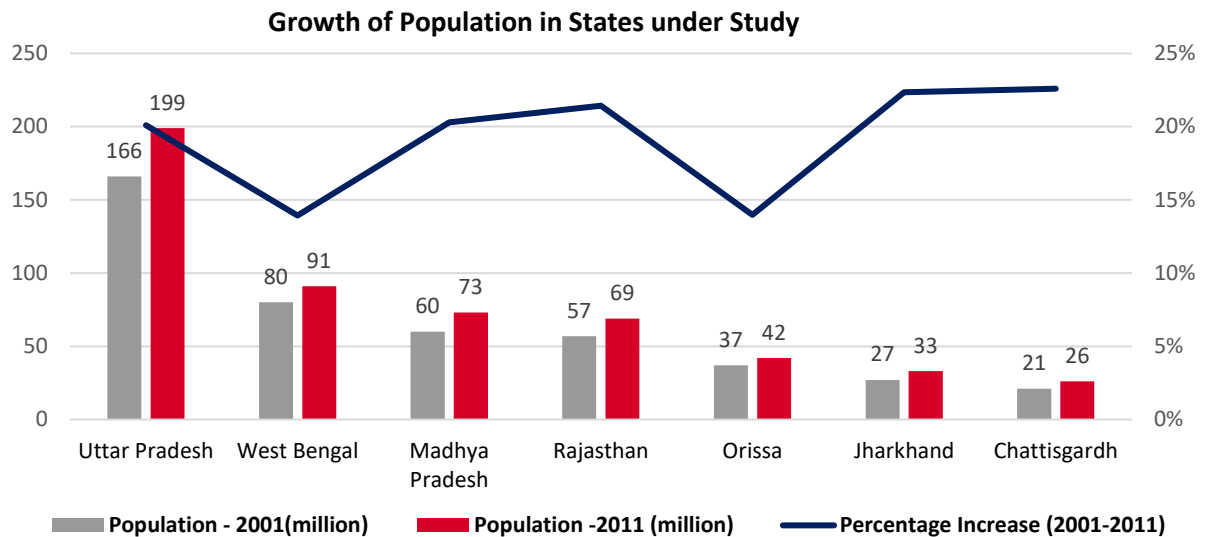
With a total population of around 1.21 billion (2011), India is the second most populous country in the world. In terms of absolute numbers, the rural population increased by 93 million and the urban population by 90 million over 2001 -2011.



Source: Office of the Registrar General and Census Commissioner, India

With a population of 200 million, Uttar Pradesh is the most populous state, accounting for 16.5 percent of the total populace in the country. This is followed by Maharashtra (112 million) and Bihar (104 million). Uttar Pradesh has the largest rural population of 15.5 million (18.62 percent of the country's rural population) whereas Maharashtra has the most urban population of 50.83 million (13.48 percent of the country's urban population) in the country. Over the 10-year period of 2001-2011, the growth rate of population in rural and urban areas was 12.18 percent and 31.80 percent respectively.

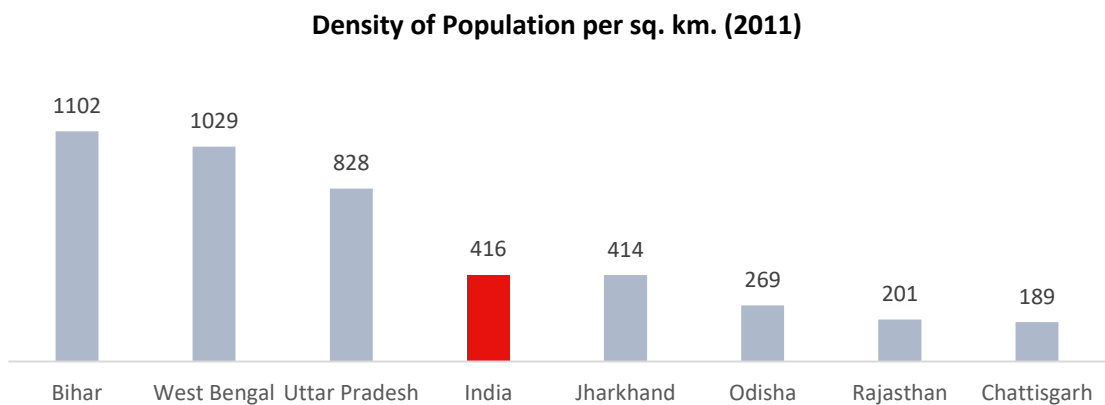
The seven states which are under the focus of the affordable housing study i.e. Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, Odisha, West Bengal and Rajasthan account for 44 percent of the total population of the country.



Source: Census of India, 2011

The said states, which geographically occupies approximately 40 percent of the land mass, accounts for 44 percent of the total population. The population in these states have been historically higher and they have collectively accounted for more than 40 percent of the population since 1951.

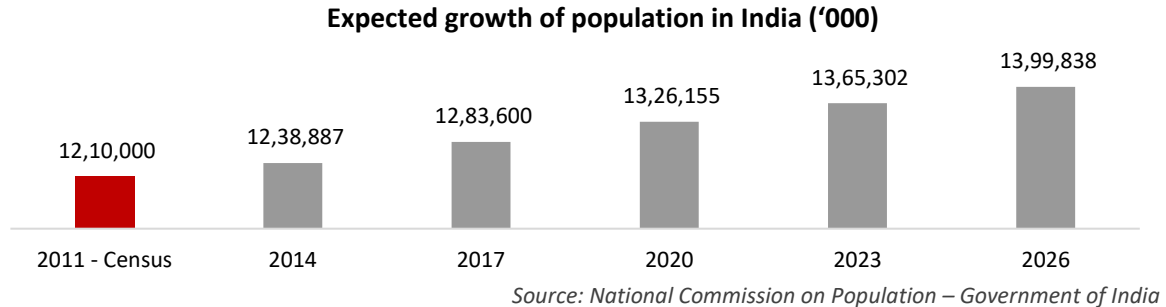
Except for West Bengal and Odisha, the decadal (2001 – 2011) growth in population has been higher than the national average for all other states under the purview of the study. Majority of the focus states have a higher population density compared to the national average.



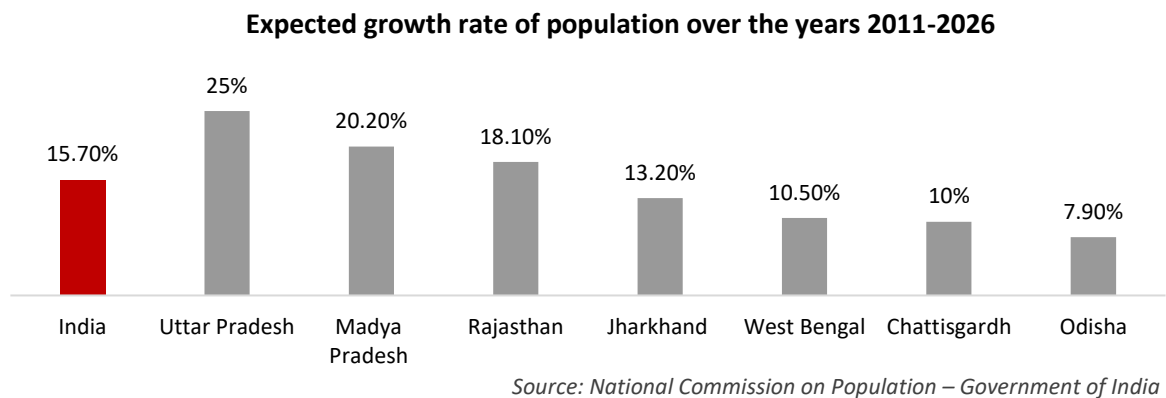
Source: Census of India, 2011

Expected growth in population in India and focus states

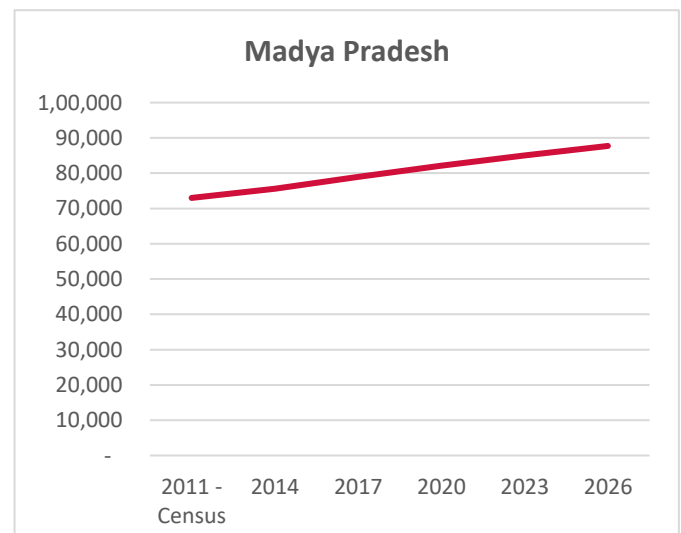
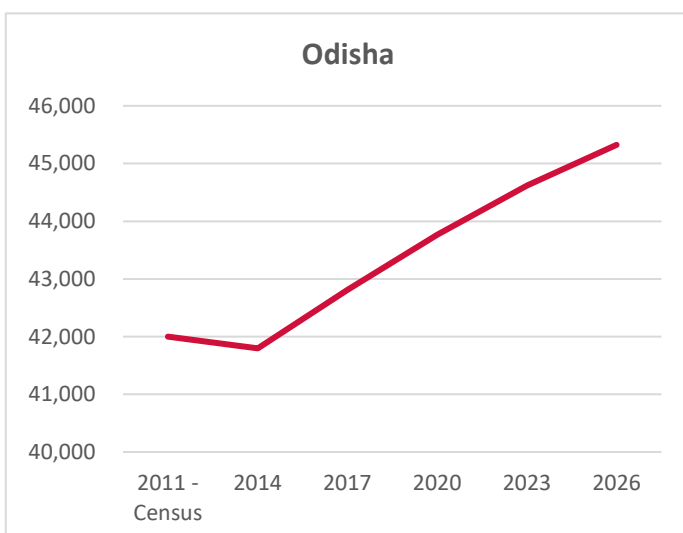
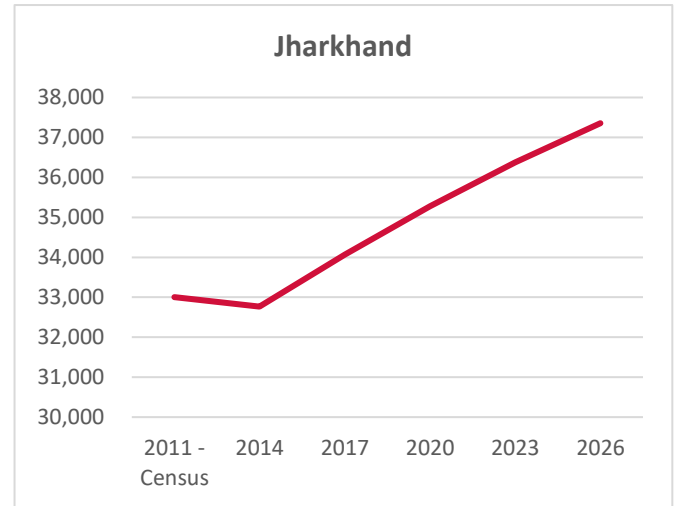
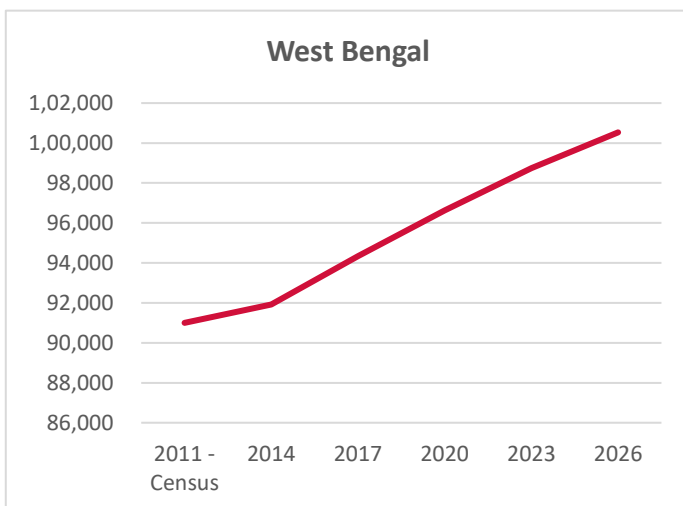
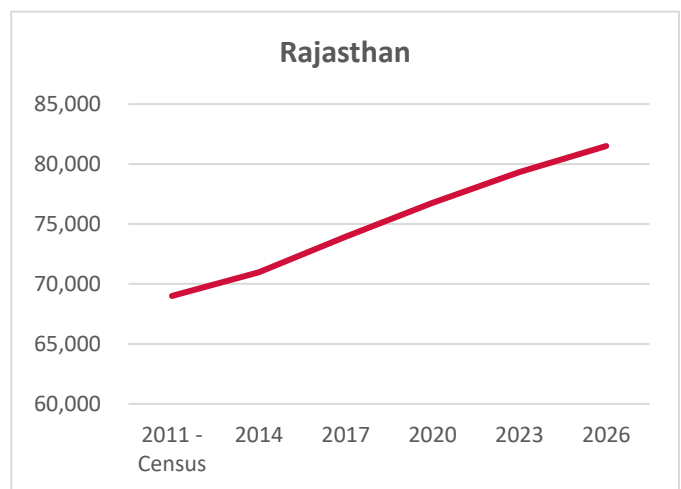
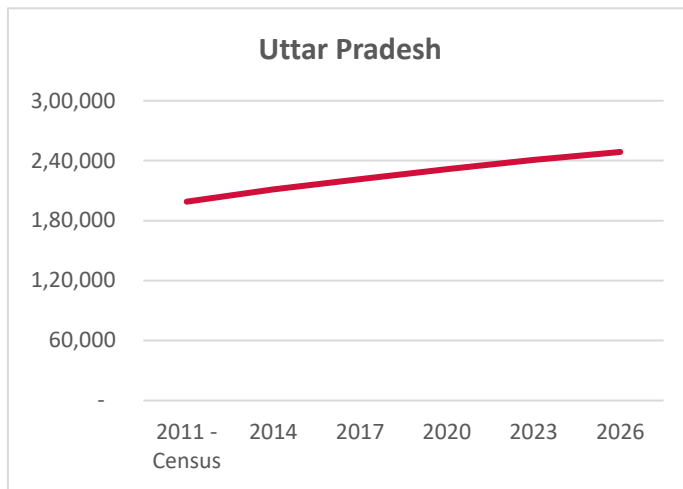
Population growth estimates provided by the National Commission on Population suggests that the population of India will grow at a CAGR of 0.98 percent to 1399 million over the 15-year period from 2011 to 2026.



In terms of absolute growth, the population in India is expected to grow at a rate of 15.7 percent from 2011 to 2026. Amongst focus states, Uttar Pradesh, Madhya Pradesh and Rajasthan are expected to show higher rate of growth compared to national average.



Expected Growth of Population in focus states

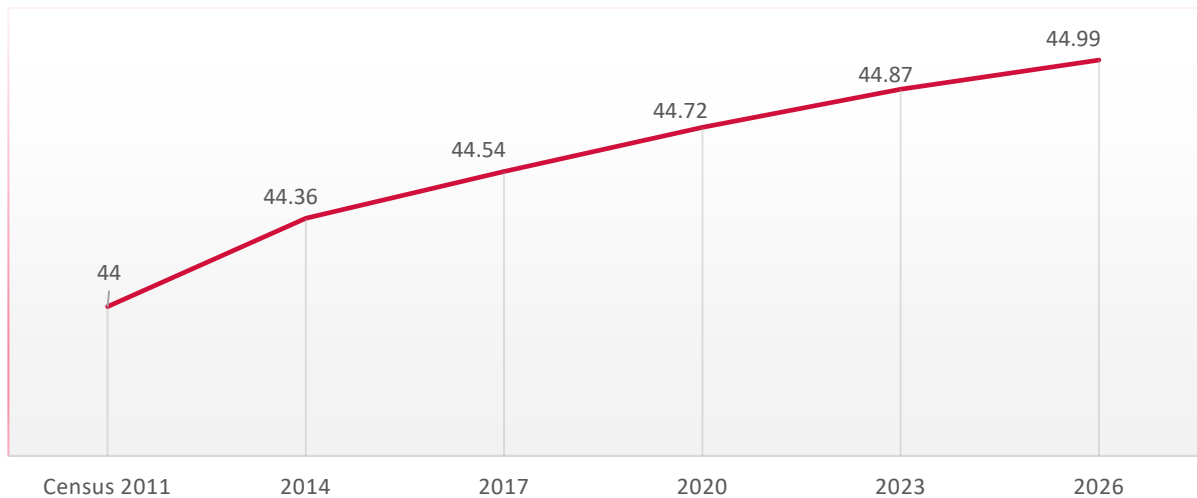


Source: National Commission on Population – Government of India

The estimated growth of population in states such as Uttar Pradesh, Madhya Pradesh and Rajasthan is accounted to organic growth of its existing population and increase in life expectancy due to improving healthcare facilities, especially in the rural hinterlands. Growth in states such as Chhattisgarh and Odisha is expected to be partly due to migration on account of expected economic and employment opportunities offered by the states.

Collectively, the estimated share of population in the 7 focus states is expected to increase from 44.36 percent in 2014 to 44.99 percent in 2026.

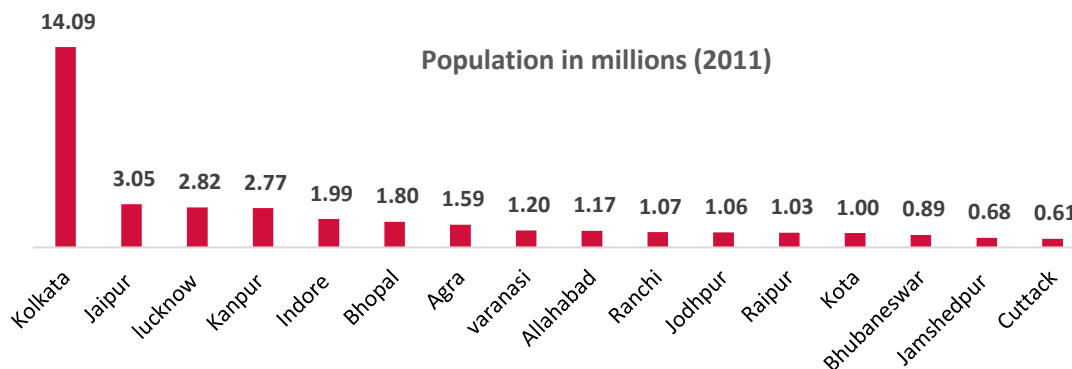
Percentage Share of Population in focus states



Source: Figures from 2014 are estimates by National Commission on Population – Government of India

Growth of population in major cities in focus states

The population of major cities in the states under focus is as follows. The following cities represent the most prominent urban locations in the states under the focus of the study.

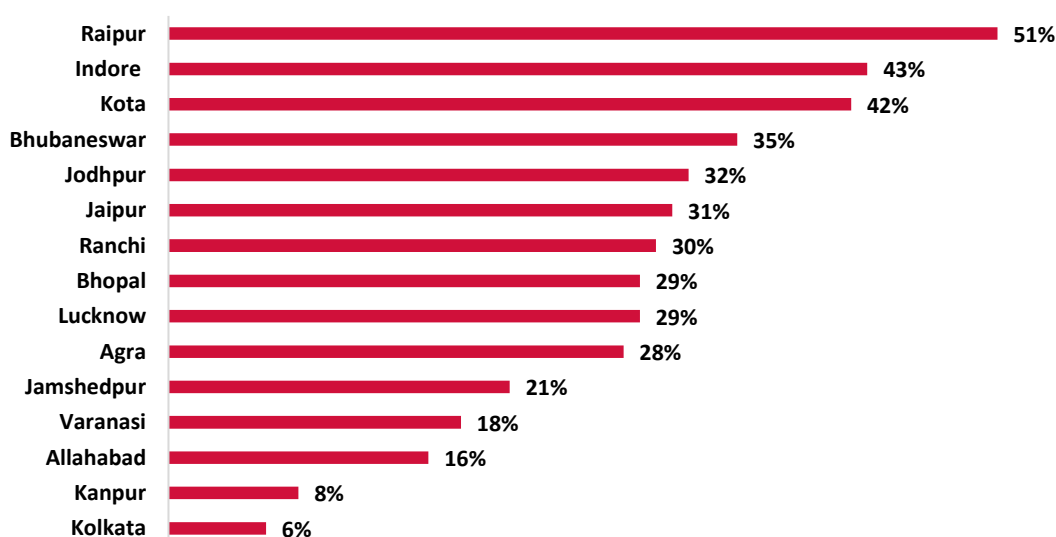


Source: Census of India - 2011

With a population of ~14 million, Kolkata is the most populous city amongst the urban locations within the states under focus. Nearly half of the urbanized population of the state of West Bengal is located within the precincts of Kolkata. Unlike West Bengal, the urban population in Uttar Pradesh is dispersed across the various cities and town in the state. The top 5 urban agglomerations with million plus population i.e. Lucknow, Kanpur, Agra, Varanasi and Allahabad make up only 21.5 percent of the urban population in the state.

Amongst the million plus cities in states under focus of the study, Raipur recorded the highest population growth at 51 percent over the 10-year period from 2001 to 2011. Indore and Kota were other cities that recorded high population growth at 43 and 42 percent respectively in the said period.

Percentage Growth of Population in Million plus cities in Focus states (2001 -2011)



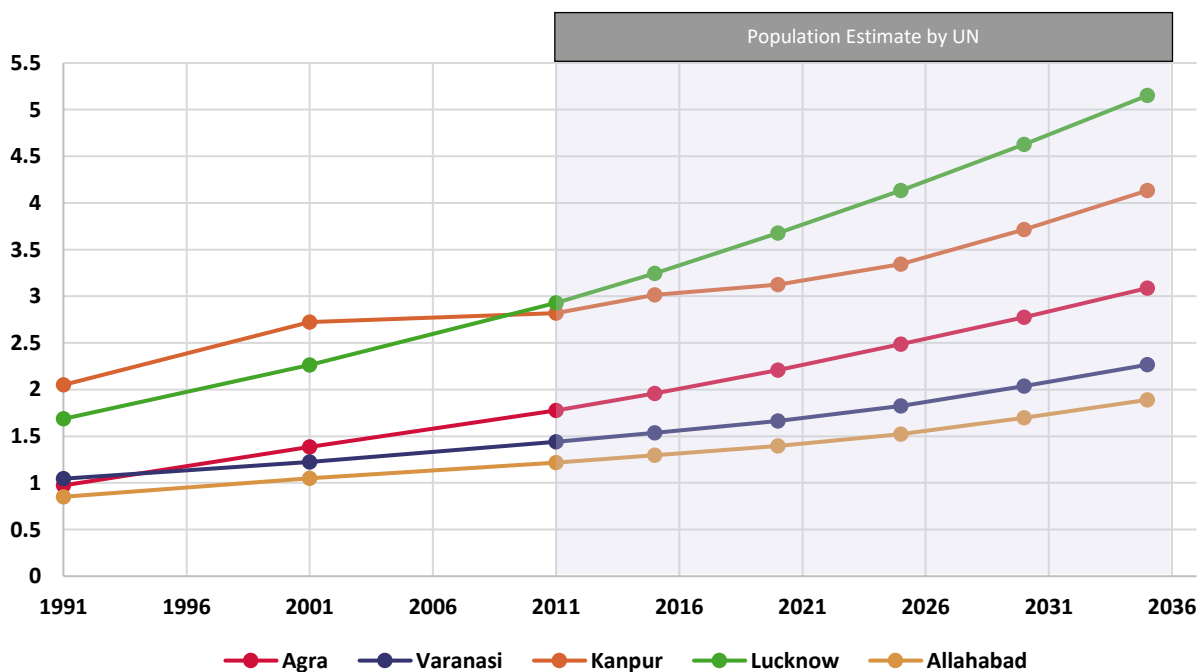
Source: Census of India – 2011, KF Analysis

Uttar Pradesh

The populace residing in urban areas in Uttar Pradesh are spread across a wide number of urban centers including cities and towns. The major million plus cities of Lucknow, Kanpur, Agra, Varanasi and Allahabad only account for ~22 percent of the state’s urban population.

Lucknow and Kanpur are most important as well as populous urban agglomerations in Uttar Pradesh. Being the state capital and administrative center, Lucknow has witnessed a population growth of 29 percent over the 10-year period from 2001 to 2011. The population agglomeration in Kanpur can be attributed to it being traditionally a major center of manufacturing activity in the MSME space especially for leather and textile products.

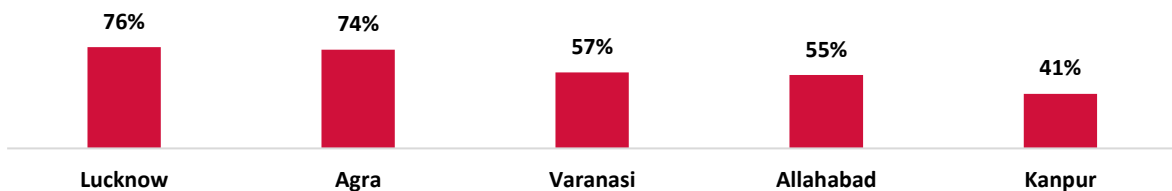
Population (Million) of major Cities in Uttar Pradesh



Source: Census of India, Population Estimates - UN World Population Prospects Report

Amongst the major cities in Uttar Pradesh, population in Lucknow and Agra are expected to show the highest growth over the period 2011 to 2035.

Expected Percentage Growth of Population (2011 to 2035)



Source: UN World Population Prospects Report

There are multiple reasons for population growth in UP. Some of the major ones are as under.

Inter State Migration: Kanpur, Agra, Varanasi, Lucknow and Allahabad are the most prominent urban centres in Uttar Pradesh. These cities attract population from all over the state for better employment opportunity and better lifestyle. 70% - 80% of people who migrates to these cities are from Uttar Pradesh itself.

Marital Migration: Migration due to changed marital status constitutes a significant share of 60-70% of rural to urban and urban to urban migration in cities of Uttar Pradesh, namely Lucknow, Kanpur, Agra and Allahabad

Tourism: Presence of religious place of importance of the country (Varanasi) in Uttar Pradesh encourages religious tourism thereby providing auxiliary economic growth opportunities leading to large scale rural to urban migration in Varanasi and Allahabad. Moreover, **Agra** and Lucknow also attract a large number of national as well as foreign tourists to contribute in the tourism business as well as related sectors to grow and generate more job opportunity leading to population growth.

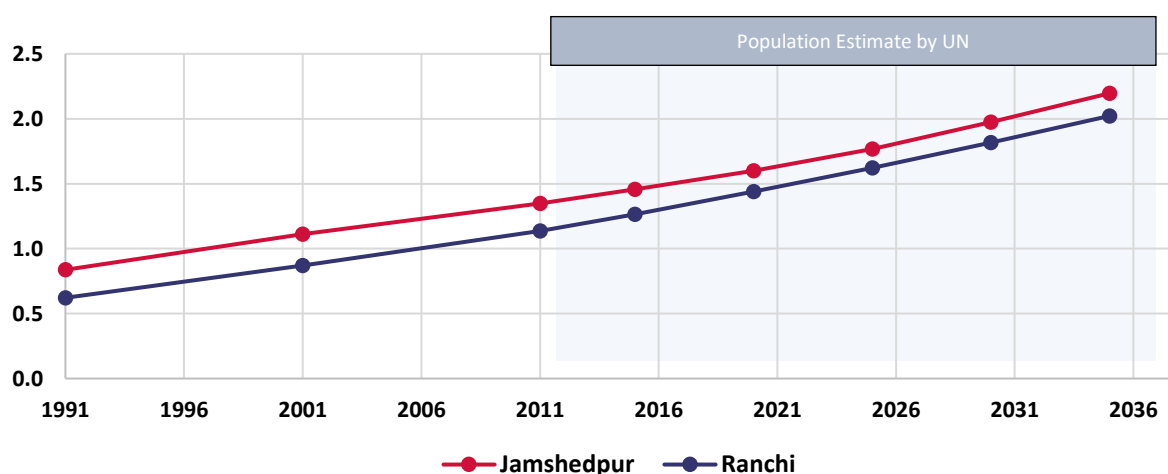
Integrated Corridor Development Approach for DMIC: The Delhi Mumbai Industrial corridor has earmarked High impact/ market driven nodes- integrated Investment Region (IRs) and Industrial Areas (IAs) identified at strategic locations within the Project Influence Region to provide transparent and investment friendly facility regimes, thereby creating employment opportunities in Dadri – Noida- Ghaziabad Industrial region.

Educational institute: Presence of educational institute of national importance has added significant traction for the in-migrant student population to the urban nodes of Allahabad and Varanasi.

Jharkhand

The two major cities in Jharkhand i.e. Ranchi and Jamshedpur account for ~22 percent of the urban population of the state. Ranchi is the state capital, whereas Jamshedpur is an industrial city in India, famed for production of steel and steel products.

Population (Million) of major Cities in Jharkhand



Source: Census of India, Population Estimates - UN World Population Prospects Report

Reasons for growth of urban population in Jharkhand population are as under:

Boundary alteration: In the year 2000 separate state of Jharkhand was created from Bihar. Ranchi as administrative centre and Jamshedpur as major urban node has received a whole lot of migrants due to restructuring of the system

Growth of automobile industry: Jamshedpur known for Tata Iron and steel factory started expanding further in past two decades due to growth of automobile sector across Adityapur area. This has created both job opportunity and thus migration.

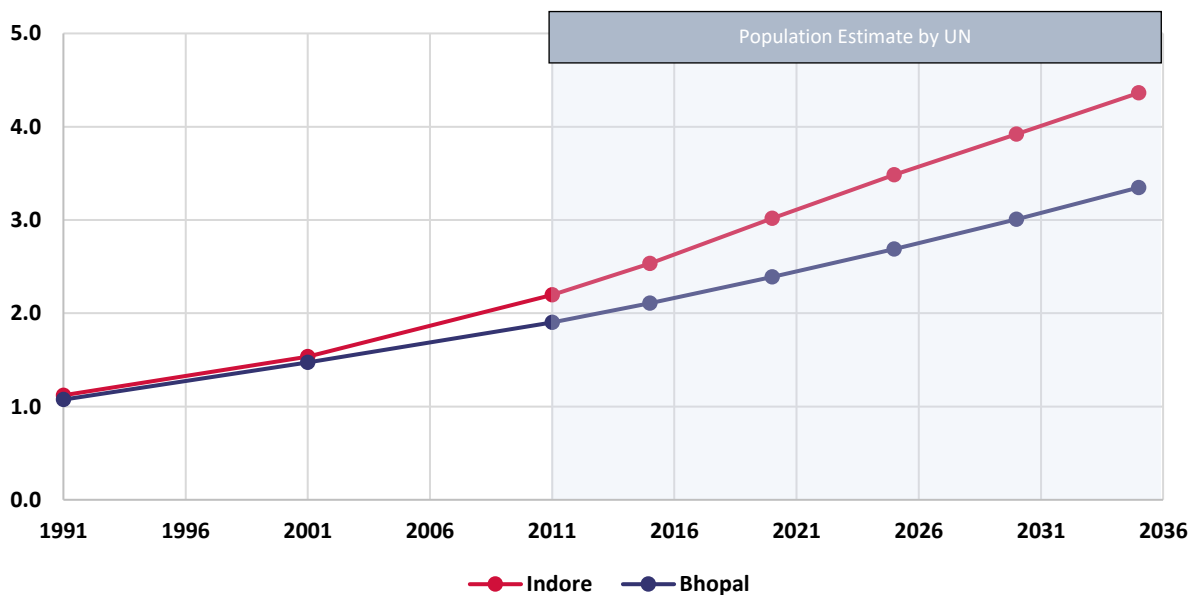
Marriage: Marital migration alongwith migration with family constitute of over 60% of total migrants coming into urban centres of Jharkhand

Growth Centres: Jamshedpur and Ranchi are the most prominent urban growth centres in Jharkhand. These cities attract population from all over the state for better employment opportunity. Almost 55% - 60% of people who migrates to these cities are from Jharkhand.

Madhya Pradesh

Bhopal and Indore are the major cities in the state of Madhya Pradesh. Collectively, these two cities account for ~19 percent of the total urban population in the state. Bhopal is the state capital as well as a prominent trading hub. Indore is the most import commercial city and a hub of manufacturing activity in the state.

Population (Million) of major Cities in Madhya Pradesh



Source: Census of India, Population Estimates - UN World Population Prospects Report

Factors contributing to urban population growth in Madhya Pradesh are mentioned below.

Infrastructure Project: Colossal infrastructure projects like Bus rapid transit system, and proposed metro transit rail system as well as privatization of railway station in Bhopal and Indore has provided traction to inflow of human resources from neighbouring rural area. Significant migration has taken place due to informal and formal job creation due to infrastructure planning.

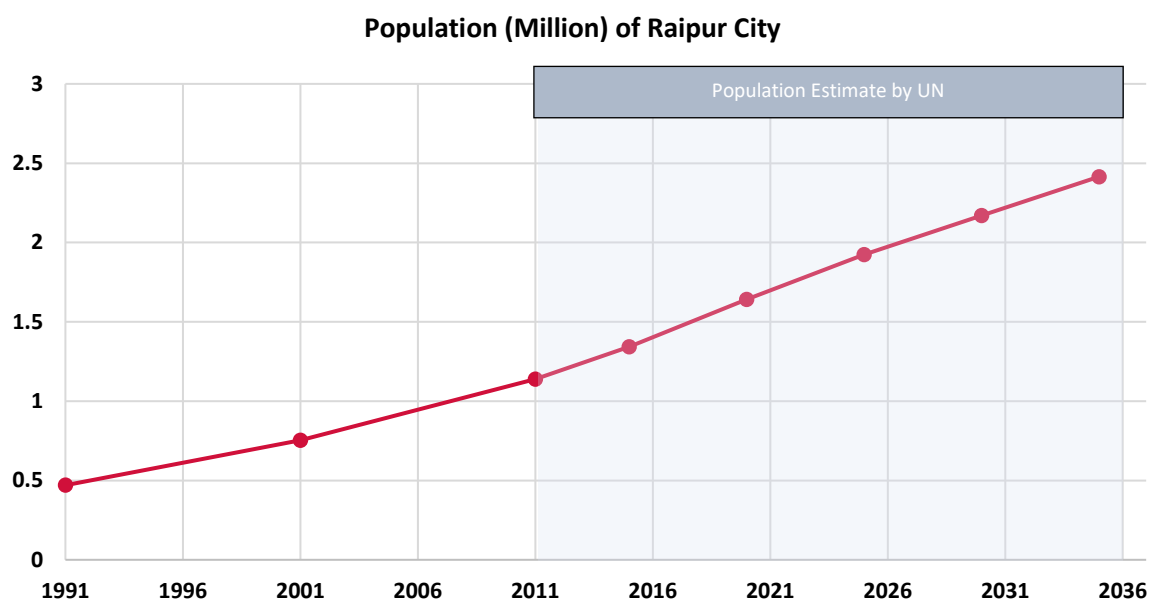
Marital migration: Marital migration along with family migration constitute of 60 – 65% of total migrants coming into urban centres of Madhya Pradesh

Educational Institution: Presence of institutes of national importance & Privatization of education institutes has resulted in growth of numerous institutes in cities like Bhopal, Indore and Gwalior thereby resulting an influx of huge no. of under graduate students from the states of Bihar, Chhattisgarh and Orissa.

Better Lifestyle: Bhopal and Indore are two biggest urban centres in Madhya Pradesh. These two cities attract population from all over the state for better employment opportunity and better lifestyle. 70% - 80% of people who migrates to these cities are from other areas of Madhya Pradesh.

Chhattisgarh

Raipur is the largest urban settlement in the Raipur urban agglomeration and the largest city in the state with a population of 1.1 million in 2011. Raipur is a major urban center accounting for 17 percent of the total urban population of the state.



Source: Census of India, Population Estimates - UN World Population Prospects Report

Reasons for urban population growth in Raipur is as follows.

Administrative centre: Raipur being the state capital and hub of administrative activity since the year 2000 after Chhattisgarh was declared as a separate state attracts lots of inter-state migrants in the tune of approx. 70 – 75%

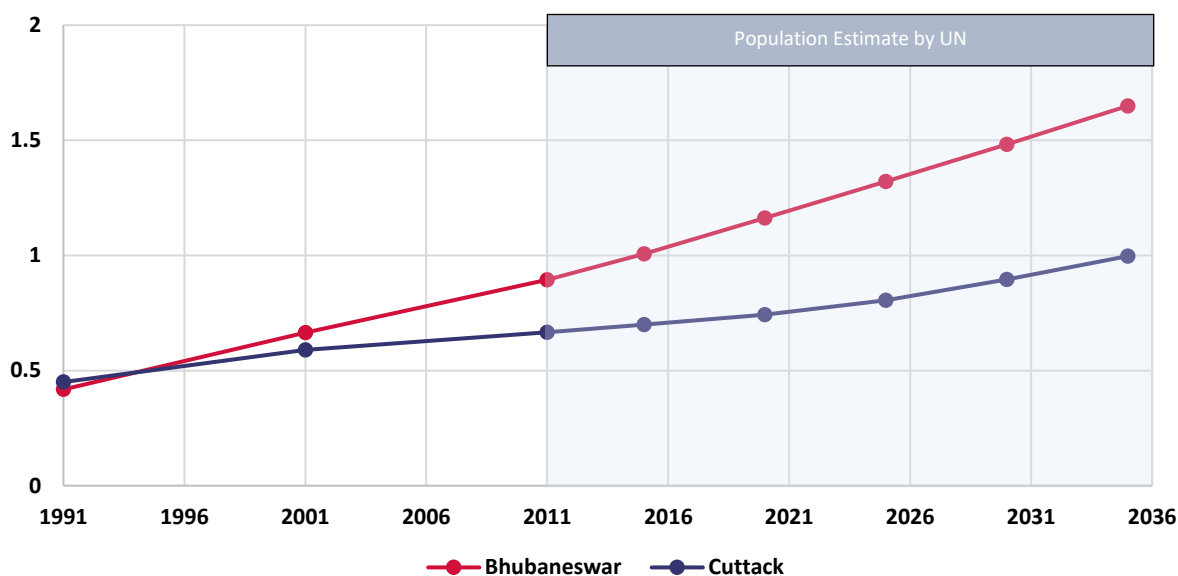
Migration of Families: As people migrate to bigger cities in most of the case they migrate along-with their family which is responsible for more than 60% of the migrants.

Better Living environment: Capital city Raipur provides opportunity for better lifestyle and peaceful living than other areas of tribal conflict laden Chhattisgarh.

Orissa

The major cities in Orissa are Bhubaneswar and Cuttack, which together account for 21.34 percent of the total urban population in the state.

Population (Million) of major cities in Orissa



Source: Census of India, Population Estimates - UN World Population Prospects Report

Urban Population growth in Odisha can be attributed to the following factors.

Less urbanization in the state: Odisha is one of the least urbanized states in India and even figuring at the bottom in the list of focused states of the study. Thus, few urban centres in Orissa attract lots of population from the state itself. 85%-90% urban migration in Orissa happens from different places of Odisha itself.

Industrial Policy: Orissa govt. has focused in stronger industrial policy which will facilitate more companies to set up business and create heavier industrial/MSME sector jobs and subsequently

tertiary sector jobs in urban centres in Orissa. For e.g. According to 2018-19 economic survey, during the last five years, a total of 1,98,736 MSME units were set up and started production with a total investment of Rs 109.75 crore and employment for 628,000 persons in the state. This is one of the major reasons for growth of population in the last decade.

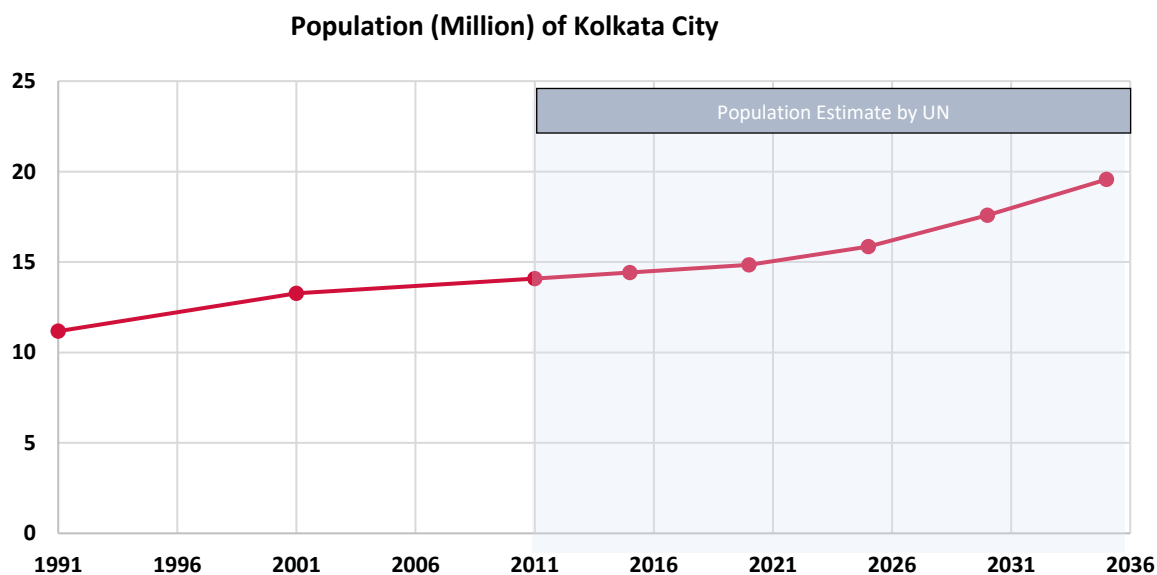
Tourism: Tourism has worked as a major factor for contribution of floating population and seasonal migration in case of Bhubaneshwar as it is a travel destination for both national as well as foreign travellers

Migration of Family: As people move to urban centres of Orissa from different places; most of the times they move with their spouse and family. This phenomenon constitutes more than 50% of population

Education: One of the major reasons of migration into urban centres of Orissa is education facilities present in Bhubaneshwar and Cuttack. Along-with already present Utkal university, KIIT and Ravenshaw university, in the past decade many new colleges and institutes on national importance viz. National law university Orissa, AIIMS, Xavier University etc. has opened which contributes to education as 5% - 10% reason for migration to urban centres.

West Bengal

Kolkata is the most populous city in West Bengal. With a recorded population of 14.09 million, it accounted for nearly half of the urbanized population in the state in 2011.



Source: Census of India, Population Estimates - UN World Population Prospects Report

The reasons contributing to the growth of population in Kolkata is as follows

Nodal Center of the state: Kolkata being the biggest urban centre in West Bengal and also for the whole eastern region of India attracts population from all over eastern India as well as from within the state for better employment opportunity and better lifestyle. 70% - 80% of people who migrates to Kolkata however are from West Bengal itself.

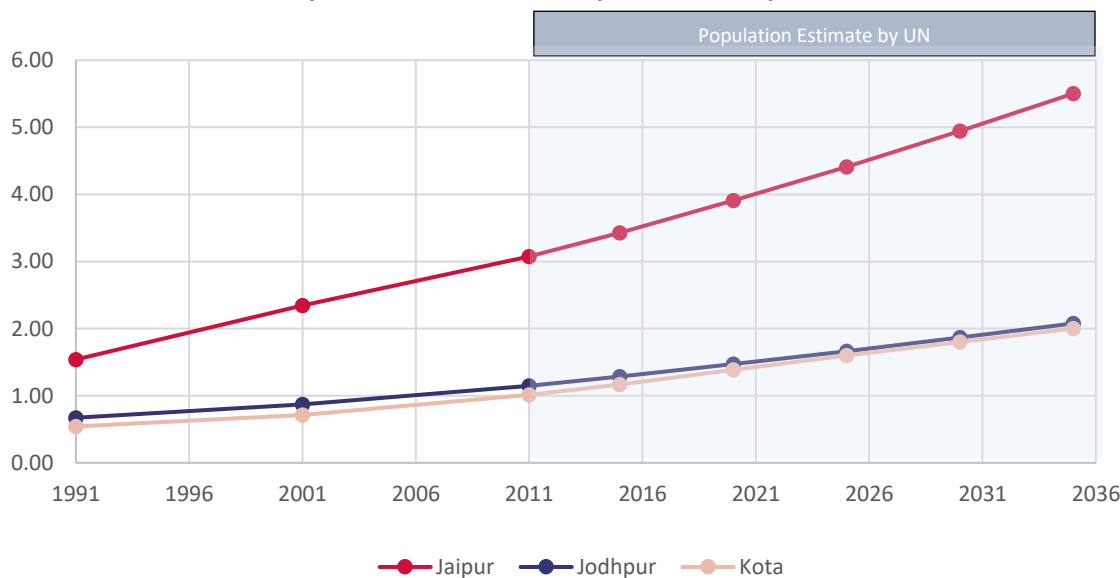
Growth of MSME Sector: West Bengal has the highest number of MSMEs in the country with 52,69,814 units and accounted for 11.62 per cent of micro, small and medium enterprises, the most among the top 10 states of the country. This sector is also one of the biggest sectors to create jobs in the country. Kolkata urban agglomeration has quite a few MSME cluster viz. leather, textiles & readymade garments, metal industries, Garment, silk printing and jewellery etc. which contributes to job and employment opportunity thus migration.

Marriage and Movement with Household: Marriage and movement with household are the reasons contributing to 50% - 60% of migration in West Bengal. It can be safely assumed Kolkata also receives a lot of migration due to the same reasons. As people who migrate here for employment and job opportunities eventually invite their spouse or family to live in this city.

Ongoing infrastructure Projects: Several ongoing infrastructure projects in the city such as East-West metro, Joka – B.B.D Bagh metro etc. demands lot of informal labour and ancillary activities which in turn attracts migrant population in the city.

Rajasthan

Population (Million) of major cities in Rajasthan



Population growth of Rajasthan has taken place due to the following reasons.

Prominent urban centre of the region: Jaipur, jodhpur and Kota are well established urban centres of Rajasthan which attracts approx. 75% of inter-state migration.

Tourism: Tourism has always been a major sector contributing to large number of floating population and seasonal migration in cities like Jaipur and Jodhpur.

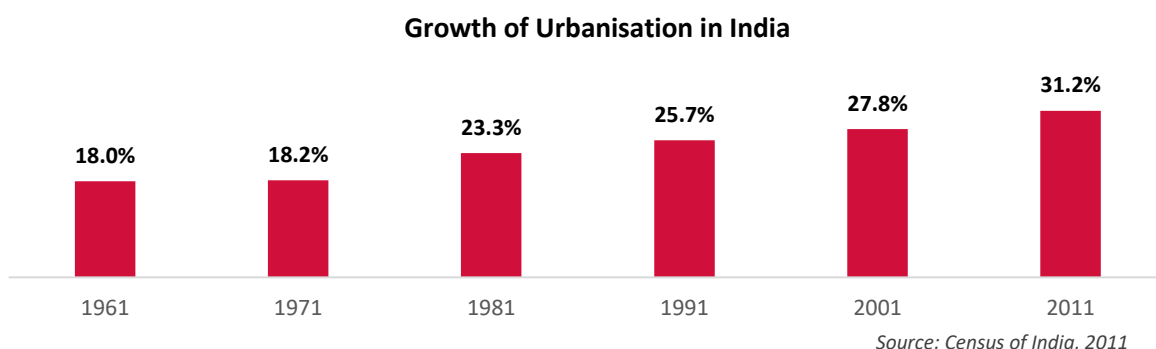
Marital Migration: Marital migration along with migration with family constitutes more than 60% of the migrants

Education: Kota is known as the coaching hub of the country for the preparation of competitive examinations such as IIT-JEE, NEET, AIIMS etc. Every year thousands of students come to this city for this purpose.

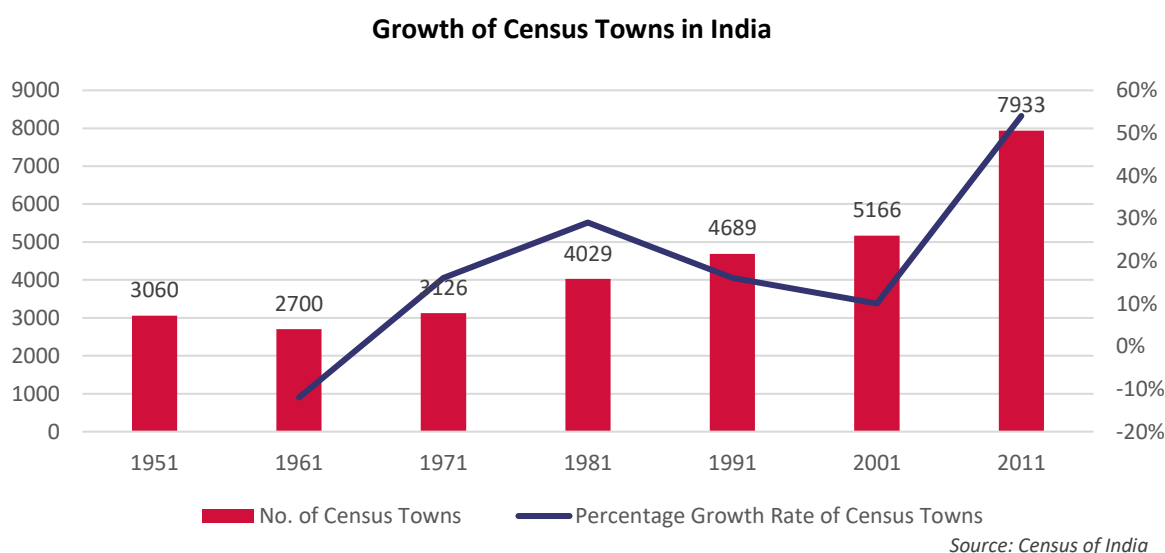
Growth in start-up ventures: Jaipur, the capital & the biggest city of Rajasthan has seen tremendous development in the last two decades. Contrary to other tier-2 cities, the Pink City offers great potential for innovative ventures in terms of the market size, cash flow, employee cost & quality, educated consumers, technology users etc. over 10,000 start ups have started its journey in Jaipur in past 10-15 years. Biggest start up hub of the country is also inaugurated in Jaipur in last year.

2 Urbanisation in India

The census data on the rural-urban composition reveals a continuous rise in the rate of urbanisation in India. As per the 2011 census, the urban population grew to 377.1 million as compared to 286.1 million in 2001 census showing a growth of 2.76 percent per annum during the decade. For the first time, the net increment to urban population was higher than rural population. The proportion of urban population to total population which was only 18 per cent in 1961 slowly increased to 25.7 per cent in 1991 and then rose to 31.2 per cent in 2011.



The last census of 2011 saw the highest growth of census towns in Independent India. Growing at a rate of 54 percent vis a vis 2001, 2767 census town were added in India which included 3 cities with a population greater than 10 million and 53 cities with population greater than 1 million. These new towns which emerged during the period 2001-2011 contributed significantly to the speeding up of urbanisation in India.

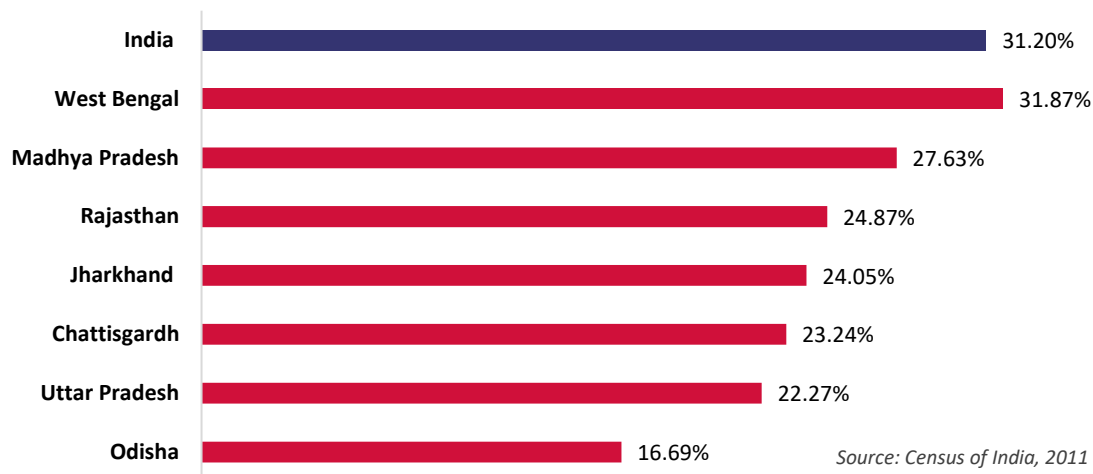


The existing cities also witnessed high economic growth, thus leading to expansion of the city limits as well as migration of people from rural to urban areas. As the cities have been functioning

as engines of economic growth, the government of India has decided to promote urbanisation through setting up of number of smart cities and other initiatives in the recent past.

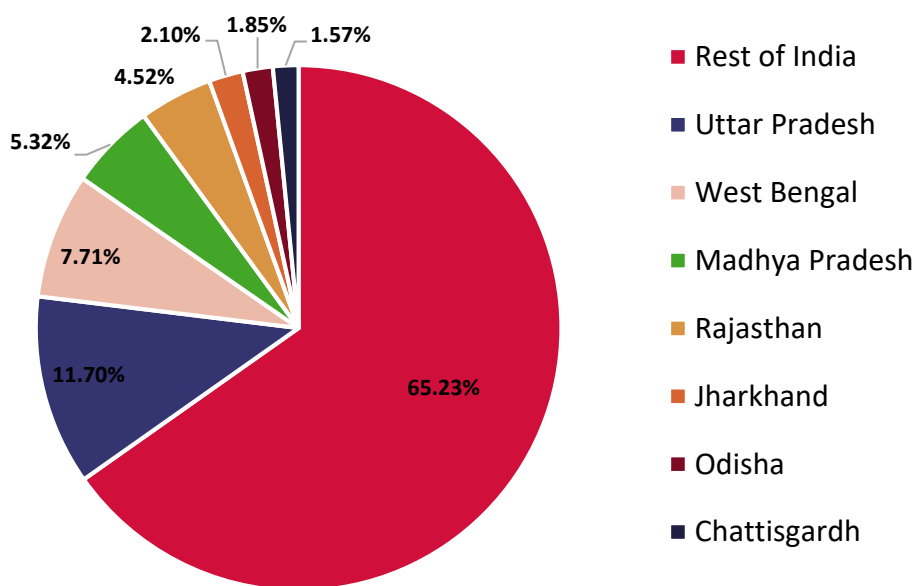
Urbanisation in States under the focus of the study

Except West Bengal, all states under the focus of the study have lower level of urbanisation in 2011 compared to the national average.



As of 2011, the seven states under the focus of the study account for 34 percent of the urbanised population in India. The states under focus are relatively less urbanised compared to other major states of India, especially in West or South India. Although the focus states, which house 44 percent of the overall population, account for only ~35 percent of the urbanised population in India.

State wise Share of total Urbanized Population in India (2011)



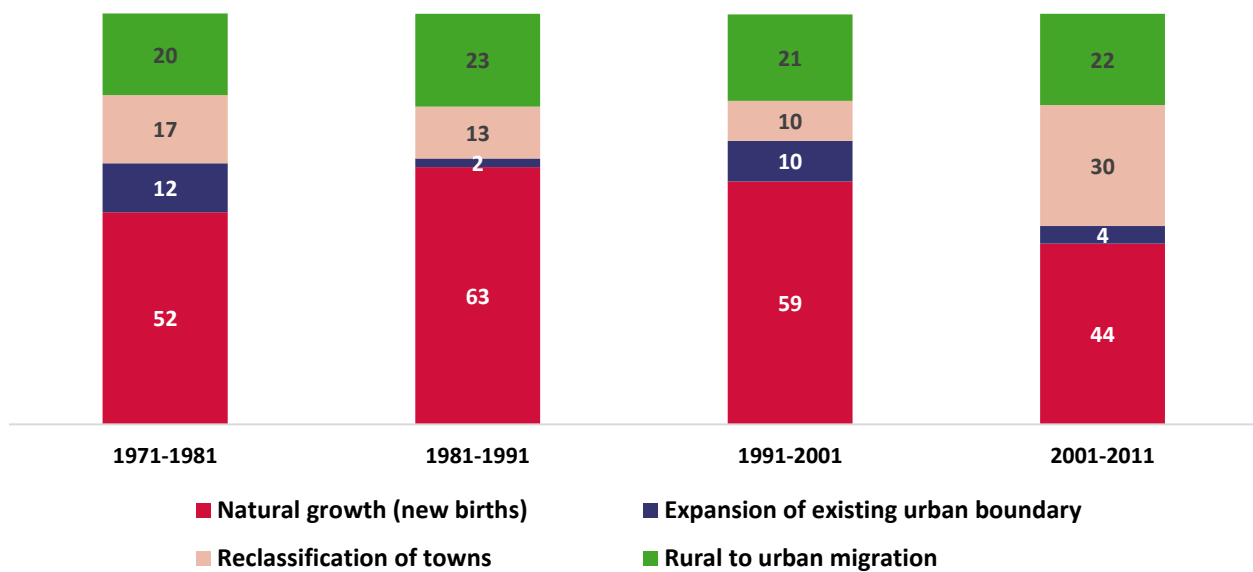
Source: Census of India, 2011

Reasons for population growth in Urban areas.

Although there is a continuous shift of population from rural to urban areas, it accounts for only a fifth of the urban population growth in India. The population growth of urban centres is largely organic in nature. Natural births are understood to be the most prominent reason for growth of urban population within the city. Reclassification of rural areas as towns have also brought large rural population under the urban ambit. The below graph depicts the distribution of population responsible for urbanization in India.

Factors driving Urbanisation in India

Percentage breakup of increase in urban population accounted to respective factor



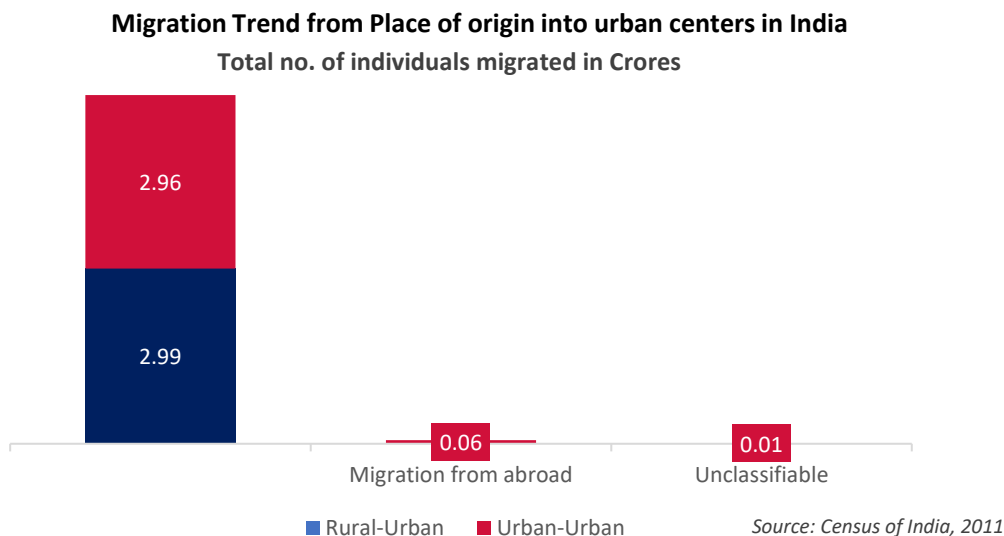
Source: High Powered Expert Committee, Centre for Policy Research - 2014

In the states under focus, urbanisation has been driven mainly by natural growth of population as well as larger area being brought under the urban ambit. Migration is also a significant factor for growth in urbanisation in states under study as there is significant net migration in states such as Uttar Pradesh, West Bengal and Madhya Pradesh. However, it is understood that in all states under focus, there is seasonal and temporary intra state migration within the states mainly by marginal workers and students undergoing higher education which is not accounted in the census. Seasonal intra-state migration is understood to be high in West Bengal and Odisha, due to limited employment opportunities in rural areas especially during non-cropping seasons.

In the decade 2001-2011, Urbanisation in Madya Pradesh, Uttar Pradesh and Chhattisgarh can also be accounted to higher population coming under urban ambit due to reclassification of towns and expanding the existing urban boundary.

Migration Trends in Urban Areas

The published data on migration by the Census of India 2011, shows that approximately ~14.2 crore citizens have migrated over the census decade 2001-2011. Migration has increased by 45 percent over the preceding census decade of 1991 – 2001. Out of the total ~14.2 crore people who have migrated within the country, 44 percent (~6.2 crore people) have migrated to urban centres in India. Migrants to urban areas have increased at a staggering rate of 72 percent vis a vis the preceding census in 2001. Data suggests that the migration towards prominent urban centres in India as well as within the focus states is happening from rural as well as semi-urban/

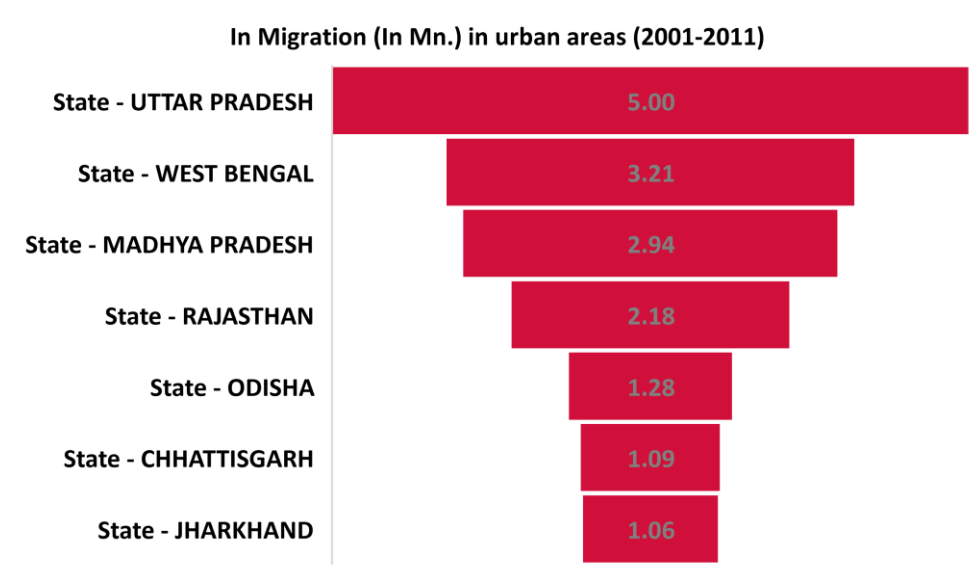


other urban centres in search of better employment, education and livelihood opportunities.

Urban Migration trend in States under Focus

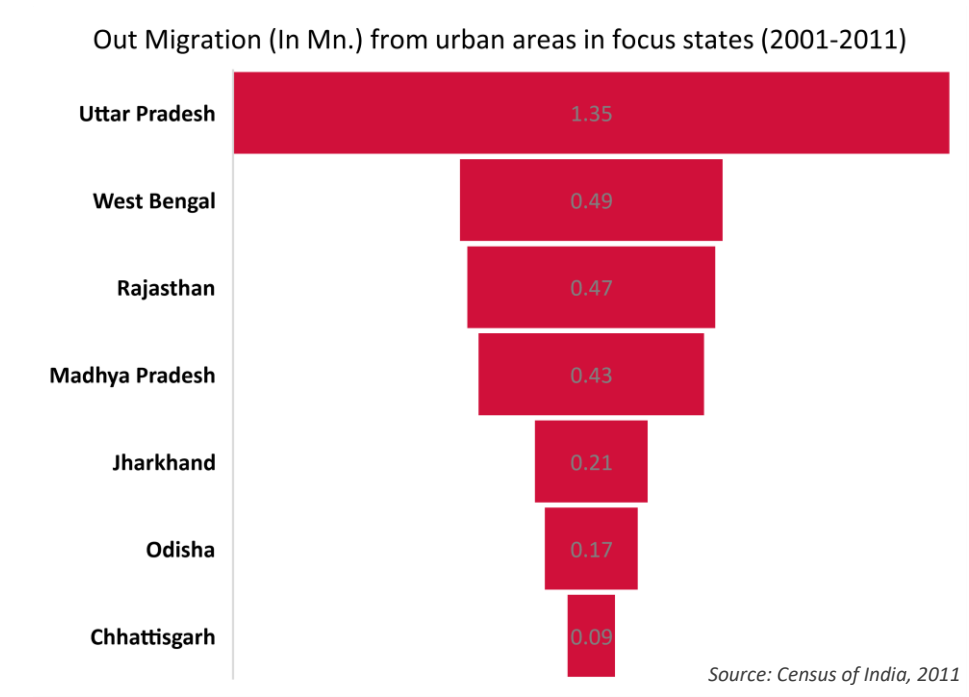
In & out migration within urban areas of Indian states can be referred to as an appropriate measure to gauge the economic opportunities present in a state. It is also an indicator of growth of the state as urban centres are major contributors to GDP. Following is the status of migration for urban areas of seven focused states viz. Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal

i) Migration of individuals to Urban centres (In Migration) within focus states based on place of last residence in the last decade (2001-2011) is as follows



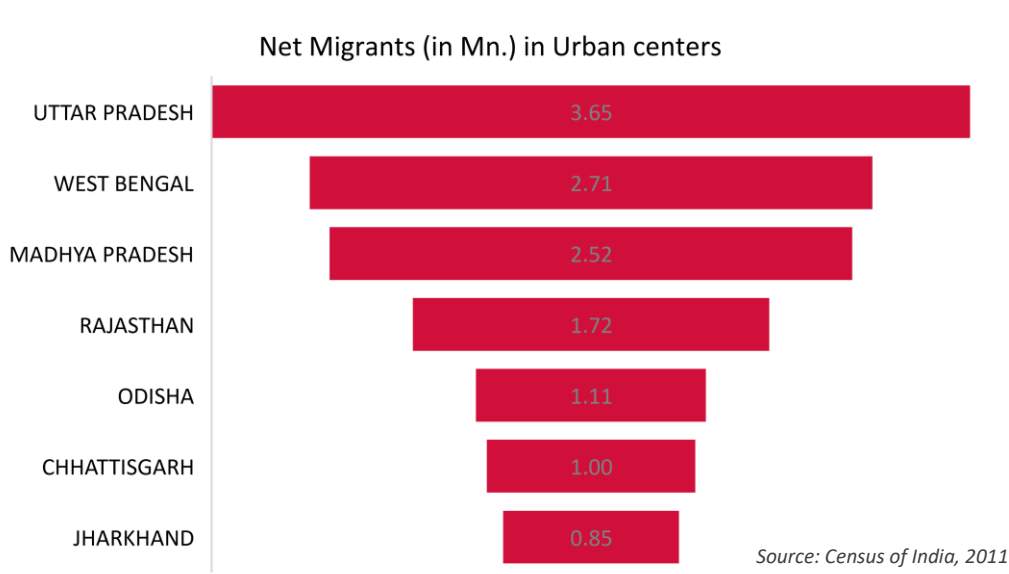
Source: Census of India, 2011

ii) Migration from urban centres in focus states (Out Migration) within focus states based on place of last residence in the last decade (2001-2011) is as follows



Source: Census of India, 2011

iii) Net Migration in Urban Centres in Focus States which is equal to total no. of migrants who have come into Urban areas minus migrants who have moved out of urban areas in the focus states for (2001-2011) is as follows

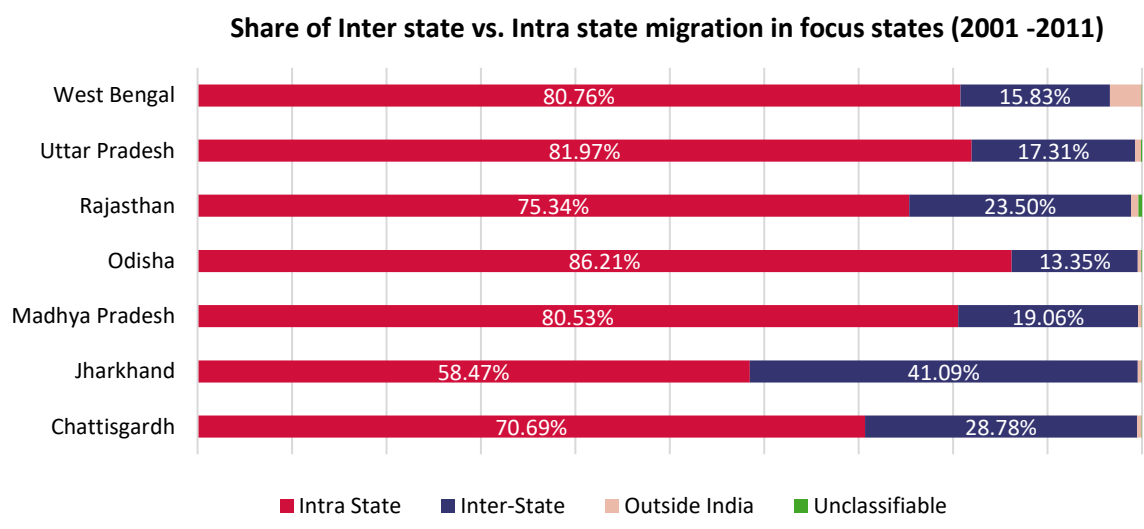


Among seven focused states of our study urban areas of Uttar Pradesh attract the greatest number of migrant (5 Mn.) followed by West Bengal (3.21 Mn.) and Madhya Pradesh (2.94 Mn.).

In case of migrants migrating out of urban areas, 1.35 million people migrates from different urban centres of Uttar Pradesh to other locations. The total no. of people moving from the state to urban centres of other states the number is 4.06 Mn. Both inward and outward urban migration is significantly higher in Uttar Pradesh compared to other states under study.

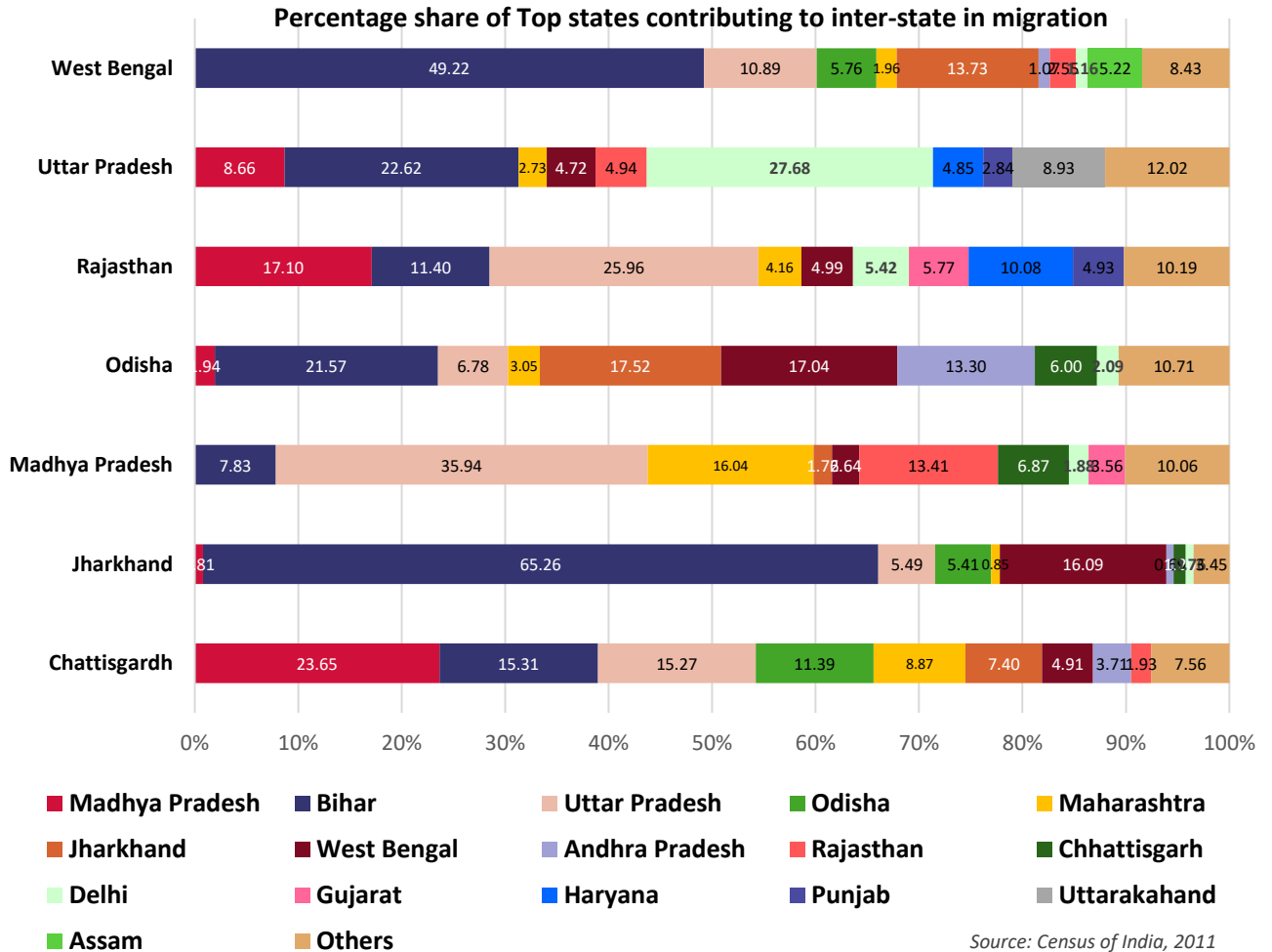
Inter-regional migration in states under focus

Across focus states, majority of the migrants to its urban centres originate from the home state itself.



Major States contributing to Inter- State Migration in Focus State

The key states contributing to inter-state migration in focus states is as follows. It can be inferred from the below data that the inter-state migration is a mainly an intra - regional phenomenon.

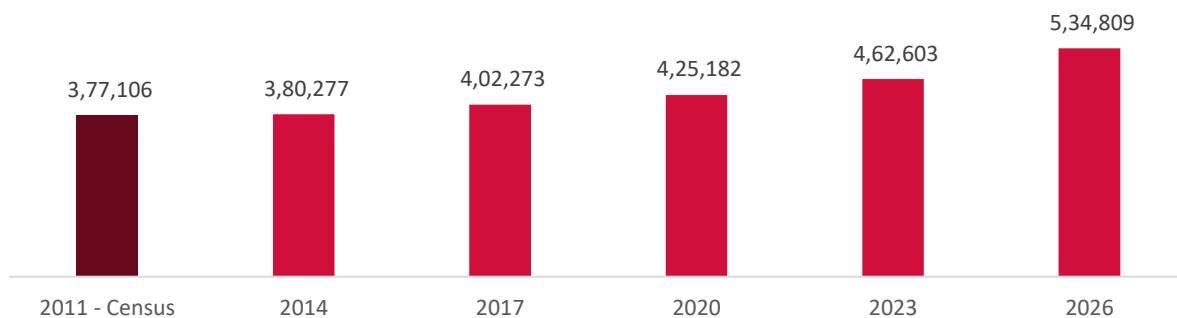


Even within the region, majority of the inter-state migration in urban centres within focus states is seen to be happening from states which share a boundary with the host state. Inter-regional (eg. North to South or East to West) does exist but is extremely small compared to migration from states located in close proximity to states under focus of the study.

Expected growth in Urbanisation

Growth estimates of Urbanisation provided by the National Commission on Population suggests that the urbanisation in India will grow at a CAGR of 0.98 percent to 1399 million over the 15-year period from 2011 to 2026.

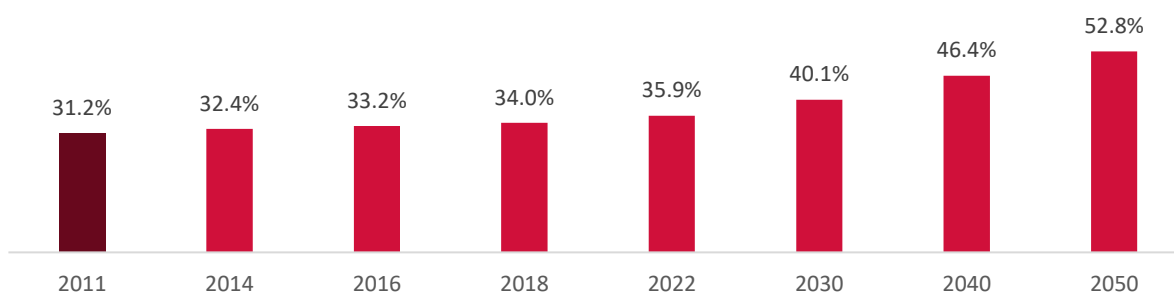
Expected growth of Urban Population in India ('000)



Source: National Commission on Population – Government of India

The United Nations estimate suggests that urbanisation will grow at a CAGR of 1.38 percent over the period 2011 -2050. By 2050, more than half of India will be urbanised.

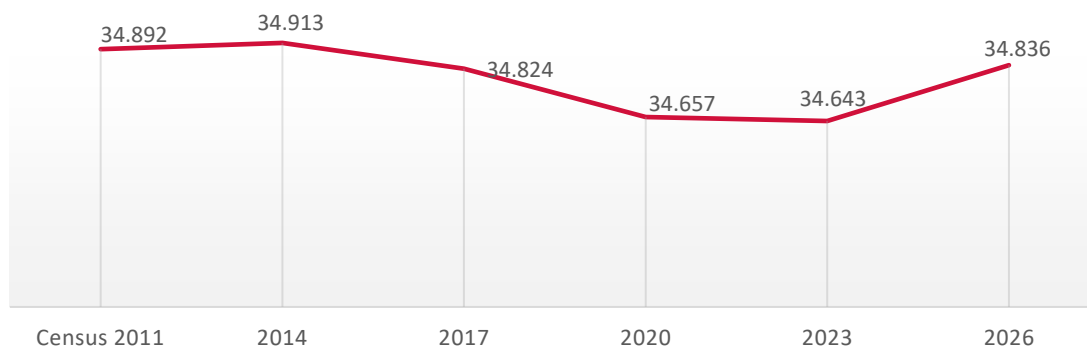
Expected Urbanisation in India as a percentage of Total Population



Source: National Commission on Population – Government of India

However, in the near future till the year 2026, the percentage share of urbanised population in the focus states will be maintained at the same levels.

Percentage of Urbanised Population in Focus States



Source: National Commission on Population – Government of India

Expected growth in Urbanisation in the Focus States



Source: National Commission on Population – Government of India

3 State of Affordable Housing in India

As per the 2011 Census, the total number of houses in India was 330.84 million. The number of houses in rural areas was 220.70 million, whereas 110.14 million housing units existed in urban areas. With an average household size of 4.9 persons, the total number of households stood at 246.69 million in India. The total no. of rural households was 167.83 million, whereas 78.86 million households resided in urban areas.

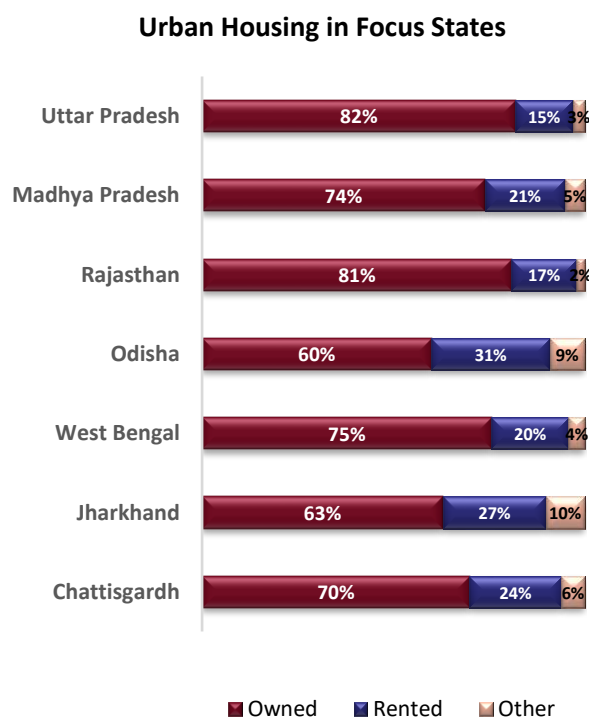
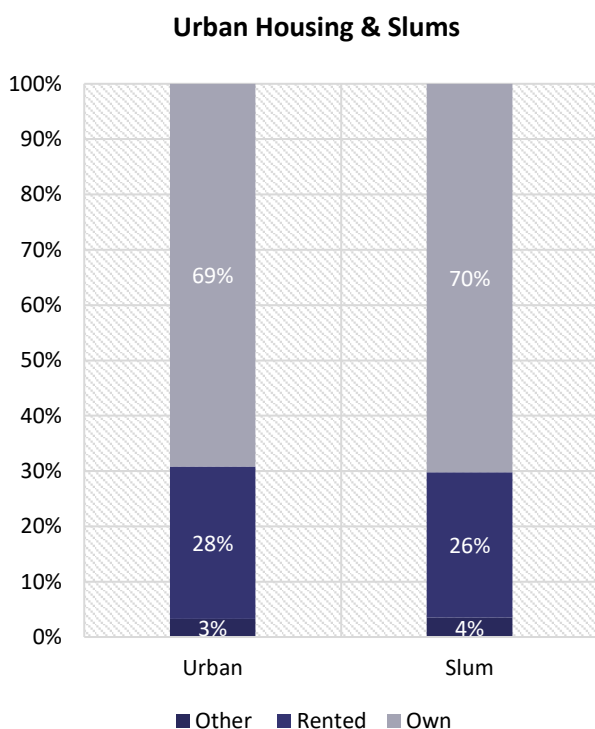
Share of Households as Urban vs Rural (2011)



Source: Census of India - 2011

Among the Urban households, households living in own dwelling units were 54.54 million, households in rented dwellings were 21.72 million and households in any other accommodation numbered 2.60 million. Nearly 17.4 percent of the urban households were defined to be slum households.

Ownership Pattern of Housing Stock in Urban India

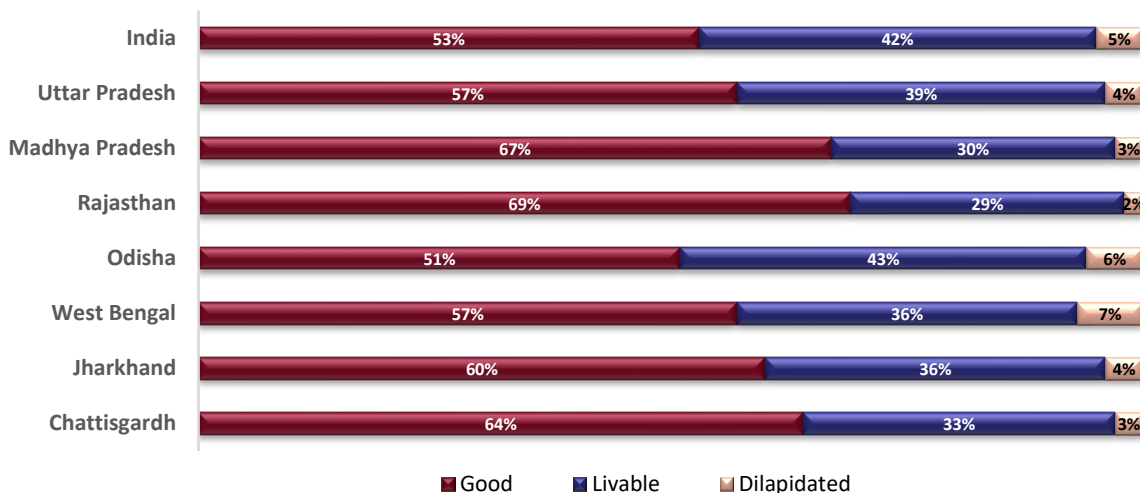


Source: Census of India - 2011

In all focus states, except Jharkhand and Odisha, urban housing ownership was seen to be higher than the national average.

The condition of urban housing in India suggests that around 45 percent of the urban housing stock (livable and dilapidated) need some sort of repair or reconstruction. Except Odisha, the state of Urban housing stock in focus states is seen to be better compared to national average.

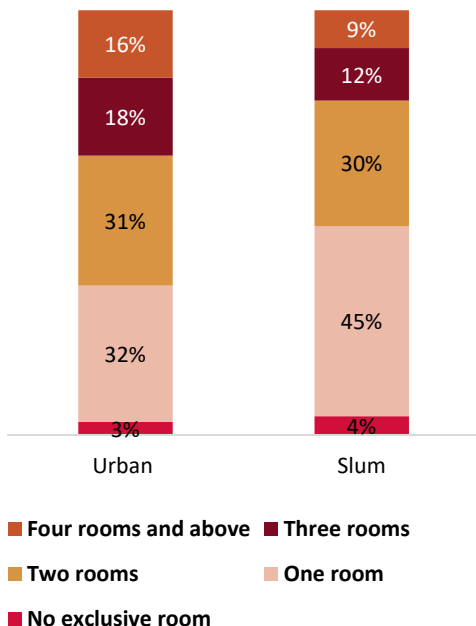
Condition of Urban Housing Stock in India



Source: Census of India - 2011

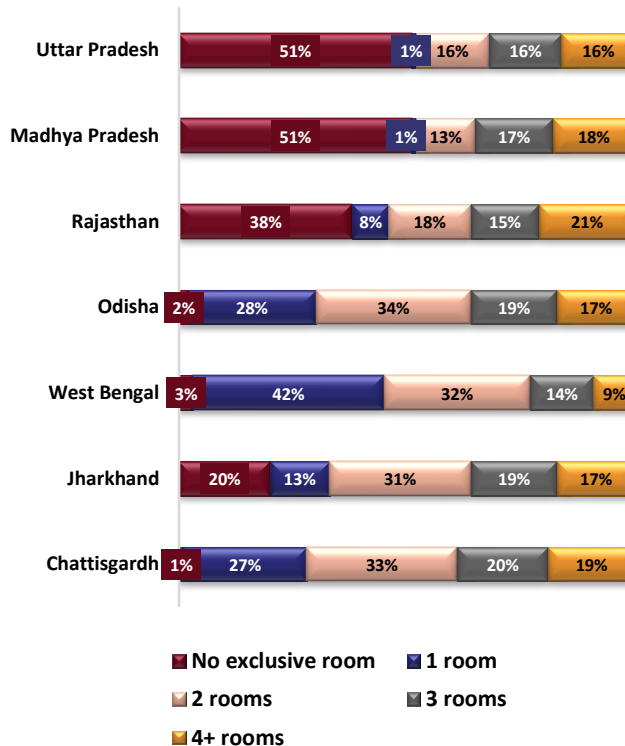
No. of Dwelling rooms in Urban and Slum homes

Housing in Urban India & Slums



Source: Census of India - 2011

Urban Housing in Focus States



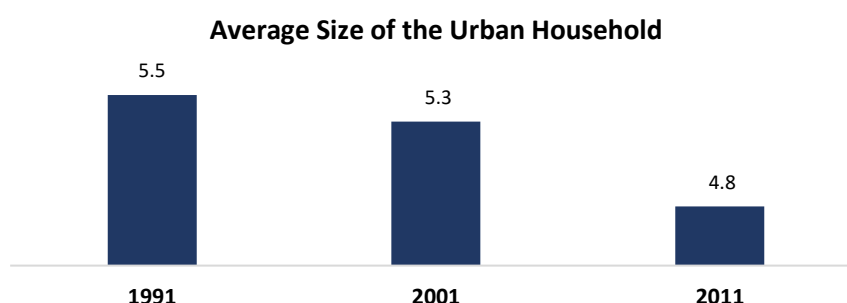
Source: Census of India - 2011

Despite the high ownership rates of houses, there is a significant housing shortage in India. The overall housing shortage is due to changing social and demographic patterns in India, such as rising urbanisation and the nuclearization of families. The data suggests that congestion within the housing unit is also a major factor that is driving the need for housing in India. Within major focus states such as Uttar Pradesh, Madhya Pradesh and Rajasthan a significantly large no. of urban households resides in houses with no exclusive rooms.

On the other hand, it is evident from above figures that there are large number of slum population stay on rent and almost 50 percent of slum population stay with no exclusive room/one room. In fact, according to Census 2011, 45 percent of the total slum households were living in less than one room homes. These developments signify the need of housing loan or home improvement/extension loan for households living in slums either in their own or rented accommodation.

The ownership pattern suggests that ~28 percent of the urban residents stay on rent. Majority of them stay in small apartments with either one room or two rooms. The situation is far worse for slum dwellers, where 45 percent stay in one room housing units. In this regard, the availability of proper yet affordable rental housing facilities comes across as a need gap presented by the segment. Schemes such as MMRDA rental housing scheme can be floated by the government authorities or other agencies, which if aided by efficient rental management system can be instrumental in improving the quality of housing facilities available to the EWS and LIG categories in urban areas. Apart from this, affordable housing solutions such as dormitories as housing options focussed on the migrant workers should be developed particularly in industrial or commercial areas. Migrant workers, especially working in the informal sector are most likely to migrate to a slum and this will help arrest this trend.

It is also interesting to note that although the size of urban household in 2011 has shown a decrease compared to 2001, the proportional share of nuclear households (comprising married couple and their unmarried children) has dipped¹ in urban areas, with people choosing to live in extended families.



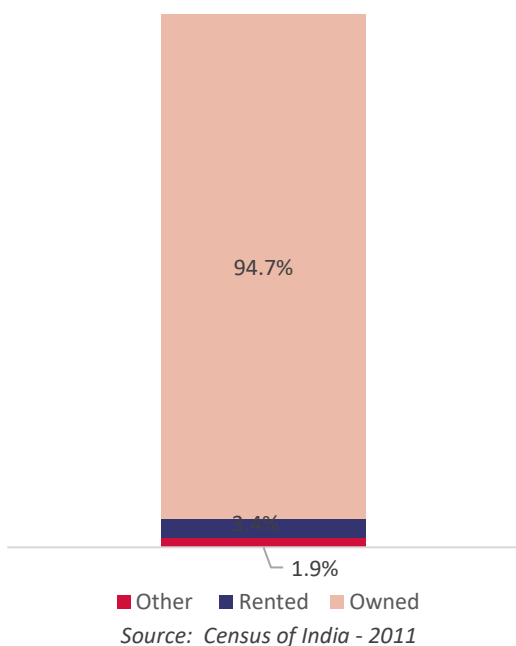
Source: Census of India - 2011

Contrary to the widely held notion that nuclear families rise increase with urbanisation, the share of nuclear households in urban areas as a percentage of total households has decreased from 54.3 percent in 2001 to 52.3 percent in 2011. Lack of affordable housing options in India’s urban areas is one of the most important reason for this trend.

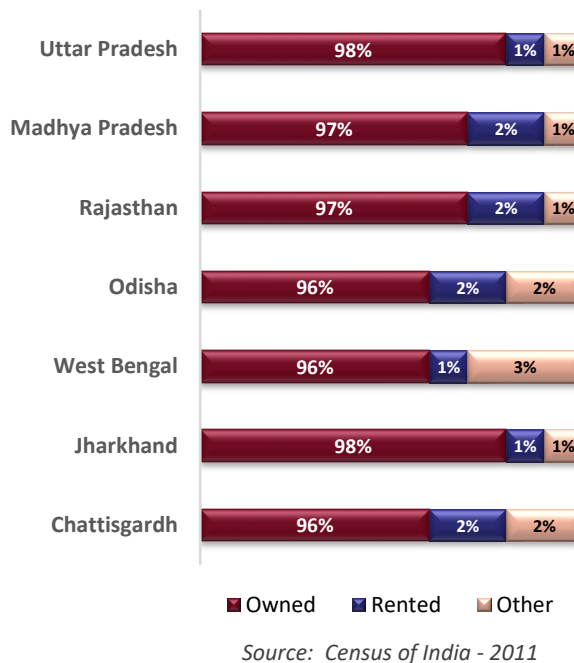
According to the 2011 Census, 68 percent of the total households stay in rural areas. Although majority (~94 percent) of households own a housing unit in rural areas, the condition of most of these units is inferior compared to urban areas. Based on the classification as per condition of the housing unit as provided in Census of India 2011, Good houses in the rural areas are less than half (46 percent) against nearly two third such houses in urban areas.

Amongst Rural households, overwhelming majority of the households own the housing unit where they stay. The incidence of rental housing is minimal and is seen mainly in rural areas which are on the periphery of urban settlements.

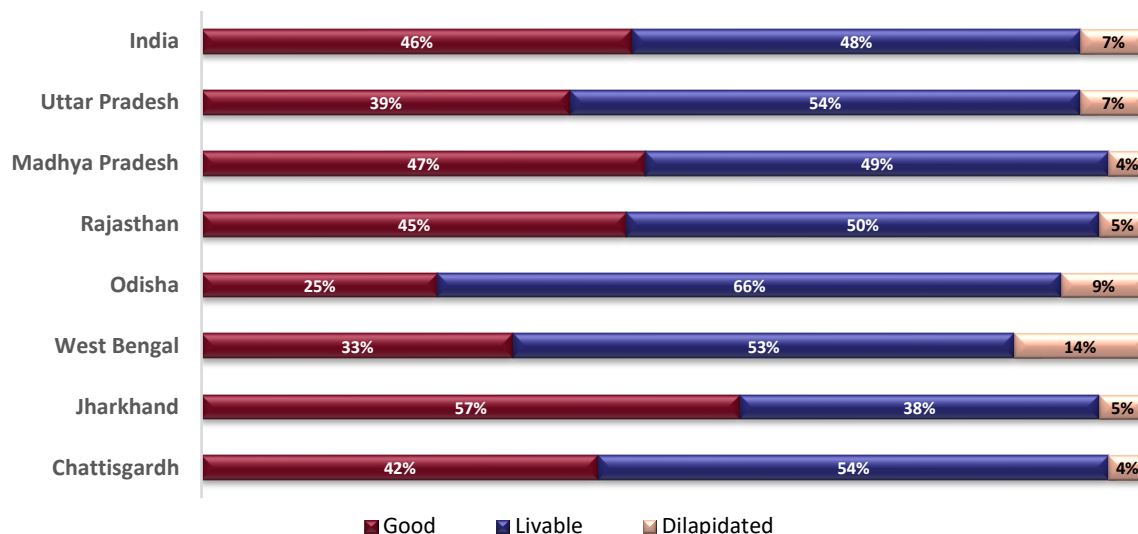
Rural Housing in India



Rural Housing in Focus States



Condition of Rural Housing Stock in India

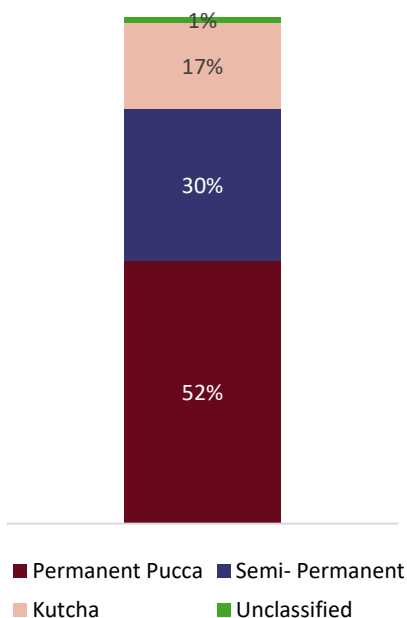


Source: Census of India - 2011

Compared to urban housing stock, larger number of housing dwellings present in rural areas need (livable and dilapidated) some sort of repair or reconstruction. Amongst focus states, a larger no. of rural housing dwelling in Odisha (75 percent) and West Bengal (67 percent) need repairs and reconstruction compared to other states.

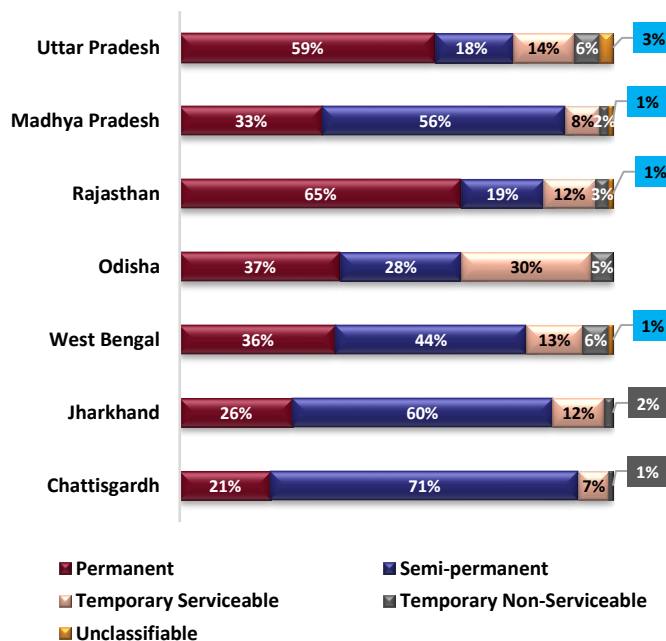
Type of Structure of Rural Housing

Rural Housing in India



Source: Census of India - 2011

Rural Housing in Focus States



Source: Census of India - 2011

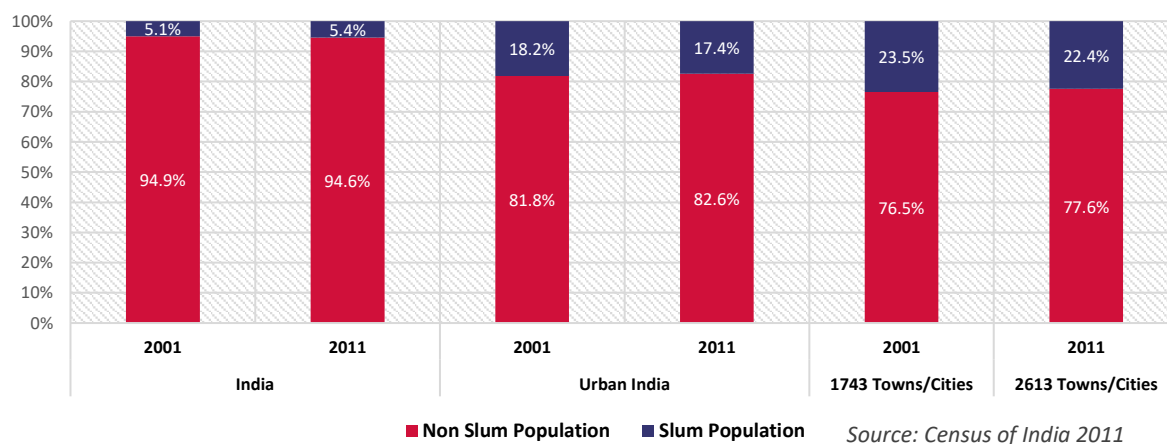
Apart from Uttar Pradesh and Rajasthan, the percentage share of permanent structures amongst rural housing units in all focus states is lower than the national average. Clear majority of rural households in Chhattisgarh (~71 percent) and Jharkhand (~60 percent) are made up of semi-permanent structure.

Although the ownership of housing in rural areas is high, the condition of housing is not desirable and needs to be improved. This represents an enormous opportunity for the housing finance market to provide loans for home improvement and re-construction purposes

4 Prevalence of Slums in India

As per 2011 Census of India, a total of 65 million population living in 13.9 million households have been classified as slums. Over the decade 2001-2011, the slum population has increased from 52 million in 2001 to 65 million in 2011.

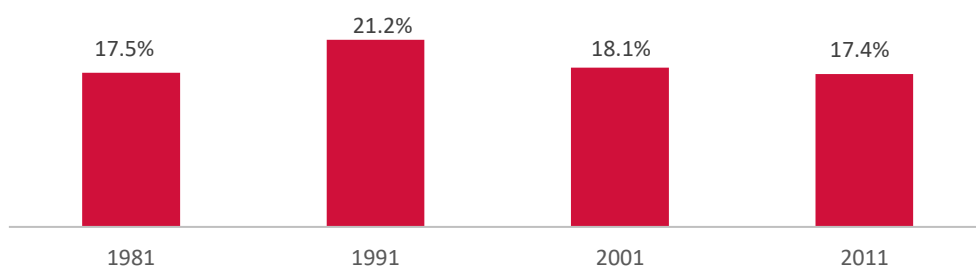
Percentage of Slum and Non- Slum Population in India



The slum population in the year 2011 constitutes 5.4 percent of the total population and 17.4 percent of the total urban population of the country. Out of the total 4041 Cities & statutory towns as recorded in the Census 2011, 2613 cities/towns reported the presence of slum habitations. As per the United Nations, the Urban slum population in India has increased drastically and was last estimated to be 98.4 million in 2014.

Though the overall slum population has increased between 2001 and 2011, the percentage of slum population to urban population has decreased indicating a higher rate of urbanization.

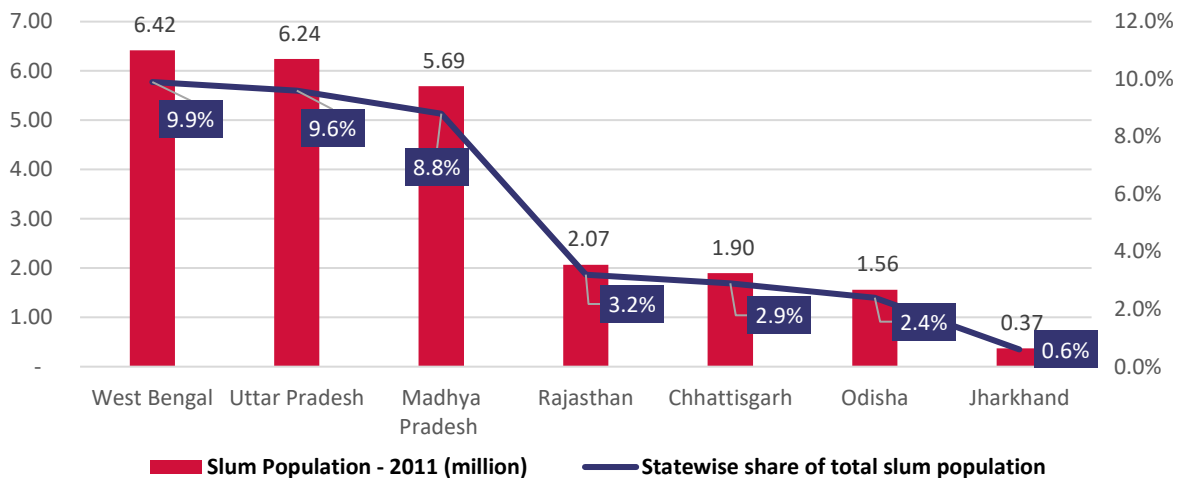
Slum Population as a percentage of total urban population



Source: Census of India

The states under the focus of the study i.e. Uttar Pradesh, Jharkhand, West Bengal, Madhya Pradesh, Chhattisgarh, Odisha and Rajasthan account for 37 percent of the slum population in the country.

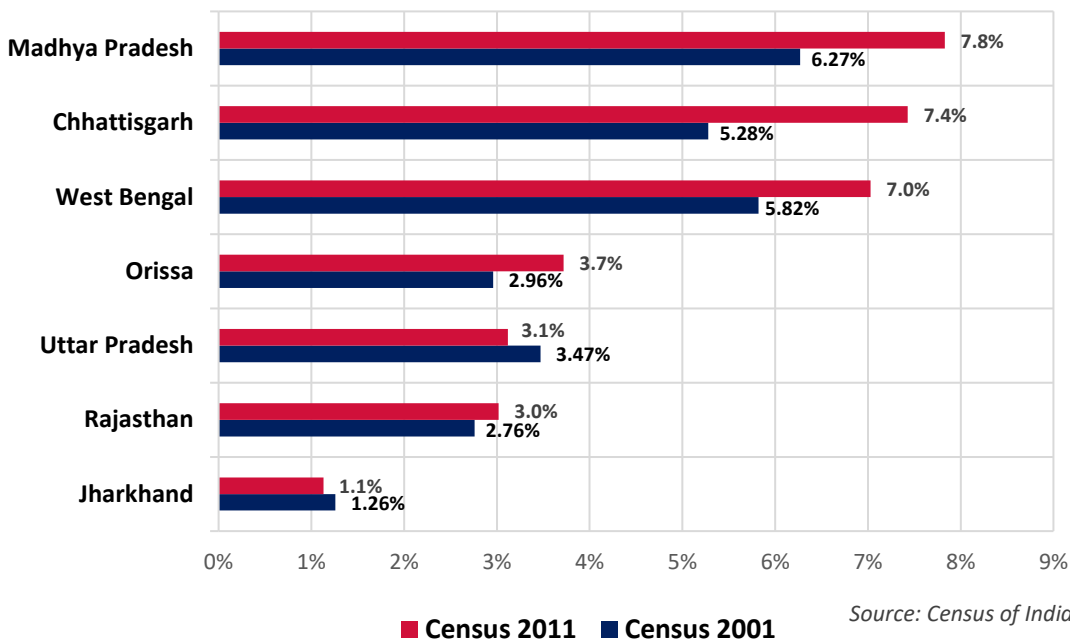
Total Slum Population and Share of Slum population in states under focus



Source: Census of India, 2011

Amongst the focus states, the top 3 states of West Bengal, Uttar Pradesh and Madhya Pradesh account for ~28 percent of the total slum population of the country. Amongst the focus states, Madhya Pradesh has the highest share of slum population as a percentage of state population, followed by Chhattisgarh and West Bengal.

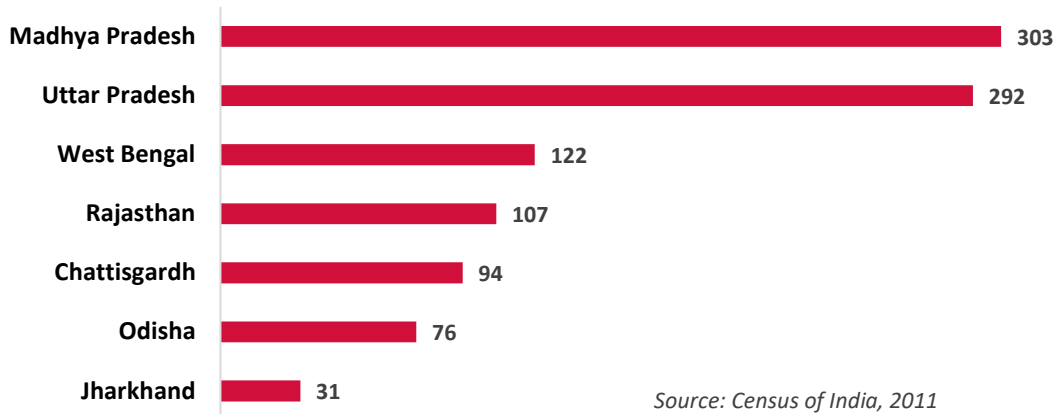
Slum Population as a percentage of Total State Population (2011 vs 2001)



Source: Census of India, 2011

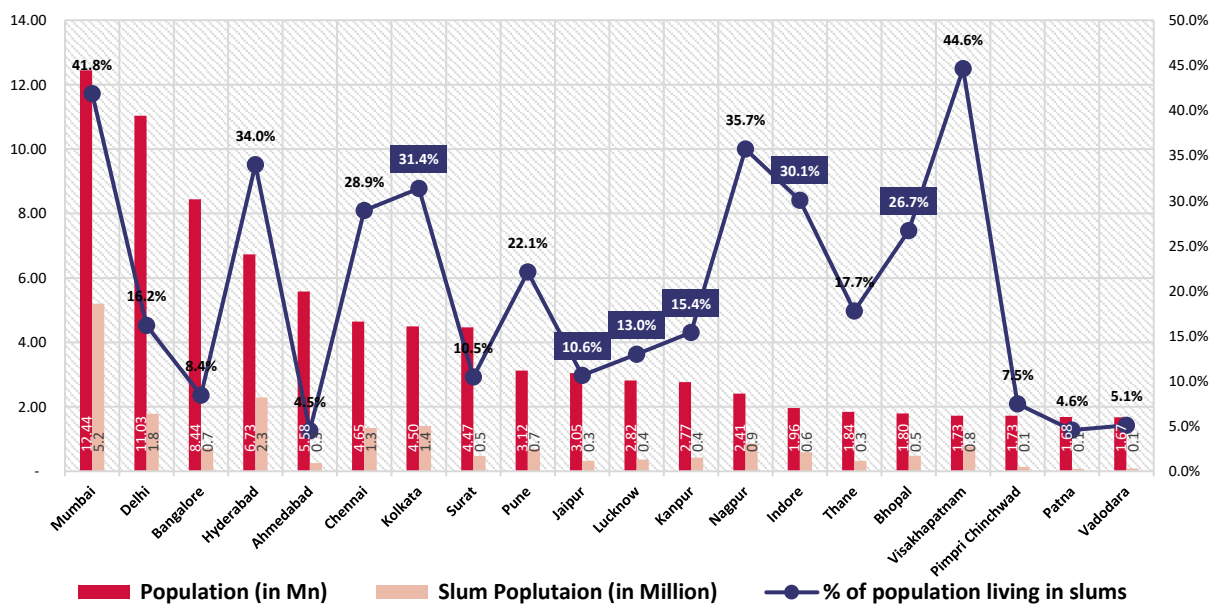
Nearly ~40 percent of the slum reporting towns are present in the 7 states under the focus of the study. Considering that only 34 percent of the total urbanised population of India resides in the focus states, the percentage of slum households in these states as compared to their urbanised population is higher vis a vis the national average.

Slum Reporting Towns in States under Study (2011)



Slums in Million Plus Cities in India

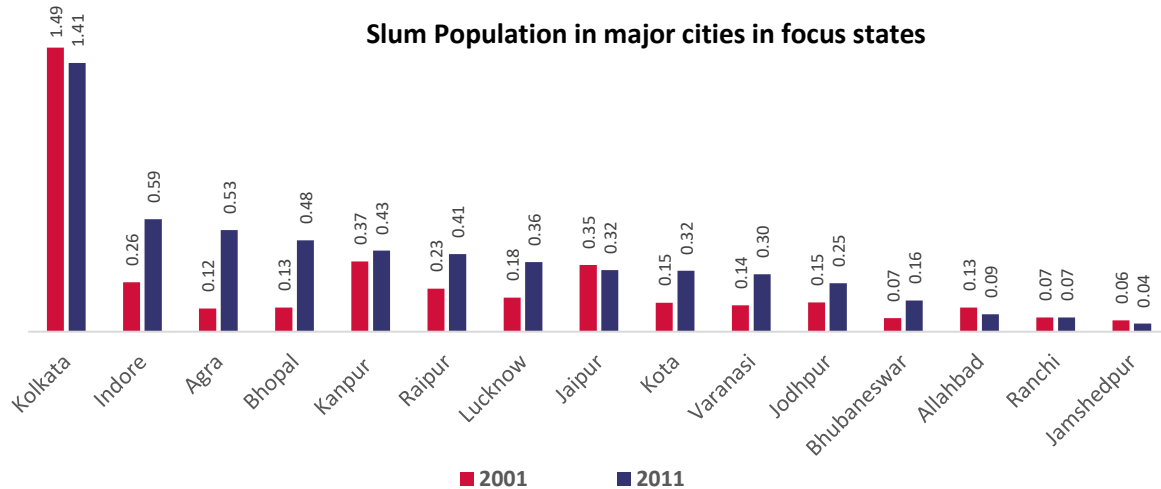
As per report Urban India 2011 by Indian Institutes of Human settlements, there were only five Indian cities with a population greater than one million and only 41 cities greater than 0.1 million population in 1951. However, in 2011 there were three cities with a population greater than 10 million and 46 cities & 53 urban agglomerations with populations greater than one million. The graphs below represent the top 20 cities with a population of greater than one million and the corresponding slum population.



Source: Census of India 2011

About 25.3 million population live in slums in the cities with population more than million, which is about 38.3 per cent of the total slum population in the country reported at the 2011 Census. Amongst the list, cities such as Kolkata, Indore and Bhopal which are part of the focus states, have significantly high percentage of population staying in slums.

Amongst the major urban agglomerations that lie in the states which are under the focus of the study, the total slum population is as follows



Source: Census of India 2011

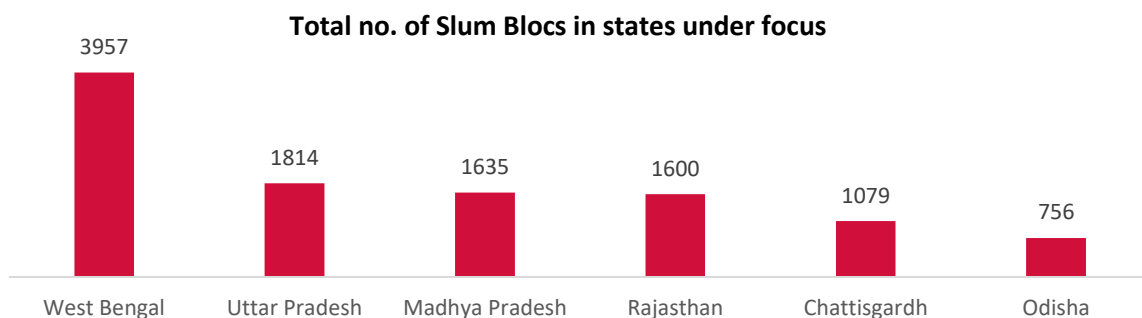
Despite measures undertaken by the government for slum rehabilitation via various schemes, the population living in slums have increased in absolute terms in 10 out of top 15 urban centres in focus states.

Employment based migration has been the biggest driver for growth of slums in the urban centres in the states under focus. Displacement of labour force from the rural economy and their absorption in manufacturing and other labour-intensive sectors in cities has created serious stress on the urban infrastructure. The capacity of the cities and towns to assimilate the migrants by providing employment, access to land, basic amenities etc. has remained limited and not expanded in line with the demand. The problem has acquired severity as migration to urban areas has increased significantly over last 20 years as dependence on agriculture has decreased due to falling productivity. Urban centres are forced to absorb migrants for economic reasons although physical infrastructure in terms of housing, drinking water supply, drainage, sanitation etc. is not adequate. Over the period 2001-2011, the employment-based migration has been highest in places such as Agra, Bhopal & Indore.

Government failure to rehabilitate slum dwellers has also led to growth of the population staying in slums. This is the case in urban centres with historical slum settlements such as Kolkata, Lucknow and Agra. The problem of slums has surfaced as a common feature in all urban centres in focus states. These urban conglomerations represent opportunity for DFID to make interventions in the affordable housing sector.

Number of Slums in States under focus

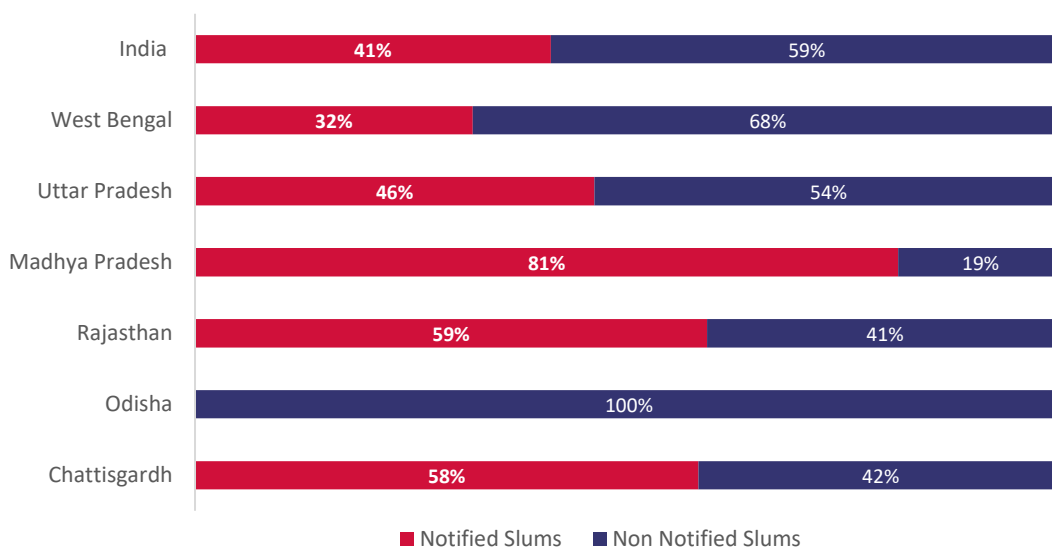
The total no. of slums blocs in various states under focus of the study is as follows. The states under focus approximately account for ~35 percent of the total slums present in India.



Source: Report No. 561, NSS 69th Round, Urban Slums in India, NSSO

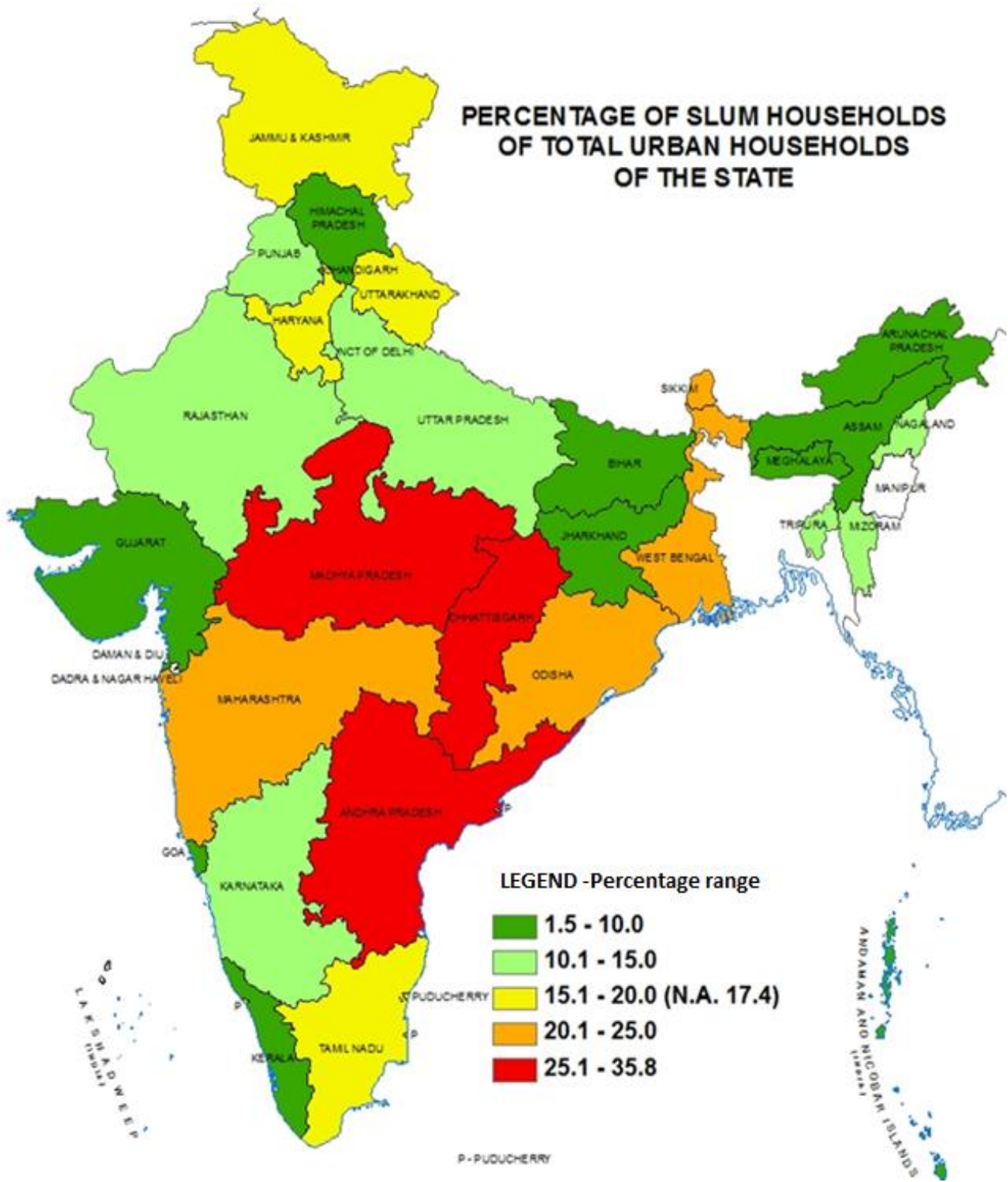
Notified slums account for 41 percent of slums in India. Amongst states under focus, the share of notified slums is highest in Madhya Pradesh, followed by Chhattisgarh and Rajasthan.

Notified vs. Non-Notified slums in States under Focus



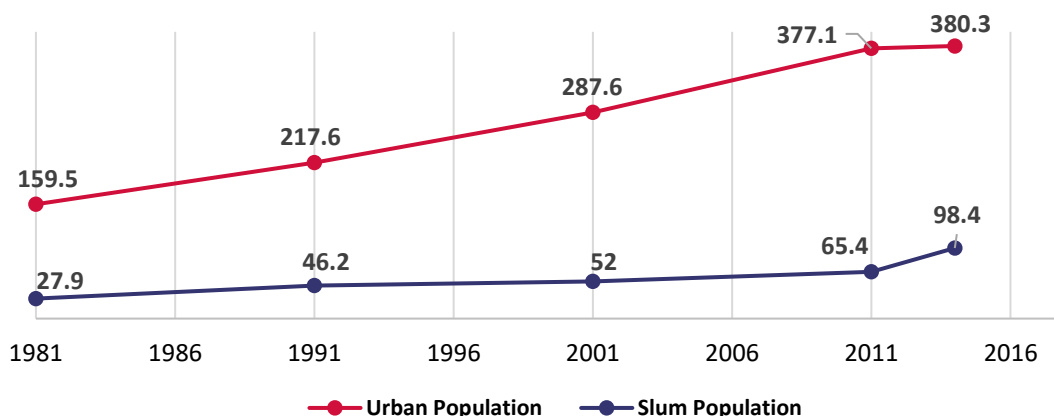
Source: Report No. 561, NSS 69th Round, Urban Slums in India, NSSO

Percentage of Slum Households to Total Urban Households in India



The word “slum” is often used to describe informal settlements within cities that have inadequate housing and miserable living conditions. A rapid increase in land prices and real estate developments in urban areas have induced the deprived and the economically weaker sections of the society to occupy the marginal lands typified by dilapidated housing stock, congestion and obsolescence. Despite various government policies and efforts to rehabilitate slum dwellers and curtail the existing slums, there have seen a constant growth of slums with rising urbanization in India.

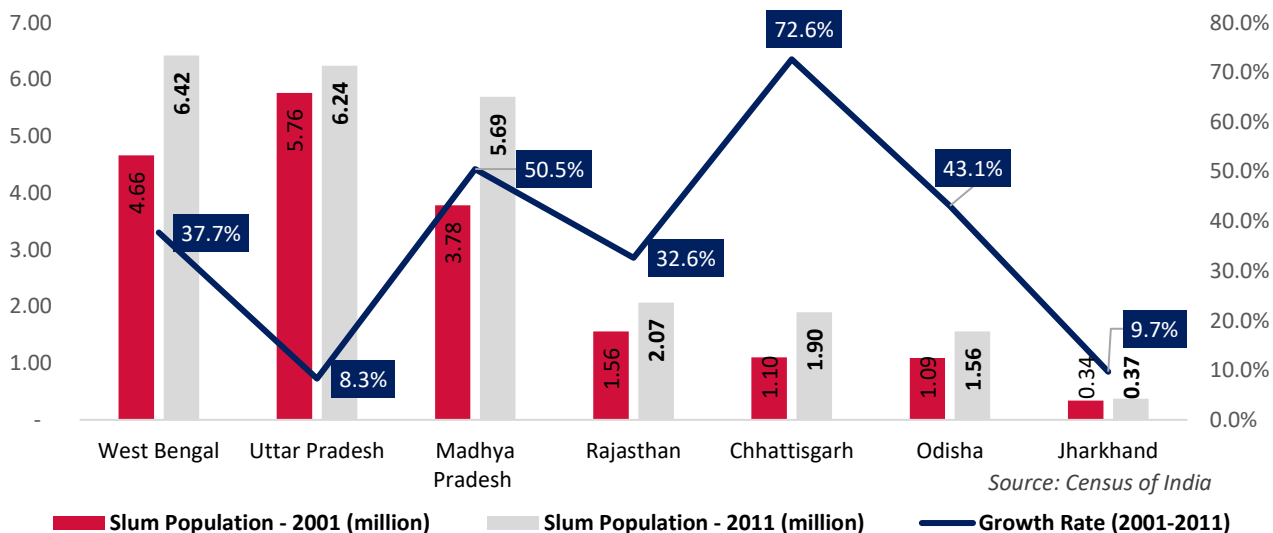
Urban and Slum Population in India (millions)



Source: Census of India, Please Note: 2014 data of Population and Slums are estimates by United Nations

The slum population in the focussed states has seen a growth of 33 percent over the Census decade 2001-2011. The growth seen in the focussed states is higher by 7 percent compared to the national average. Amongst the focus states, Chhattisgarh recorded the highest growth in slum population, followed by Madhya Pradesh. Except Uttar Pradesh and Jharkhand, all other states recorded higher growth of slum population compared to the national average.

Growth of Slums in India in the states under focus

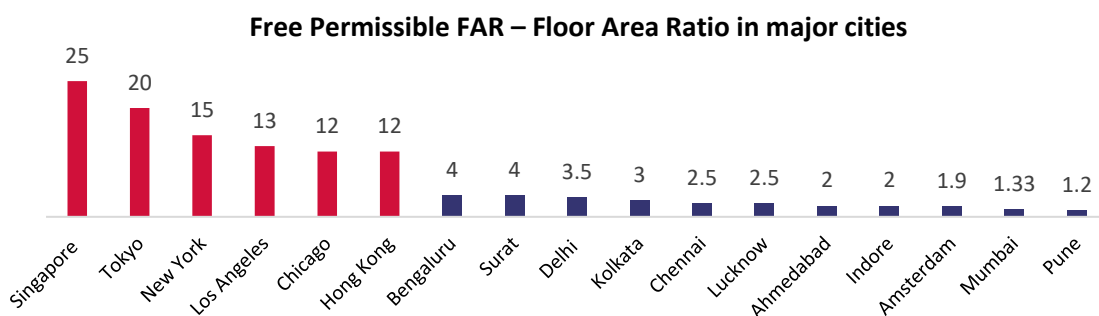


Source: Census of India

Factors leading to the creation and sustenance of slums in urban centres in India

- **Unavailability of urban land for Affordable housing**

High population density in urban areas leads to a huge demand for urban land, thus increasing the cost of housing unit. Unavailability of land is one of the biggest barriers to creation of affordable housing in cities. This problem is compounded due to the prevailing land use restrictions in the urban areas of India. The restriction on FAR or floor area that can be built on a plot of land creates artificial scarcity of land, thus pushing the cost of land higher. The free permissible FAR – Floor Area Ratio in Indian cities is very less compared to other leading cities globally.



Source: Knight Frank Research

Over and above the free permissible FAR, additional FAR needs to be purchased which incurs cost. This results in increase in cost of housing units and reduces the affordability of homes in urban areas. As a solution to the said problem, additional FAR may be provided for affordable housing projects. Also, the government has several urban land banks which are currently unutilized. Such land can be allocated for affordable housing projects where the creation of affordable housing may be driven via a PPP – Public Private partnership model.

- **Difficulty to access formal financing for purchase of affordable housing units or home improvement in slums.**

Banks as well as housing finance companies find it difficult to provide credit to slum dwellers who are prominently employed in the informal segment. These individuals are mainly paid in cash and have no documentation to prove their credit worthiness. Also, Commercial banks and other traditional means of housing finance typically do not serve low-income groups, whose income may vary periodically, or is below the viable threshold to ensure repayment. Also, majority of the slum dwellers do not have land tenure rights over their properties or have no collateral to offer to banks and financial institutions.

Apart from this, there are legal concerns over financing slum dwellers for home improvement in slums. Financing construction in notified slums in few states is a criminal

offence under the state law and lenders such as banks or Affordable Housing Finance companies can be prosecuted for doing so.

- **Limited incentives for Developers to undertake Affordable Housing/ participate in Slum Re-Development exercise.**

Considering the high cost of land as well as better returns from other asset classes, it is not commercially feasible for developers to undertake affordable housing projects in prime areas. Apart from availability of land for development, there are no other incentives for the developer to undertake Re-development of existing slums.

Even if affordable housing is feasible on the outskirts of the city, there is no civic infrastructure to support the same. Infrastructure such as roads, appropriate connectivity for reaching to work places, creation of enough employment opportunities in the same locality etc need to be created first for people living in slums to move to new places. Leaving everything on the developer will not ensure in achieving the desired results.

- **Hesitance towards Slum Relocation exercise**

- Relocation exercise executed under government schemes such as JNNURM-Jawaharlal Nehru National Urban Mission have failed to preserve the existing employment opportunities of the slum dwellers which mainly existed in the vicinity of the slums.
- Slum Dwellers value their social network to the extent that they prefer to stay in slums. Such social networks are a source of informal credit and insurance that supports the slum dwellers during financial difficulties.

- **Unavailability of affordable rental housing stock to accommodate Slum Dwellers and Urban EWS/ LIG Segment.**

The rent control regime existing in some cities in India has been responsible for acute shortage of affordable housing in the city. Since rental laws have capped the returns on rental properties and made eviction of tenants difficult, it has led to lack of creation of affordable rental housing properties.

- **Ineffectiveness of earlier Slum Redevelopment & Upgradation Policies and Schemes**

The following national schemes for Slum Redevelopment & Upgradation which were introduced earlier could not be effectively implemented to arrest the growth of slums in urban areas.

- **National Slum Development Program (NSDP)**

The scheme was launched in 1996, with the aim to upgrade 47,124 slums across India. Beneficiaries were provided loans to make improvements to housing while governments invested to provide community amenities within the slum.

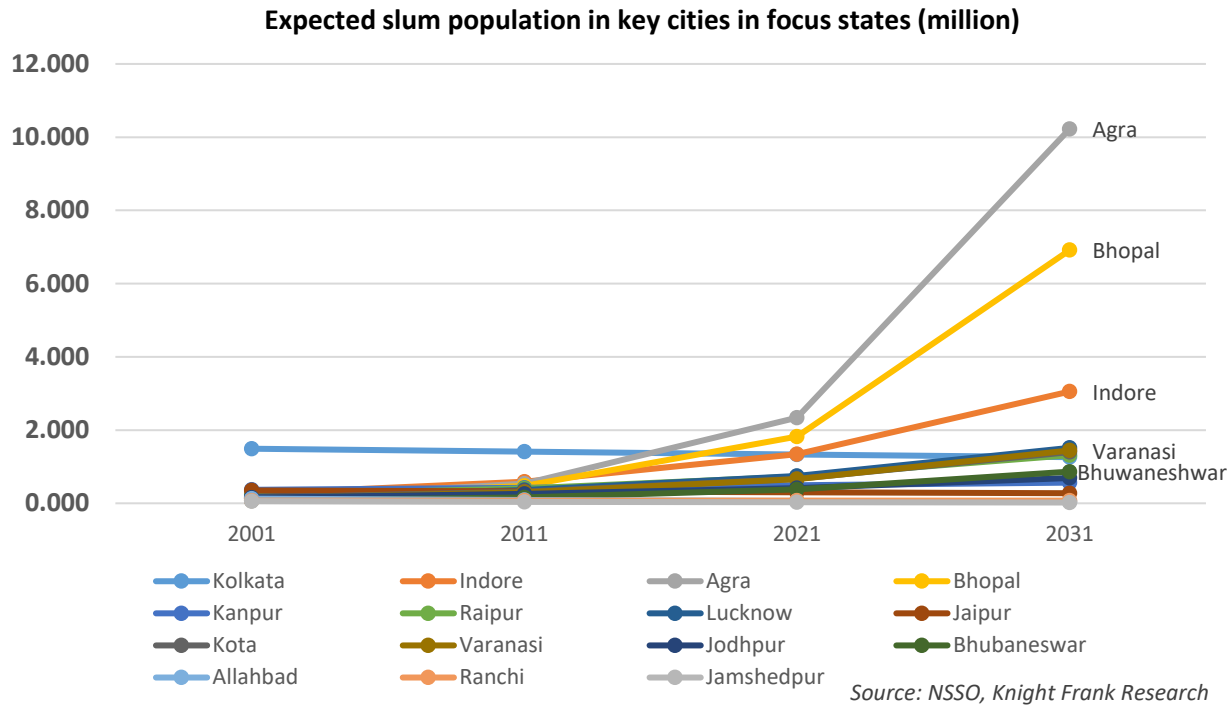
However, due to lack of proper monitoring as well as administrative difficulties, the program could not meet its loan disbursement targets and scheme could disburse only 70 percent of its allocated funds. The other reason for low offtake of this scheme was that upgradation approach followed was piecemeal in nature. The loans provided to beneficiaries were small loans through which they could only undertake small changes within their house. Also limited funding led to poor quality community amenities such as toilets, streetlights etc. which were rendered unusable with time.

- **Basic Services to Urban Poor (BSUP)**

BSUP, which was part of JNURM – Jawaharlal Nehru Urban Renewal Mission, intended to provide affordable housing with basic facilities. Under this slum redevelopment scheme, housing subsidy of 88 percent was provided under the scheme considering the cost of the housing unit to be built as INR 3,00,000. The reasons that led to poor implementation of this scheme were as follows

- Limited capacity of the local government authorities led to poor monitoring during the construction process which resulted in poor quality housing units. The quality of housing in many cases were so poor, that in few locations such as Bhopal, beneficiaries (slum dwellers) refused to move into such houses.
- Delays in construction leading to escalating costs – Due to limited government capacity for monitoring and implementation as well as slow approval process resulted in delays. Project delays led to escalation in costs, which had to be borne by end beneficiaries and this made the projects unaffordable. Consequently, the intended target populations were not reached.

Expected growth of slums population in major cities in focus states



Expected slum population in key cities in focus states (million)				
City	2001	2011	2021	2031
Kolkata	1.491	1.410	1.333	1.261
Indore	0.260	0.590	1.342	3.052
Agra	0.122	0.534	2.336	10.223
Bhopal	0.126	0.480	1.821	6.915
Kanpur	0.369	0.425	0.490	0.564
Raipur	0.226	0.407	0.731	1.314
Lucknow	0.179	0.365	0.743	1.514
Jaipur	0.350	0.323	0.299	0.276
Kota	0.153	0.319	0.668	1.398
Varanasi	0.138	0.302	0.660	1.443
Jodhpur	0.154	0.254	0.419	0.691
Bhubaneswar	0.071	0.164	0.377	0.865
Allahabad	0.127	0.092	0.066	0.048
Ranchi	0.075	0.074	0.074	0.073
Jamshedpur	0.059	0.042	0.030	0.021

Source: NSSO, Forecast by Knight Frank Research

Trend analysis of the available data suggests that the growth of slum population will be highest in Agra and Bhopal, followed by Indore, Varanasi and Bhubaneswar. These urban centres are expected to experience growth on the backdrop of current economic drivers that include industrial & manufacturing sector and trade & commerce activities in addition to organic growth. These sectors typically have higher percentage share of semi-skilled or unskilled manpower. These sectors typically attract inward migration from rural to urban and lower tier urban centres to higher tier urban centres.

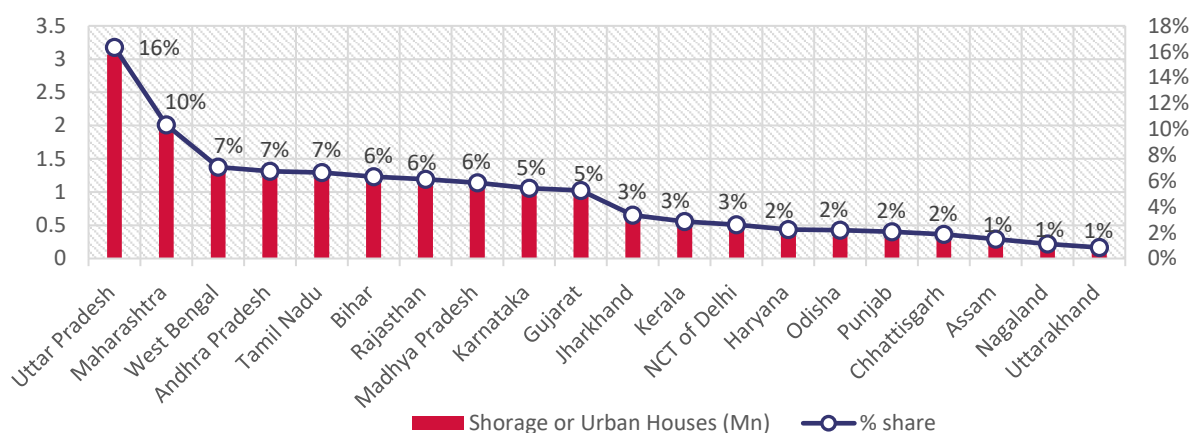
The current PMAY(U) policy is focussed on creation of affordable housing stock for the existing demand gap. There is negligible focus on creation of affordable or rental housing stock for catering the needs of temporary migratory population that could result in creation of unauthorised and unplanned residential pocket that would lack in physical and social infrastructure resulting in slum-like conditions. Apart from the ongoing intervention by the central government in terms of PMAY scheme, additional efforts are needed to be undertaken by the state government as well as private participants to arrest the growth of slums and provide a dignified quality of shelter to this stratum of population.

5 Shortage of Affordable Housing in Urban India

The growth of urbanisation in India has resulted in increasing pressure on the housing sector as well as the basic urban infrastructure and services provided in the cities. Substantial housing shortage looms in Urban India and a wide gap exists between the demand and supply of affordable housing, both in terms of quantity and quality.

The Ministry of Housing and Urban Poverty Alleviation has indicated an urban housing shortage of about 18.78 million housing units in the country in 2012, a number which stood revised at 10 million in 2017.

State wise Urban Housing Shortage in India



Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012

The states under focus of the study i.e. Uttar Pradesh, Madya Pradesh, West Bengal, Chhattisgarh, Rajasthan, Madhya Pradesh, Jharkhand contribute to nearly 42 percent of the urban housing shortage demand in India.

Percentage of Urban Housing Shortage in Focus States (2011)

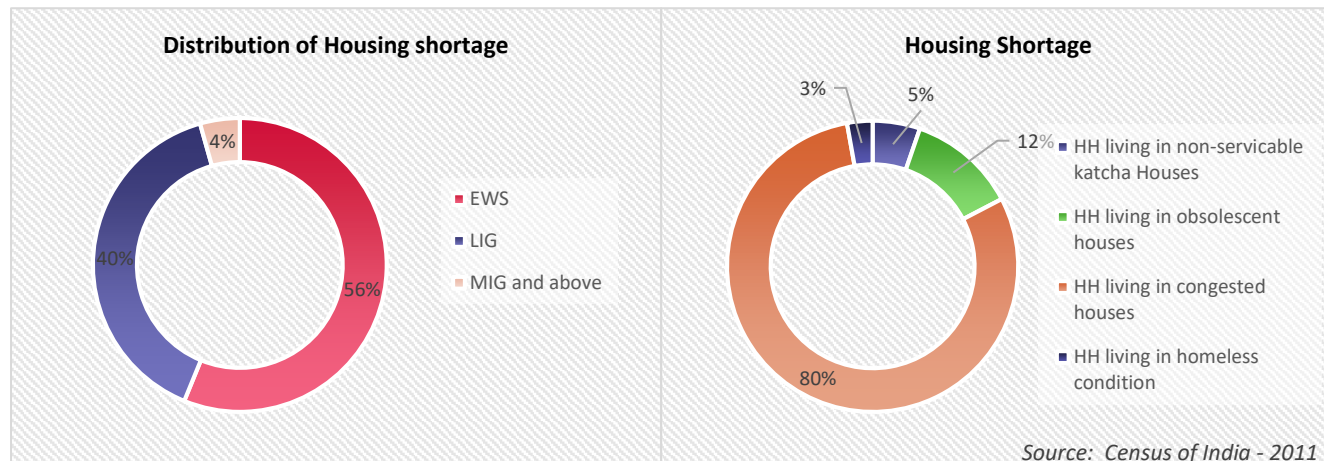


Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation,

India’s urban housing shortage is being primarily driven by the EWS and LIG categories. However, majority of the housing supply that has been built across urban India is beyond the affordability of the EWS and LIG segment. Real estate developers, private players, have primarily targeted

luxury, high-end and upper-mid housing segment owing to the higher returns that can be gained from such projects. Further, high land costs, archaic building bye laws, stringent licensing norms, delay in project approval made low cost housing projects uneconomical for private developers.

Distribution of Housing Shortage in India



96 percent of the shortage is in the affordable housing segment i.e. EWS and the MIG category. 92 percent of the existing housing shortage is due to congested houses or kutchas, implying an urgent need for home improvement or home extension loans.

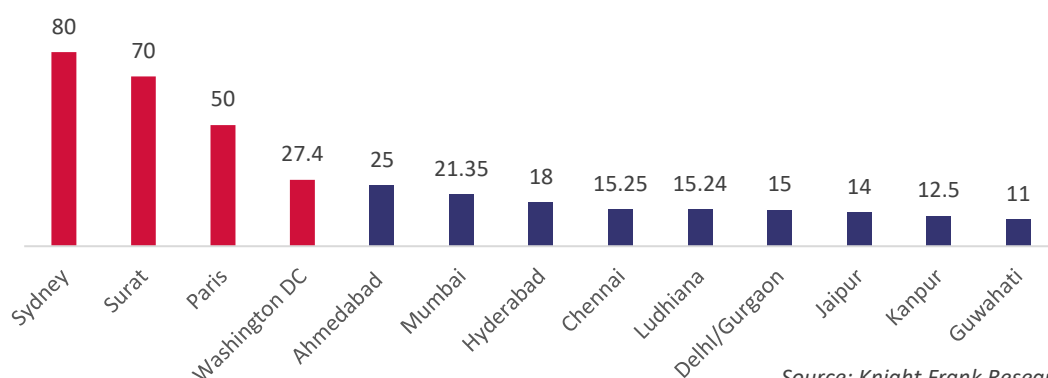
Reasons that have led to the shortage of Affordable Housing

Apart from pressure on urban resources and infrastructure due to increasing population, ineffective policies have also contributed to the shortage of affordable housing, thus leading to proliferation of slums. Major policy gaps and other factors that have contributed to the shortage of affordable housing in Indian cities are as follows

- Land use regulations** - High population density in urban areas leads to a huge demand for land. Apart from this, inefficient land use as well as regulations on land use creates further scarcity of land, thus consequently increasing the cost of housing. There are restrictions on the FAR (floor area ratio) or the floor area that can be built on a plot of land. This is based on the premise that by restricting FAR, population density will reduce. However, due to concentration of economic activity in few cities in India and resultant housing demand, this land use restriction has failed to achieve its purpose. This restriction has contributed to raise the price of housing where restrictions are applicable.
- Height restriction of buildings** – In addition to the strict FAR limits, there is a restriction on the maximum height of buildings in different areas of the city, to limit built-up density. This also leads to increase in price of housing units. Other cities around the world have been easing these height restrictions or removing them entirely in order to ease the pressure on housing markets. Amsterdam, Tokyo and Singapore have completely removed height restrictions pertaining to residential buildings. However, Indian cities

such as New Delhi, Chennai, Bengaluru and Hyderabad continue to have strict height restrictions.

Building Height Restriction in metros in major Indian cities



- Scarcity of land for development of affordable housing** – In most cities in India, there is limited availability of land which can be used for affordable housing. Developers also have no compelling incentive to develop affordable housing projects vis a vis more lucrative asset class. Government should make land available to developers through release of unutilized lands or through changes in land use pattern.
- Usage of Floor Area ratio (FAR) as a revenue tool**
 In case developers need to avail additional FAR – Floor Area ratio above the free permissible limit, then the developer needs to purchase it. Although in some cases, free additional FAR is provided to builders for undertaking certain activities such as slum development, the local authorities/municipalities have been using this a revenue generating tool to boost their income, by granting rights to carry on additional construction at a fee. Given the large magnitude of revenue generated by municipalities through sale of additional FAR, there is strong incentive to maintain the low limits on free FAR in the city.
- Lack of Rental Housing Options**
 Most of the urban poor being engaged in informal sector are faced with income uncertainties due to the absence of job security. Moreover, they need to be mobile to respond to employment opportunities and therefore cannot afford to be rooted geographically due to home ownership. Due to their mobility these people often land in staying in slums. Given these characteristics of low-income households, rental housing may also be a housing option for them. In India, government policies for provision of housing for urban poor have traditionally focused on ownership-based models without adequate concerns to the needs and capacities of such households. Possibilities of rental housing have not been explored adequately to address the challenge of low-income housing.

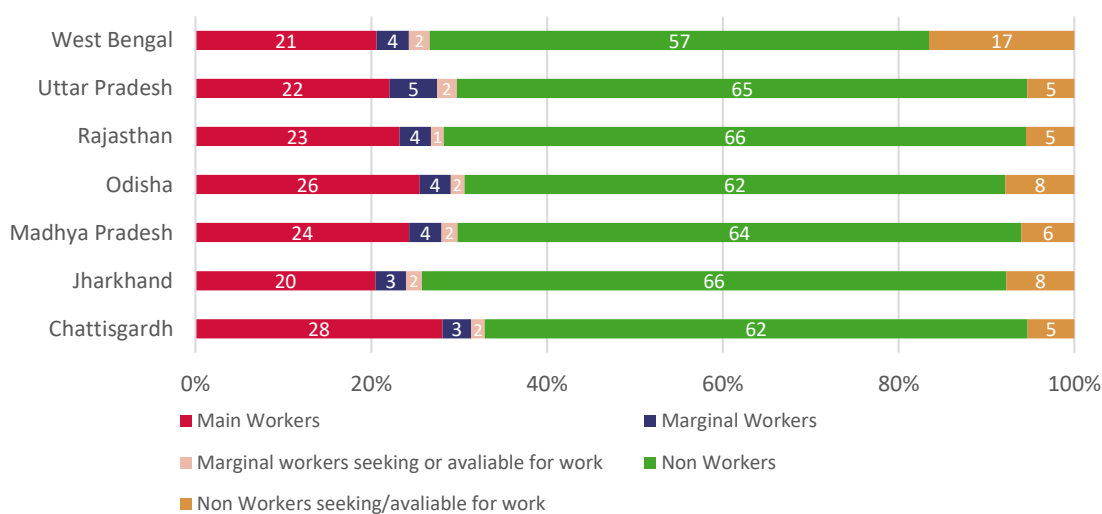
Despite prevailing opportunities Government did not take enough action to address the problem and create rental housing opportunities for urban poor/slum dwellers.

- In 2015, the government came up with the draft National Urban Rental Housing Policy which acknowledged the need for rental housing. However, the very cause of promoting rental housing was defeated with the exclusion of rental component from the purview of Pradhan Mantri Awas Yojana-Housing for All (Urban) (PMAY) which was also launched in 2015. PMAY did not have any rental housing component, although the scheme guidelines required states to legislate/amend their RCAs (Rent Control Acts) on the lines of model Tenancy Act.
- Despite growing recognition that schemes providing ownership housing are unlikely to solve the urban housing problem, government continues to focus on ownership housing.
- Rental housing is an important form of housing for the urban poor. The government should not only promote rental housing but also encourage participation of all in the provision of rental housing so that the gap in the demand and supply of housing for urban poor can be bridged. A variety of rental options can be offered to such households based on their affordability. These could include among others, dormitories, hostels, one room dwelling with common/shared facilities like water connection, toilet, bathrooms etc., one/two room housing set with independent kitchen and bathroom.

Impact of migration on demand for low cost affordable housing in Urban areas

Migration to major urban locations is not just from rural areas, but also from semi-urban areas or towns. Migration to urban areas in India can be attributed largely due to lack of economic and employment opportunities in rural and semi-urban areas in the country. Reduced agricultural productivity in rural areas as well as lack of alternate source of employment has been the major reason for increased rural to urban migration over the last census decade of 2001 -2011.

Bifurcation (%) of Employment Linked Migration in focus states between 2001-2011



Source: Census of India 2011

Majority of the migrants from rural areas, including main as well as marginal workers are individuals with low skillsets and migrate in search of blue collar or menial jobs. Such migrants do not have the purchasing capacity and wherewithal to avail optimal housing or other services and hence puts an enormous pressure on the civic infrastructure of the cities. Infrastructure growth as well as city planning and management has not kept pace with the growth in migration in focus states, thus creating an adverse impact on the management, city planning, resource mobilisation and economic growth of the city.

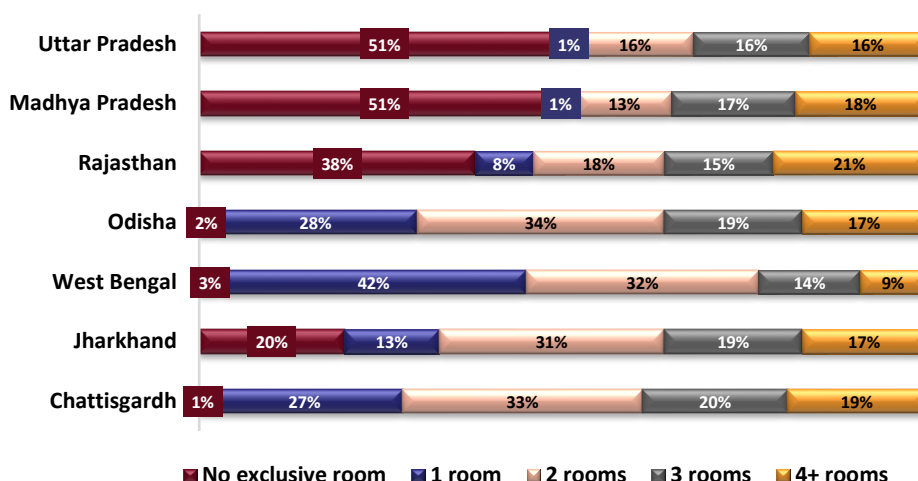
Following data ascertains that the urban migration in a state has correlation with the state urban housing shortage as well as the slum population. It can be seen that higher the net migration in any state, higher the slum population as well as the state wise urban housing shortage. As per the census of India data series 2011, approximately 63% of the migration in India has occurred in population with no-education or education levels below matriculation across all age brackets. This addition of population to urban centres is on account of work/employment as per census of India. Presently, there are no provisions in existing urban centres to provide for housing for the specific low-income working population, resulting in mushrooming of illegal/unauthorized and unplanned housing clusters.

State	Net Migration 2001-2011 (Million people)	State Wise Urban Housing Shortage	Slum Population of the state (Million people)	Migratory population due to work/employment (illiterate / education upto than Matriculation)
Uttar Pradesh	3.65	16%	6.24	62%
West Bengal	2.71	7%	6.42	69%
Madhya Pradesh	2.52	6%	5.69	67%
Rajasthan	1.72	6%	2.07	68%
Odisha	1.11	2%	1.56	56%
Chhattisgarh	1.0	2%	1.90	66%
Jharkhand	0.85	3%	0.37	63%

Source: Census of India 2011

Apart from this, data suggest that a correlation between the size of the urban dwelling units and net migration in the state. States with higher urban migration has higher share of urban population living in smaller (No exclusive room or 1 room) houses.

No. of Dwelling rooms in Urban Houses in Focus States

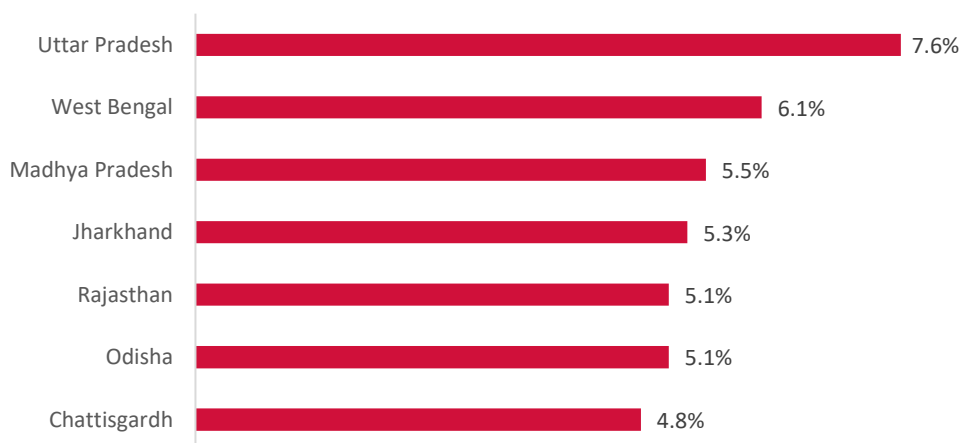


Source: Census of India 2011

Impact of Employment linked migration on demand for low cost urban affordable housing

Available data suggests a strong correlation between urban migration and the demand for low cost affordable housing. It is seen that higher the migration of marginal workers amongst the total urban migrants, higher is the urban housing shortage as well as slum population of the state. Marginal workers and their families are most likely to stay in slums or sub-standard housing, thus creating pressure on the infrastructure and resources of the city.

Share of marginal workers amongst total migrants in focus states during the period 2001- 2011



Source: Census of India 2011

Assessment of the education profile of migrants to states under focus of the study suggest that majority of the urban migrants in focus states are either illiterate or have not completed school, which limits migrants participation in higher economic value activity participation impacting the overall per capita earning. Further, the nature of economic activity in the above states is largely agrarian supported by mining, manufacturing and limited service sector activities which further limiting the access to formal housing due to financial constraints.

Hence, based on the above data regarding the profile of the migrants as well as nature of employment sought, it can be inferred that employment linked migration in cities is strongly contributing to the demand for low cost affordable housing in the urban centres in states under focus of the study.

Future Outlook

The current trend of urbanization and in-migration towards the established urban centres is expected to grow at the current pace and as may be noted from the data above, the population increase is expected to be more in lower income brackets of pyramid that would lead to increased requirement for affordable housing. The present policy of PMAY(U) focuses on providing housing of the current deficit. The policy provides for housing to existing urban dwellers, however, there is limited or negligible focus on future demand arising due to migratory reasons. Under PMAY (U) some states have focused on creating rental housing as a viable model for housing provision. However, limited policy level work or guidelines has been undertaken w.r.t. rental housing.

In order to promote rental housing, sufficient policy measure changes are required across government sector, financial institutions, city growth plans, re-development policies, private sector incentivisation. The master plans for the city have to consider housing of the transitory population as a key aspect of urbanization, while focusing on urban housing requirement. Financial outlays and policies need to be formulated and incorporated with city development plans and master plans.

6 Role of Non-Government Organisations (NGOs) to promote Affordable Housing

The income category wise housing shortage data suggests that 99 percent of the shortage in India rests with the EWS and LIG segment. EWS and LIG segment have been finding it increasingly difficult to purchase a housing unit mainly due to limited supply of low-cost housing as well as difficulty to access formal financing due to non-existent credit history as well as the lack of willingness on the part of formal financing firms to engage with consumers in EWS and LIG segment.

Given the inability of the government as well as the private sector to cater to housing needs of EWS and LIG segments in urban India, various NGOs have taken up the task of facilitating housing construction and financing the urban poor to enable access to a housing unit. Also, the provision under the Companies Act 2013, wherein companies need to mandatorily undertake CSR depending on their turnover/profit has paved the way for multiple CSR initiatives dedicated at improving the housing for the poor, which has contributed to the growth of NGOs working in the low-cost housing sector in India. The major NGOs working in India to promote low cost affordable housing are Habitat for Humanity, Assist Foundation, CHF India, Mahila Housing Seva Trust, Shelter Associates, Gruh Utthan etc.

Activities & Initiatives undertaken by various NGOs in India in the sphere of affordable housing can be categorized as follows

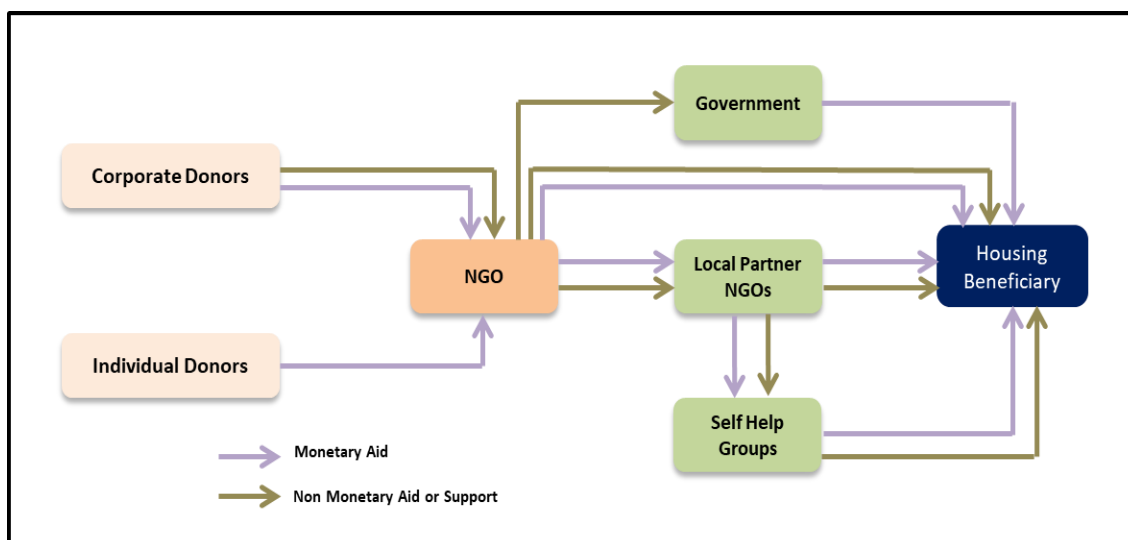


1. **Financial Inclusion** – Micro Housing loans for home construction or home improvement for individuals who fall beyond the realms of organised financing firms.
 - The NGOs provide interest free or low interest loans to target beneficiaries for facilitating construction or repair/refurbishment of a housing unit. NGOs working in this space such as Habitat for Humanity or Gram Uthan may directly engage with beneficiaries or provide loans to beneficiaries via intermediaries such as self-help groups or other NGOs who provide geographical reach to the consumer.
2. **Technological Empowerment** - Providing equipment, design assistance and guidance to enable individuals from marginalized communities to fulfill their dreams of building a home.
 - NGOs such as Nivasa, an architectural not for profit firm, helps to provide dignified housing conditions for EWS urban and rural individuals and communities through efficient housing design.
3. **Facilitation to access government schemes** – Creating awareness of various government schemes amongst target beneficiaries and helping them avail the various applicable housing schemes.
 - Few NGOs working in the housing sector are involved to create awareness of government schemes amongst target beneficiaries. They disseminate the information and undertake outreach of government schemes and programs. In some case, NGO are appointed as outreach partners to promote state government schemes.
4. **Operational Support to other NGOs/Stakeholders** – Providing support to stakeholders such as donor agencies as well as other NGOs who do not have local reach to perform a variety of activities such as identification of right beneficiaries, undertake due diligence, disbursement of funds, monthly collection of repayments etc.
 - Local NGOs undertake grassroot level operational execution for programs initiated by some other NGO/stakeholders in areas where they have geographical reach. E.g. Habitat for Humanity partners with other NGOs such as Chetanalaya to reach the target beneficiaries.
5. **Facilitation amongst Stakeholders** – Facilitation amongst various stakeholders such as developers, beneficiaries, government authorities to facilitate low cost housing development.
 - NGOs provide facilitation during conflict resolution, support for mediation and negotiation to stakeholders especially in case of slum redevelopment etc.
6. **Advocacy** – Advocacy with government at all levels to institute housing policies favourable to EWS and LIG segments and to streamline procedures and ensure transparency and accountability in government housing schemes.
 - NGOs such as Housing and Land Rights Network create awareness about housing issues and concerns facing the Slum Dwellers and EWS Segment and advocates the

institution of Housing policies which are favourable to the EWS and LIG Segment of the population.

Value Chain used by NGOS to promote Low Cost Housing in India

The typical value chain prevalent for flow of monetary and non-monetary channelized by NGOs is as follows



The NGO may be getting funds from corporates or individual donors. Corporates tie up with various NGOs and contribute to development of low-cost housing. Corporate donations could be monetary or donation of construction material or equipment which facilitates housing development. Corporates also help NGOs by providing volunteers or in other ways such as providing design services etc. Contribution provided by individual donors is generally monetary in nature. Individuals donors may donate on their own accord or donate through some fund raising scheme run at their workplace.

NGO may take the help of other local NGOs or Self-Help Groups to channelize money to beneficiaries either as aid or loans to the housing beneficiaries by using them for undertaking various activities such as identification of beneficiaries, due diligence, collection of repayments etc. Self Helps groups are involved to reduce the risk of loan default due to lack of credit history of the beneficiary.

In areas where the NGO has a strong presence, partner NGOs are generally not involved and the housing beneficiary is directly dealt with. Many large NGOs such as Habitat for Humanity mainly provide loans to beneficiaries from EWS and LIG segment.

NGOs also help government to create awareness of various housing schemes and help beneficiaries access these schemes.

Major NGOs working in Affordable Housing sector and their Modus Operandi

1. Habitat for Humanity

Scale of NGO (International/National/State/Local)	International
Number of states covered	20
Focused states	Rajasthan, Madhya Pradesh, Uttar Pradesh, Jharkhand, Odisha, West Bengal
Location in focused states where projects are operational	Rajasthan- Ajmer, Jaipur M.P.- Gwalior Jharkhand- Jamshedpur, Hazaribagh Odisha- Koraput, Bhubaneswar West Bengal- North 24 parganas, Kolkata
Source of Fund	<ul style="list-style-type: none"> Individual donors Multilateral funding agencies Corporates such as Bank of America, General motors, HSN cares, Nissan, P&G etc.
Major Areas of operation	<ul style="list-style-type: none"> Affordable Housing <ul style="list-style-type: none"> Design and Construction of Affordable housing units Development of incremental housing Repair and Rehabilitation of existing housing units for EWS and LIG households. Sanitation: Providing families with sanitation units and creating awareness to bring behavior change to prevent open defecation.
Number of years the NGO is operational in affordable housing space	35 years
Work Process	<ul style="list-style-type: none"> Funds got from corporate and individual donors are channelized as affordable, interest free loans to target beneficiaries to facilitate house construction/ redevelopment/ repair amongst EWS and LIG segment. Involvement of partner NGOs and Self-help groups to widen reach, to seek help with logistics and reduce the risk of loan default by beneficiaries. <p>Value chain to reach out beneficiary</p> <pre> graph TD A[Corporate Donors/MNCs] --> B[Habitat for Humanity] C[Individual donations] --> B B -- "To widen outreach" --> D[Partner NGO and SHGs] D -- "Provide interest free Loans for house and toilet construction" --> E[Beneficiary] E -- "Repayment of loan" --> B </pre>
Key Result of initiatives taken	<ul style="list-style-type: none"> Rebuilding homes after disasters: <ul style="list-style-type: none"> Re-constructed 13,000 homes post the Tsunami in India 2004 Affordable Housing: <ul style="list-style-type: none"> Among the largest Habitat programs in the Asia-Pacific region, Habitat India has helped more than 386,400 families gain access to decent shelter as well as rebuilt their homes. Sanitation: <ul style="list-style-type: none"> 3,152,640 individuals served through the various initiatives around sanitation.

Type of customers served (Families/women/homeless etc.)	Families & Individuals
Total Number of beneficiaries served	38,97,015
Unique/Other important point	<ul style="list-style-type: none"> Habitat for Humanity engages school and college students along with youth groups to join other young people around the world who are serving with those in need.

2. Chetanalaya

Scale of NGO (International/National/State/Local)	National
Number of states covered	2
Source of Fund	<ul style="list-style-type: none"> Individuals donors Trusts & Institutions such as Caritas Switzerland, Caritas Germany, Manos Unidas, Caritas India, Catholic relief services, Catholic relief services.
Major Areas of operation	<ul style="list-style-type: none"> Low cost Housing Microfinance Youth and Skill development
Number of years the NGO is operational in affordable housing space	18 years
Work Process	<ul style="list-style-type: none"> The NGO mainly provides micro housing loans for home re-construction/ repair to EWS segment in slums and other areas where they operate. The housing loans are mainly provided to the customers via Self Help Groups who have been associated with Chetanalaya for a long time and have been availing micro finance loans from the NGO. Self Help Groups have been created and used as a vehicle for housing loan disbursement, thus reducing the risk of loan default and reducing NPAs.
Result of those programme	<ul style="list-style-type: none"> Low Cost Housing <ul style="list-style-type: none"> 800 houses constructed with toilets in 5 major slums of Delhi NCR. 189 houses constructed in 2016.
Type of customers served (Families/women/homeless etc.)	Families
Unique/Other important point	<ul style="list-style-type: none"> Award for the best NGO to implement the low-cost housing programme in India by Skoch Foundation. BEST NGO surpassing all CSR initiatives for Poverty Alleviation @ WORLD CSR DAY 2016.

3. Mahila Housing Sewa Trust

Scale of NGO (International/National/State/Local)	National
Number of states covered	10
Focused states	Rajasthan, Madhya Pradesh, Jharkhand,
Locality in focused states where they worked	Madhya Pradesh: Bhopal, Jharkhand: Ranchi, Rajasthan: Jaipur and Jodhpur
Source of Fund	Corporates: Bank of America, Commonwealth foundation, Dalyan foundation, Dasra giving circle, Ford foundation, HSBC, Selco foundation
Sectors of operation	<ol style="list-style-type: none"> 1. Water and sanitation 2. Housing 3. Energy 4. Climate Resilience 5. Microfinance 6. Participatory governance and planning 7. Skill training for construction workers
Financial help/ Services (house building/house related infrastructure building) offered in EWS/LIG/Affordable Housing Category	<p>Water and Sanitation:</p> <ul style="list-style-type: none"> • Facilitate Toilet construction: The NGO provides support to poor families to construct toilets offering them loans for toilet construction. <p>Housing</p> <ul style="list-style-type: none"> • Micro lending for self-constructed houses: Mahila Housing trust provides financial support to the people for self-construction of their houses. • Access to formal housing: Mahilla housing trust enables the participation of poor in government housing programs by creating awareness and helping them to access finance.
Number of years they are offering above services	Founded in 1994
Work Process	<ul style="list-style-type: none"> • MHT is partnered out with Nagar nigams of different states so as to widen their approach to reach beneficiaries. Nagar nigam help them to identify slums and areas where MHT can provide support. • Out of those people are selected on different criteria including the average number of population of slum, number of households in slum, castes/scheduled castes, quality of construction of existing housing kutcha, pukkha house etc. MHT helps them in filling out forms and also making them aware about other formalities. Once slum is evaluated individual households within the slum are evaluated for eligibility to receive the subsidy or other housing benefits. • MHT also provides loan product of Rs. 10,000 for construction of toilets for the poor through JLGs (Joint liability Groups) which is formed with 4 female members. Joint Liability Group is a group of Minimum 4 people of same village/locality of homogenous nature and of same Socio-Economic Background who mutually come together to form a group for availing loan. Further the loan is repaid with a Rs.1000 instalment for the tenure of 10 months.

	<p>Value chain to reach out beneficiary</p> <pre> graph LR CD[Corporate Donors] --> MHT[Mahila housing Trust] FC[Foreign contributors Registered under FCRA] --> MHT MHT --> NN[Nagar Nigam] NN --> ID[Identification of the beneficiary] ID --> B[Beneficiary] MHT --> JLG[Joint Liability Group] JLG --> B </pre>
<p>Key Results of Initiatives taken</p>	<ul style="list-style-type: none"> • Water and Sanitation: <ul style="list-style-type: none"> ○ So far, MHT’s support has enabled 1,08,767 poor families across 19 Indian cities to construct toilets in their homes. ○ Earlier in Jaipur In the Bandha Basti, MHT has been disbursing Rs. 10,000 sized loans for toilet construction through joint liability groups (JLGs). • Housing <ul style="list-style-type: none"> ○ In Jodhpur when IHSDP program (integrated housing and slum development program) was launched for slum dwellers MHT helped the slum dwellers with a motive to provide them adequate shelter. MHT supports residents in preparing their IHSDP application file along with conducting a biometric survey of all residents. MHT Helped to know which people are eligible for this program and helped in matching housing needs with type of subsidy available. ○ In Ranchi people living in slums often do not have bank accounts or have accounts, making them unable to receive construction funds or subsidies through the different housing program. MHT brought together slum residents, representatives from Union Bank and local government representatives to help slum residents set up proper bank accounts.
<p>Type of customers served (Families/women/homeless etc.)</p>	<p>women</p>
<p>Total Number of customers served</p>	<p>1,709,271</p>
<p>Unique/Other important point</p>	<ul style="list-style-type: none"> • On May 2019 received United Nations Sasakawa Award for disaster risk reduction. • On March 2017 special mention in world habitat awards 2017 for working in bringing light and air to homes in informal settlements.

4. Shelter Associates

Scale of NGO (International/National/State/Local)	State
Number of states covered	Maharashtra: Pune, Sangli Miraj, Khuldabad, Bibvewadi, Nashik
Source of Fund	Individual donors, coporates Some od the donors are given below <ul style="list-style-type: none"> • Dasra US. (Donald Lobo) • Giving Rise Oraganization • Alfa Level support services Pvt.Ltd. • Alfa level India • Bank of America N.A.
Sectors of operation	Slum Data: SA is engaged in a process of collecting, organizing and publishing slum data gathered through surveys and mapping efforts. Sanitation Housing
Financial help/ Services (house building/house related infrastructure building) offered in EWS/LIG/Affordable Housing Category	Slum Data: Organizing and publishing slum data gathered through surveys and mapping efforts. The slum data is collected by member of the community, spatially organised using GIS software and presented as an overlay on Google Earth remote sensing imagery. Sanitation: Facilitating the construction of individual toilets, conducting workshops to increase awareness within the community of environmental issues, providing a forum for sanitation issues to be discussed and establishing solid waste collection systems. Housing: Based on accurate data which has been spatially organised generated from a city-wide approach which considers housing as an integral part of the city along with areas of employment, healthcare, education, and convenience; and implemented in partnership with beneficiary communities.
Number of years they are offering above services	25 years
Work Process	<ul style="list-style-type: none"> • For housing and sanitation 1st of all surveys are conducted by the NGO in different slum areas. After that with the help of a GIS software the data is aggerated to check gaps and needs. • According to the need and result of the surveys toilets or houses are constructed for the beneficiaries. • The cost of construction is then met by the beneficiary family and remaining costs by donations and grants. Value chain to reach out beneficiary

	<pre> graph LR CD[Corporate Donors] --> SA[Shelter Associates] SA --> SCA[Surveys and community awareness programs] SCA --> CHT[Construction of houses and toilets on cost sharing basis] CHT --> B[Beneficiary] B --> SA </pre> <p>To Understand the demographic profile of the perspective beneficiary</p>
<p>Key Result of the initiatives taken</p>	<p>Sanitation: (Community toilet block projects)</p> <ul style="list-style-type: none"> Over the last decade shelter associates have facilitated the construction of 4,500 toilets in slums across 4 cities in Pune. Between 2013 and 2015 Shelter associates have facilitated the construction of approximately 2000 individual toilets for use by residents of informal settlements across the 15 administrative wards of Pune. <p>Housing:</p> <ul style="list-style-type: none"> Dattawadi: The first project was initiated in Pune, during the first rains of the monsoon, with the sudden demolition of an informal settlement known as Rajendra Nagar by the city administration. The work done by shelter associates was to ensure that 50 families were resettled in formal housing. City wide slum housing project Sangli Miraj Kupwad: Shelter associates were appointed as consultants for integrated housing and slum development program in Sangli Miraj Kupwad.
<p>Type of customers served (Families/women/homeless etc.)</p>	<p>Poor Families, slum dwellers</p>
<p>Total Number of customers served</p>	<p>Housing: More than 8400 people are impacted till now Sanitation: More than 3,00,000 people are impacted till now.</p>
<p>Unique/Other important point</p>	<ul style="list-style-type: none"> Shelter Associates in partnership with Pune Municipal Corporation, won the HUDCO Award for Best Practices in Sanitation in 2015 Among Top 10 NGOs in India under Google Impact Challenge, 2013

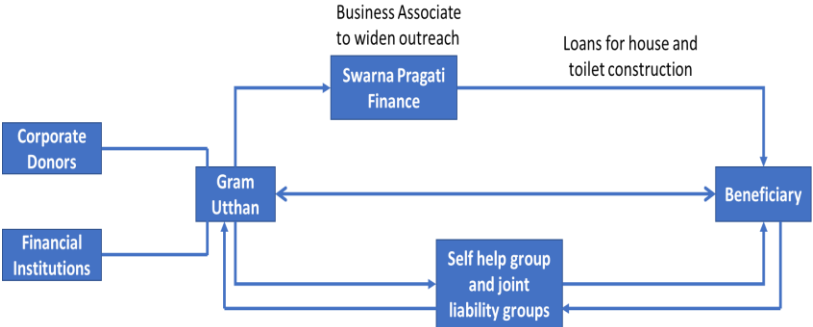
5. Cure India:

Scale of NGO (International/National/State/Local)	National
Number of states covered	Delhi, Odisha, Gangtok, Rourkela, Agra, Bhutan, Chhattisgarh, Ludhiana
Focused states	Odisha, Chhattisgarh
Locality in focused states where they worked	Rourkela, Bhubaneswar, Raipur
Source of Fund	Registered under Foreign Contribution act, Gets both individual and institutional donations Some of the contributors are: <ul style="list-style-type: none"> • London school of hygiene tropical medicine • Adelphi consult GmbH • Newcastle university • Danube university Krems • USAID • Jan Seva charitable foundation
Sectors of operation	<ul style="list-style-type: none"> • Sanitation • Housing • Health • Child development
Financial help/ Services (house building/house related infrastructure building) offered in EWS/LIG/Affordable Housing Category	Sanitation: Help in the construction of toilets and help in giving proper sanitation facilities in areas where people have no toilets or proper sanitation facilities.
Work Process	<ul style="list-style-type: none"> • CURE is working with the cities to Improve effectiveness of their housing, planning and sanitation service delivery, especially in slum communities by engaging with them (surveys). • They majorly collect slum data by surveys and with the help of ULBs and state government. Then they aggregate slum data with help of software GIS (SANMAN) to analyse any needs or gaps also in slum communities they help people by engaging with them through community awareness programs. • Further they determine gaps and needs that are required to be fulfilled. After determining the gaps CURE India helps in home and toilet construction. Cost of construction is paid by the beneficiary and rest by donations received (Cost sharing basis). <p>Value chain to reach out beneficiary</p> <pre> graph LR CD[Corporate Donors] --> CI[CURE India] ID[Individual Donors] --> CI CI --> USG[ULBs, State Governments] USG --> B[Beneficiary] B --> CI </pre>
Key result of the initiatives taken	Sanitation: Simplified Sewer Networking Slums to Trunk Infrastructure for Home Toilets, Delhi. The simplified sewer has enabled over 60 households in one street to build

	<p>individual toilets. The community co-financed the sewer line and paid for their own toilets. The Cluster Septic Tank and Simplified Sewer System, Savda Ghevra has helped 322 households, 110 are plugged and built into sewer system.</p> <p>Housing Pocket Reconstruction Project Maximizing Housing Spaces in Low Income Houses. Delhi, Savda The project was implemented in Savda Ghevra resettlement area, to help poor households be smart builders of pocket-sized housing plots. In situ slum upgradation in Raipur</p>
Type of customers served (Families/women/homeless etc.)	Slum dwellers, Poor Families

6. Gram Utthan:

Scale of NGO (International/National/State/Local)	State
Number of states covered	1
Focused states	Odisha
Locality in focused states where they worked	Kendrapada, Jajpur, Bhadrak, Cuttack, Dhenkanal, Balasore, Nuapada, Angul, Khordha, Puri, Ganjam, Jagatsinghpur
Source of Fund	Some of the donors Reliance capital, NABARD, Axis bank, ICICI bank
Sectors of operation	<p>Micro Housing:</p> <ul style="list-style-type: none"> Gram-Utthan provides financial support to build new house, addition to existing house, modification of old house, repairs simple homes construction through Swarna Pragati Housing Finance Ltd. as its Business Associate. <p>Water, Sanitation and hygiene (WASH):</p> <ul style="list-style-type: none"> Helps communities to access sustainable WASH (water, sanitation and hygiene) facilities through household water connection and toilet construction Educating the school children on Proper sanitation, Personal Hygienic & Hand Wash
Financial help/ Services (house building/house related infrastructure building) offered in EWS/LIG/Affordable Housing Category	<p>Micro Housing and sanitation program supported by Swarna Pragati Housing Finance Ltd.: Gram-Utthan provides financial support to build a new house, addition to existing house, modification of old house, repairs simple homes construction through Swarna Pragati Housing Finance Ltd. as its Business Associate.</p> <p>Swarna Pragati housing finance with Gram Utthan also provides loan for toilet construction and water connection.</p>
Number of years they are offering above services	28 years

<p>Work Process</p>	<ul style="list-style-type: none"> • Gram Utthan conducts surveys and community engagement programs so as to identify beneficiary. • After identifying the beneficiary Gram-Utthan provides financial support to build new house, modification of old house, repairs simple homes construction, toilet construction and water connection through Swarna Pragati Housing Finance Ltd. as its Business Associate. Loans are for relatively small amounts and are based on clients’ capacity to repay. Repayment periods are relatively short and are on par with mid- to high-end microfinance individual loans. Loans are not heavily collateralized, if at all, and collateral substitutes are often used. • Also, there is a Water & Sanitation Program Supported by Swarna Pragati Housing Finance Ltd. Swarna Pragati Housing Finance Ltd. under its innovative WASH loan scheme provides loans to Gram-Utthan with the special focus on household water connection and toilet construction. • Gram-Utthan presently lends only to women clients. <p>Value chain to reach out beneficiary.</p>  <pre> graph TD CD[Corporate Donors] --> GU[Gram Utthan] FI[Financial Institutions] --> GU GU -- "Business Associate to widen outreach" --> SP[Swarna Pragati Finance] SP -- "Loans for house and toilet construction" --> B[Beneficiary] B --> GU B --> SGL[Self help group and joint liability groups] SGL --> GU </pre>
<p>Key Result of initiatives taken</p>	<p>Micro housing: Under micro housing a total of 86,65,17,000 loan has been disbursed to 6,320 number of clients in around 7 major districts of Odisha.</p> <p>Sanitation: A total of 22,66,0000 loan has been disbursed for toilet construction in major 5 districts of Odisha.</p>
<p>Type of customers served (Families/women/homeless etc.)</p>	<p>Rural people, Slum dwellers, poor families and women</p>
<p>Total Number of customers served</p>	<p>Outreach in 11 major districts of Odisha</p>
<p>Unique/Other important point</p>	<p>Gram-Utthan Received Rs 9,44,000.00 from Habitat for Humanity India, (WASH) as Grant-in-Aid and Rs 37,83,000.00 as Loan Fund (Housing), From MILAAP Rs. 3,39,13,500 as Loan Fund in 2017.</p>

7. Nivasa:

Scale of NGO (International/National/State/Local)	National
Number of states covered	Bangalore, Hyderabad, Chennai
Source of Fund	Partnered with Canara bank, RMZ foundation, we rise foundation and the banayan
Sectors of operation	<ul style="list-style-type: none"> Housing
Financial help/ Services (house building/house related infrastructure building) offered in EWS/LIG/Affordable Housing Category	<p>Nivasa is an Architectural Not for Profit Trust, working to enable better housing conditions for the urban and rural poor, through design.</p> <p>Developers, contractors, corporates and individuals, engage the Architectural community in R&D of alternative materials and construction methodologies and volunteerism, derive specific, local and cost- effective designs to arrive at strategies for implementation that involves awareness & training, and helping to construct, where required.</p>
Work Process	<ul style="list-style-type: none"> Nivasa uses a method to match people’s needs with what is technologically feasible. Using a People-Centered approach, Nivasa involve the home owner in the decision-making process, and the product. They interact with local communities, collaborate with the Government, NGOs, Developers, contractors, corporates and individuals, engage the Architectural community in R&D of alternative materials and construction methodologies and volunteerism, derive specific, local and cost-effective designs.
Key Result of initiatives taken	<p>Project GRIHA - Cherkady, Udupi On-going projects Project GRIHA - 2 houses in Muroor, Udupi Project GRIHA - 5 houses in Haalady, Udupi Project GRIHA - 1 house in Bommarabettu, Udupi</p> <p>The co-creating construction labour communities has impacted over 20,000 labourers so far. Some of the projects: Construction Labor Community at RMZ One Paramount, Chennai Construction Labor Community at RMZ Nexity, Hyderabad Construction Labor Community at Maia Pelican Groove, Bengaluru</p>
Type of customers served (Families/women/homeless etc.)	Rural people
Total Number of customers served	Under their construction labour communities 20,000 labourers have been impacted so far
Unique/Other important point	<p>Awards:</p> <ul style="list-style-type: none"> World habitat Award 2017 The Merit list 2016-17 MSDS award, 2011-2015 CSIM fellowship, 2011

8. SPARC (Society for the Promotion of Area Resource Centres)

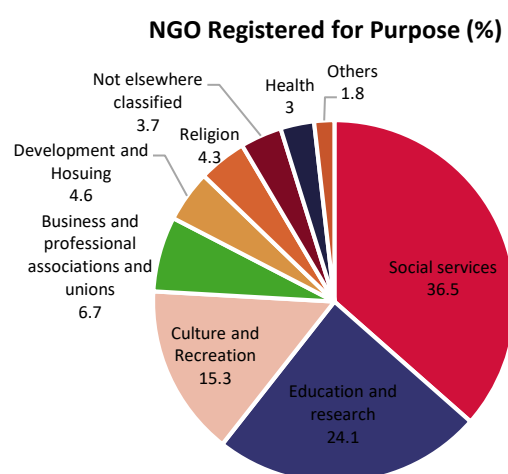
Scale of NGO (International/National/State/Local)	National
Number of states covered	5
Focused states	Odisha
Locality in focused states where they worked	Cuttack, Paradeep, Puri, Bhubaneswar
Sources of fund	Funds from agencies Shack/slum dwellers international, Selavip, IIED, Ford foundation, Homeless international, Bilance
Sectors of operation	<ul style="list-style-type: none"> • Housing • Sanitation
Financial help/ Services (house building/house related infrastructure building) offered in EWS/LIG/Affordable Housing Category	<ul style="list-style-type: none"> • Alliance: - SPARC Works as alliance and is partnered with two community based social movements, NSDF (National slum dwellers federation) and MM (Mahila milan). • Sanitation: The alliance (that include SPARC, NSDF-National slum dweller federation, and MM- Mahila Millan) promotes community toilets in locations where the homes of the residents are less than 300 sq feet, where there is very low access to water supply and where there is no space or system for defecation. • Housing Wherever land is available, communities explore securing land tenure and constructing ground storey unit houses. Costs are kept low by contributing local labour, looking at low-cost construction technologies and blending government subsidies with housing loans. All construction is designed, supervised and implemented by the federation and local groups. When land is scarce, communities look at multi-storey housing options. Since this type of construction is more expensive, securing subsidies is essential.
Number of years they are offering above services	30 years
Work Process	<ul style="list-style-type: none"> • The alliance has setup women's saving groups (SHG's) which manage both saving and provide loans to families and individuals in need for housing and sanitation needs. • In 1998 the alliance has set up a not for profit company called SSNS (SPARC Samudhaya Nirman Sahayak) which helps communities bid for construction contracts for slum dwellers and extend both livelihood and project outcomes to the slum dwellers in the city. The projects range from housing, sanitation, surveys for relocation and managing relocations. • SSNS provides financial and technical tools for building houses and toilets for slum dwellers in collaboration with communities, professionals and government to impact policy and practice for large scale change in India.

	<p>Value chain to reach out beneficiary</p> <pre> graph TD GS[Government Subsidies] --> SPARC CLIFF[Bridge Funding and loans from CLIFF] --> SPARC SPARC --> CE[Community engagement] CE --> DB[Design and build] DB --> B[Beneficiary] B --> SPARC </pre>
<p>Key Result of initiatives taken</p>	<p>Housing:</p> <ul style="list-style-type: none"> • The Alliance of SPARC, NSDF and MM is currently working with 750,000 households across India and has built or is building housing for over 8500 families. • A total of 6,387 units had been constructed so far. <p>Sanitation:</p> <ul style="list-style-type: none"> • A total of 820 toilet blocks and 15,747 toilet seats had been set up till 2018 in Maharashtra, Tamil Nadu, Andhra Pradesh, Gujrat and Odisha. <p>Household Relocation:</p> <ul style="list-style-type: none"> • A total of 33,003 households had been relocated till 2018.
<p>Type of customers served (Families/women/homeless etc.)</p>	<p>Slum Dwellers, Poor families, Women</p>

Low Penetration of NGOs in Focus States

With community participation as a defined component in a number of social sector projects during the 1970s and 1980s, NGOs began to be formally recognized as development partners of the state. Their work was increasingly characterized by grassroots interventions, advocacy at various levels, and mobilization of the marginalized to protect their rights. The process of structural adjustment begun in the early 1990 & the more recent approach comprises of bilateral and international donors channelling funds directly through the government and NGO networks. Post liberalization era saw rapid increase in NGO numbers (from .5 million in 1981-1990 to 1.1 million in 1991-2000) due to this structural change.

Today, about 3.5 million NGOs work in India (i.e., non-profit, voluntary citizens' groups organized on a local, national, or international level). Among the states, Uttar Pradesh tops the list with more than 0.55 million NGOs, followed by Maharashtra which has 0.52 million NGOs. Kerala comes third with 0.37 million NGOs, followed by West Bengal with 0.23 million NGOs. This includes temples, churches, mosques, gurudwaras (Sikh place of workshop), sports associations, hospitals, educational institutions, and mandals (temporary structures set up to house festival celebrations). Most NGOs in India are small and dependent on volunteers.



Source: Central Statistics Organization, 2012

It can be observed from above graph that a mere 4.6% NGOs in India work in development and housing sector. There are very few prominent NGOs in India who works in the affordable housing sector. Moreover, presence of these NGOs is further low in the focused states of our study viz. Uttar Pradesh, Jharkhand, West Bengal, Orissa, Chhattisgarh, Madhya Pradesh and Rajasthan.

Reasons for Lower Presence

- i) **Absence of big corporates:** As most of the NGOs are funded by CSR (Corporate Social Responsibility) division of big corporates, lack of presence of big corporate organizations in focus states discourage NGOs to operate in these states.
- ii) **Nature of Work:** Due to absence of big corporates in these states most of the work are funded by either govt. or other international donor agencies who works more in policy

formulation/reform and social issues regarding housing rather than on ground brick & mortar work. Further, land tenure related work done by few national NGOs in those states also don't involve themselves on constructing affordable housing.

- iii) **Less Coverage due to scattered nature of work:** Some housing projects aided by NGOs are executed in focus states. But scale of these projects is very small and scattered over geography of the states. Therefore, those works often don't get much coverage and thus creates less awareness regarding housing and working situation of these states. This is also one of the main reasons behind the significant absence of NGOs working in housing sector in these states.

Bottlenecks faced by NGOs in low-cost affordable housing space to expand their operations

NGOs working in the low-cost affordable housing sector in India focus on providing small ticket loans to beneficiaries for home construction/ repair or are involved to help target beneficiaries (EWS & LIG segment) to access the low-cost affordable housing finance market. NGOs also help beneficiaries access government schemes or partner with the state government to help schemes reach the target beneficiaries. While undertaking such initiatives, the NGOs face several bottlenecks which inhibits their growth and their ability to service the target consumers in the EWS and LIG Segment. Some of them are highlighted below.

1. Funding

Most NGOs working in the sector find it difficult to get funding to support various activities that they undertake. Funding is provided by various donors including corporates, trusts and individuals based on track record and experience of the NGOs in undertaking projects in a particular sector as well as location. In the absence of demonstrated work experience or credentials, it is extremely difficult to source funding from institutions or development agencies.

Also, in most of the cases, corporates intend on spending their CSR funds in locations and micro-markets which are in proximity of their manufacturing operations or their service operations. These locations may not have a strong demand for low cost affordable housing or may not have a presence of the NGO operations, leading to limitations on sourcing funds for the NGOs.

2. Lack of working relationship with the state government

Most of the state governments prefer to engage or work with NGOs with whom they have worked earlier. This prevents several NGOs from partnering with government departments to create impact in the low-cost affordable housing sector.

3. Unavailability of Technical Staff

Unavailability or limited availability of resources with requisite skillsets needed to reach and service the beneficiaries is a major factor limiting the growth of the NGOs. It is extremely difficult to source employees/ volunteers especially in semi-urban and rural areas, who are trained and are willing to work in the rural society where most of NGOs work. Specifically, in the affordable housing sector proper valuers, architects, engineers etc. are needed who can also engage with communities at large. Moreover, these professionally trained people have high expectations in terms of salaries, status, opportunities for their growth in the career of their choice.

4. Lack of understanding of operational dynamics in new markets

Limited understanding of the work practices and ecosystem of partners, vendors and communities in new markets constrains the growth of the NGOs. Apart from understanding the partner ecosystem, policies and prevalent operating practices, a sound understanding of the target beneficiary communities is also required to engage them and provide impact.

5. Lack of community participation

Some NGOs face the issues of not being able to attract communities or beneficiaries which they want to target. Some of the factors responsible for such a state of affairs are general backwardness of the people, absence of adequate number of dedicated persons, time bound programmes and local political interference. Sometimes the beneficiary to whom the projects are linked are not interested in it. Because they think that there is no benefit in perusing that or they may have insecurities related to the same.

Case Studies demonstrating Impact Creation by NGO's in the Affordable Housing Sector in India.

1. Provision of Home Improvement Loans

Overview

Mahila Sewa Trust (MHT) was founded in 1994 by the Self-Employed Women's Association (SEWA), a union of poor, self-employed women workers, in order to facilitate better housing and infrastructure for its members in the state of Gujarat. MHT is currently working in 17 cities across 8 states in India and collaborating with partners in Bangladesh and Nepal.

Location

Savda Gevra, a small village in Haryana.

Background

A Resettlement Colony called Savda Gevra was established in 2006 on the outskirts of Delhi in order to house displaced residents to make India "slum-free."

Residents of Savda Gevra had previously lived without clear title in jhuggis or makeshift huts along the banks of the Yamuna River and the fields that now make up the Indira Gandhi International Airport airstrip. More than a quarter of a million people homes got demolished along the Yamuna during the year 2004 to 2006. Many of these residents were allocated land plots in Savda Gevra which was more than 40km away from Central Delhi. They were also provided with free bus rides. The Displaced residents were provided with the option of paying Rs 7,000 for a small plot of land in Savda Gevra. Buyers would also be given 10-year allotment letters for their plots. Families who could afford Rs 7,000 independently paid the Government directly and received allotment letters. The majority of families, however, were not able to afford Rs 7,000 outright and had to borrow money from money lenders at exorbitant interest rates. Those who could not afford Rs 7,000 started moving to other slums in Delhi and became the part of Delhi's urban homeless population. In 2006, Nearly 30,000 households moved to this area.

When residents first arrived in Savda, they were provided with small land plots of 12 sq yards or 18 sq yards. While plots had been demarcated, there was a significant time lag before drainage, water, public transportation and electricity came to Savda. Many residents, the local "Pradhan" or Community leader describe Savda as a "wild jungle, there was nothing around."

Project Implementation

In 2007, MHT first began working in Savda Gevra to help women improve their infrastructure condition through capacity building, community organizing, and access to finance for infrastructure improvements. With passage of time, MHT recognized the severe need for home

improvement financing in Savda. MHT collaborated with SEWA Bank to launch SEWA Grih Rin (SGR), a housing finance company dedicated exclusively for serving urban poor households. MHT has been helping to develop and refine home improvement loan products for SGR through a pilot home improvement loan program that it is offering to qualified residents in Savda. MHT's lending experience will directly inform the design of SEWA Grih Rin's home improvement loan products.

To be eligible for an MHT home improvement loan residents should meet the following conditions:

- She should be a a vested member of SEWA Mutual Benefit Trust (SMBT).
- Should have a bank statement for at least the last 3 months.
- Should have sufficient assets and income
- should have identity and address proof.
- Should have property documents like non eviction assurances, lease,pattas licence allotment letters & Power of Attorney documents
- Should have no outstanding loans
- Should meet the terms and conditions of MHT's housing improvement loans including 10% security contribution, interest rates and other fees requirements

Contribution to Development

MHT has been very impactful in improving the homes of the women in Savda Gevra. In terms of large disbursements, MHT has disbursed 6 housing improvement loans in Jaipur and Delhi between the range of Rs 60,000 and Rs 1,50,000.

Key Learnings from the case study

Supporting women's investments in their own houses is strategic. SEWA's experience shows that in order to demystify and unpack the perceived risk of working with low-income groups, what are needed are flexible, responsible, versatile, competent and multiple institutions that are close to the people they aim to benefit, on a daily basis. SEWA's on-going experiments in housing finance highlight a number of important dimensions for future attempts to support informal workers' basic needs:

- the importance of recognizing, institutionally, the value of housing as a primary productive asset, particularly for women
- the need for pro-poor, pro-illiterate and gender-sensitive processes, and a rooted presence in communities
- the importance of "learning-by-doing," or realization of poor women's complex and evolving needs, as opposed to a focus on technical innovations in the design of financial products
- an openness to an integrated approach to women's needs, particularly through inter-organizational collaboration and learning, and a mix of technical support, community mobilization and policy advocacy that build on each other
- As a precondition, a regulatory environment that does not discourage small players and facilitates scaling up of successful programs.

Important questions remain around the legal, financial and institutional viability of SEWA's membership or community-based organizational model on larger scales, and the replicability in other contexts of the unique multi-pronged and integrated membership engagement that is at the core of its success. Replicability will probably prove extremely context specific, emerging at the intersection of legal and regulatory frameworks and original organizational experimentations rather than one-size fits all solutions.

2. Cross Cultural leanings applied for Affordable Housing Development

Overview

Shelter Associates is a Pune based NGO that was set up in 1993 by three architects, Tom Kerr, Srinanda Sen and Pratima Joshi with Meera Bapat as chairperson. Primarily they were working in the area of housing needs and the related problems of poor communities in Pune. They were assisted by Society for Promotion of Area Resource Centres (SPARC), an NGO in Mumbai, and its partners, the National Slum Dwellers Federation (NSDF) and Mahila Milan.

Location - Rajendranagar slum of Pune

Background

With a population of 2.7 million people, it is estimated that roughly half the population lives in slums with little access to the basic amenities of water, sanitation etc. While some of the slums are 'authorised' because they conform to certain standards of eligibility laid down by the Government of Maharashtra, many slums do not fit into this category. Even if residents of authorised slums have a higher level of basic amenities because policy promotes the provision of these amenities, they do not have any security of tenure and they cannot build permanent housing on their own. People living in unauthorised slums are not entitled to basic amenities and they face a constant threat of their homes being demolished.

The objectives of the project are :

- To resettle slum families of the Rajendranagar slum into regular housing by considering their aspirations and financial circumstances with the help of a participatory and women-centred approach.
- To demonstrate a workable alternative to the restrictive choices of state-sponsored housing that could act as a model for future housing developments for the urban poor.
- To utilise the project as training and learning site for communities, NGOs and government officials.

Project Implementation

Suryodaya Housing Co-operative Society providing flats for 56 families (of which 6 flats were meant for sale in the open market) was designed by Shelter Associates in close consultation with the community, particularly its women. The origins of the design had come from the pavement-dwellers in Mumbai who had experimented with construction processes, building materials and learnt the principles of architecture. In their design they had taken into consideration the need for a loft to allow some privacy for married children remaining at home. The concept of loft reflected the needs of the poor and was also an ingenious way of providing extra space at little additional cost and had been introduced into formal housing in Pune for the first time.

The building aimed to cater for 50 slum families, with 6 extra flats built to cross subsidise the cost of the project. Each family saved around Rs 3,000 to Rs 6,000 to access a HUDCO loan of Rs 25,000 per head. This loan tenure is of 15 years and has a 10 per cent rate of interest. Since the granting of the HUDCO loan was considerably delayed and it arrived only after the building was completed, SPARC had to obtain a bridging loan, and in addition, the Pune Municipal Corporation charged Rs 7.5 lakhs or Rs 15,000 per head for the land and these charges will have to be paid from external funding since the slum-dwellers cannot afford to pay such sums.

Contribution to Development

According to the general philosophy of the SPARC, NSDF and Mahila Milan alliance and Shelter Associates, the best means to train poor communities is by organizing exchange visits for slum-dwellers, particularly the women amongst them, to other slums and cities where they can learn through dialogue with their counterparts what can be achieved through people's organizations and negotiations with government agencies.

Key Learnings from the Case Study

1. The case establishes the practicality of beneficiaries directly contributing to construction by undertaking unskilled work, thus leading to lower construction costs.
2. An incentive scheme driven by a strong administration and a transparent control mechanism is needed to incentivise beneficiaries to directly involve themselves and contribute physically to project construction.
3. The importance of recognizing, institutionally, the women's rights over the housing asset, which is integral for the wellbeing of the family.
4. The involvement of beneficiaries in the design process leads to housing units designed in accordance with the requirements of the users.

3. Home Improvement through Microfinance

Overview

Habitat for Humanity was founded in 1983 and is one of the largest housing programmes in the Asia-Pacific region. They are affiliated to Habitat for Humanity International, a global non-government organization which is present in more than 70 countries. In the past 35 years, they have worked across India to help over 4.3 million people live in better conditions.

Location - Tamil Nadu

Background

Even though the microfinance sector is expanding exponentially in India, access to housing microfinance to people with low or very low incomes is limited because of the lack of dedicated capital and the limited capacity of the microfinance institutions. This case study presents the experiences of a pilot project between Growing Opportunity Finance and Habitat for Humanity (India) to deliver housing microfinance in Tamil Nadu. The pilot reveals strong demand for the microfinance housing product by Growing Opportunity Finance clients, along with satisfaction with the nonfinancial housing support services offered to clients.

This case study represents three key lessons that can be generalized for other institutions piloting housing microfinance:

The image shows three callout boxes, each containing a key lesson. Each box is white with a black border and is set against a grey background. The boxes are arranged vertically and are connected to a larger grey rectangular area on the right side of the page.

- Responsible lending practices help to promote synergies with value-added housing support services that help clients achieve their home improvement needs.
- Housing support services are great success when the institution has a firm grasp on the preferences, needs and capacities of its clients.
- Capacity to roll out a housing microfinance product must be matched with timely access to capital to support the pilot and the expansion of the product.

Project Implementation (Pilot Phase)

In 2009, Habitat India established the Chennai-based Technical Assistance Centre, or TAC, to promote and support a vibrant housing microfinance sector in India with support from USAID's Innovation Grant Program. The TAC approach is to develop the capacity of the microfinance sector to enter into housing microfinance, and to advance learning in innovative housing microfinance products and service delivery models. Growing Opportunity Finance was one of the first microfinance institutions to test a housing microfinance product with technical assistance. TAC provided institutional technical assistance to GO and housing support services to its housing microfinance clients. This value-added approach helped GO launch affordable housing

microfinance products and also assisted homeowners in making well-informed decisions about home improvement. The result is a housing microfinance product with housing support services for GO's well-performing clients who have graduated from the group lending model. The home improvement loan product is launched and offered in several urban, semiurban and rural branches.

Contribution to Development

As of September 2012, GO had distributed 171 housing loans averaging \$550.3. Additionally, 470 clients had received technical services. 66% of these clients paid a fee for the housing support services. One month after the product launch the fee structure was put into place. Although this pilot project is still at an initial stage, valuable lessons on partnership and demand for outsourced housing support services have already emerged.

4. 100 Shelters Campaign

Overview

Micro Home Solutions (MHS) was established in 2009 by Rakhi Mehra and Marco Ferrario as a Social Venture with the aim to design scalable solutions to tackle urban poverty and problems related to housing. Based in Delhi, MHS CITY LAB exists today as an inter-disciplinary team of designers, sociologists, economists and architects working towards making our cities socially inclusive.

Location - New Delhi

Background

Due to technical difficulties to anchor a tent or any other structure to hard pavements and the police not allowing any permanent or semi-permanent structures, force homeless to lie on the ground wrapped in blankets without any other physical protection. There are around 150,000 homeless people in Delhi alone. The poorest of them are found living with their families on pavements without any basic services or protection.

From the past 6 years, MHS has been working with homeless people in India with the aim to provide solutions which are financially affordable and scalable. In the framework of this idea, MHS has envisioned a simple shelter for homeless individuals and families living in urban spaces as a bottom-up approach.

Project Implementation

100 SHELTER aims to be one possible option, particularly for the people living on pavements and under flyovers. The shelter design makes its fabrication possible everywhere in India because its materials are available all across the country and requires no special skills. The design is easy to understand, build and copy. Its basic form is built on the typical shelters the homeless in India manage to put up on their own – with many improvements such as a self-supporting structure, a waterproof skin that will keep them warm in the winter with openings for ventilation during the

hotter months and mosquito net to protect from dengue and malaria, along with pockets for storage. All the required components can be easily repaired or replaced. It mainly uses affordable and locally available materials such as bamboo and waterproof canvas.

During the design process, various prototypes were built by interacting with the homeless families and getting their feedback and responses. A 100 Shelters project was launched to build 100 such shelters for homeless families living in Delhi through a crowd-funded campaign. The goal was to directly improve the life of the 100 homeless families, but the long-term vision is to again obtain feedback and input from the distribution of these shelters to develop a product that is affordable, accessible and works for all homeless people across various Indian cities. They have partnered with the NGO IGSSS which has been working with homeless communities from past few years now to identify families they could distribute the shelters to and also gather feedback from so that they are able to improve their design.

Contribution to Development

100 Shelters campaign that saw the production and distribution of over 100 tents to homeless families in Delhi. The pilot project was very successful in providing physical and psychological protection to hundreds of homeless, especially women and children. Based on the feedback, next they want to improve their design and identify partners to scale up this process.

5. Housing solutions for below the poverty line section

Overview

Nivasa is a unique NGO based in Bangalore. It was initiated by a small group of dedicated individuals in the year 2011. Nivasa is a Design and Build venture that seeks to provide professional design and construction support for rural housing and infrastructure development in India's villages.

The aim of this organization is to redefine rural landscapes through culturally sensitive, cost effective architecture design, site driven and construction. The larger vision of Nivasa is that every villager in India have their own permanent house. Project GRIHA is the necessary step taken to achieve it.

Location - Rural Karnataka

Background

Nivasa currently works with people to develop housing solutions for below the poverty line households in rural Karnataka, with an ambition to eventually scale up to the rest of rural India.

The design and materials used in contemporary construction is not affordable by the lower income groups of rural India. Hence the emphasis of Nivasa is cost-effectiveness and region-appropriate housing solutions.

Nivasa employs a people-centred design approach where they involve the house owners in the village in both the decision making in the design process and in the construction of the final

product. The approach to construction is to analyse the climate, locally available construction materials, needs and usage patterns of people and then design the most cost-effective and efficient housing. Hence to design these solutions Nivasa needs to work closely with local communities, collaborate with government departments and research and test materials with architectural experts.

Project Implementation

The desired impact of the efforts of Nivasa is the enhancement of human capability leading towards self-reliance. Project GRIHA's approach is to analyze the climate, vernacular design, culture, current needs, local material availability, and usage patterns of people in various zones of Karnataka. Using this, a design template and palette will be developed for a core house module that will provide flexibility of growth, give people access to design, technology, technical know-how, construction materials, and empower them to build their own homes. The cost of each core house must be such that it is achievable within government allocated funds.

According to climate and administration the thirty districts of Karnataka are categorized into five main zones. At the end of each research, NIVASA will be able to have a design template of plans, elevations, details, views and scale models created for each house type proposed for the various zones. NIVASA will also help in building prototypes on a need basis across the districts.

Contribution to Development

Completed projects	On-going projects
Project GRIHA - Cherkady, Udupi	Project GRIHA - 2 houses in Muroor, Udupi
	Project GRIHA - 5 houses in Haalady, Udupi
	Project GRIHA - 1 house in Bommarabettu, Udupi

6. Housing assistance for low income households

Overview

The bank of the Self-Employed Women's Association (SEWA), created in 1974 by the members of the SEWA trade union, is the largest microfinance provider in Gujarat.

SEWA Bank was registered as a cooperative bank under the dual control of the Reserve Bank of India (RBI) and the State Government of Gujarat in May 1974. The bulk of SEWA Bank's capital comes from its members' savings. For the past few years, SEWA Bank also has received financing for its housing portfolio from the Housing and Urban Development Corporation (HUDCO) and the Housing Development Finance Company (HDFC).

Location - Gujarat

Background

Ahmedabad is the sixth-largest city in India (with population approximately six million) and has experienced fast paced growth during the last few decades. Ahmedabad's economy has suffered from earthquakes, social unrest, and droughts, and as a result its poverty rate is above the national average. Ahmedabad residents earn an average of \$409 annually, and 34 percent of the population lives below the poverty line. Given the rapid population growth, a stagnant economy, and the paucity of housing and basic services, the city has experienced the swift development of new slums, in which about two-fifths of the population now live. The demand for shelter financing from slum dwellers is outstripping the supply of loans. Numerous and varied housing finance programs in Ahmedabad have not had a major impact on low-income households employed in the informal sector. Most banks offer housing loans but most do not offer it to the informally employed poor, even though the government requires that 10 percent of all lending go toward the "weaker sections" of the economy.

Project Implementation

The Parivartan scheme (an alliance between SEWA Bank, the Ahmedabad Municipal Corporation, and other local non-governmental organizations (NGOs) is an innovative partnership model for slum upgrading. The objective of the program is to provide basic infrastructure (road, electricity, water) to people living in the hundreds of informal settlements in Ahmedabad.

Approximately 80 percent of the funds needed for the upgradation work is provided by Ahmedabad Municipal Corporation. Beneficiary households are expected to contribute the remaining 20 percent (an amount they save or can borrow from SEWA Bank). The Ahmedabad Municipal Corporation provides Rs. 8,000 per participating household for slum upgradation. Participating households must provide a counterpart contribution of Rs. 2,000 for a total investment of Rs. 10,000.

SEWA Bank offers one major housing loan called the Paki Bhit which is its principal housing loan. According to a SEWA Bank report, half of all loans the Bank disburses are used for housing. The maximum loan amount for an unsecured Paki Bhit loan is Rs. 25,000 with an average loan size of Rs. 24,823 (based on 2002 data). In principle, SEWA will lend more than Rs. 25,000 for secured

Paki Bhit loans based on the value of the pledged asset, however, in practice it has not lent more than this amount. Approximately half of the Paki Bhit loans are used for basic improvement purpose such as floor, wall and roof repair, and half are used for room additions including kitchen or bathroom additions. The nominal interest rate on Paki Bhit loans depends on the loan fund source. Paki Bhit unsecured loans are financed with funds from the Housing Development Finance Corporation (HUDCO) and have an interest rate of 14.5 percent. Paki Bhit secured loans are financed with SEWA's own funds and carry an interest rate of 17 percent for loans Rs. 25,000 or less and 18 percent for loans more than Rs. 25,000.

Contribution to Development

SEWA encourages and prefers women to have their name added to the property title or stamp paper and has been impactful in solving housing problems among the economically weaker section in the state of Gujarat.

Key Learnings from the Case Study

The main objective of this initiative is to integrate the slum dwellers with the main stream of the society through the provision of basic, physical infrastructure and social service to improve their quality of life. The strategy adopted was to involve the community as a partner and owner of the project. This could be achieved with the help of NGOs as they have the will and capacities to motivate the community

This programme of Ahmedabad city is an example of strong and substantial partnership among various stakeholders of the civil society who engaged themselves in providing better physical quality of life to its poor fellow citizens. It is also an excellent example of how, when a government body is willing to enter into strong, and meaningful partnerships, many elements of good governance such as Equity, Transparency, Accountability and Sustainability are actualised.

Key Learnings

1. The partnership concept for slum upgradation between various stakeholders such as AMC, NGOs, CBOs and the community is a workable, provided operating framework is well defined.
2. Investment in the provision of basic infrastructure and provision of land tenure automatically attracts shelter upgrading by the slum residents.
3. The role of slum dwellers as partners in the project rather than beneficiaries made them more responsive and inculcated a feeling of ownership in them.
4. Provision of individual facilities proved to be better (and cost-effective in the long-term) than shared facilities. There was an attitudinal change in the slum dwellers as it led to the enhancement of their social status.
5. This program is a transformation from physical degradation and lack of services to upgradation and basic infrastructure provision from no dialogue between residents of informal settlements and the municipality to a participatory process of dialogue between them.

6. Provision of essential services alone is not enough, the softer interventions, through community development which bring about attitudinal changes in the slum residents are equally important.

7 Informal Income Segment in India

The Indian labour market is characterised by predominance of informal employment. The informally employed constitute an overwhelming majority of the workforce in India, accounting for approximately 88 percent of the workforce in India. Nearly 50 percent of the national income is accounted to the informal sector in the country.

Ever since the initiation of the liberalisation policies in the early nineties, creation of formal jobs has been low compared to expectations. Out of the 61 million jobs created in India from the onset of liberalisation till 2014, approximately 90 percent of the jobs were created in the informal sector. Even within the organised sector, approximately 51 percent of all jobs (as of 2011-12) were categorised as informal. This has led to a situation where the benefits of economic growth have been concentrated amongst a small segment of the population, with the majority forced to live as working poor.

Type of Employment across Organised-Unorganised sectors in India

The type of employment undertaken can be defined based on the nature of the enterprise and employment conditions and is as follows:

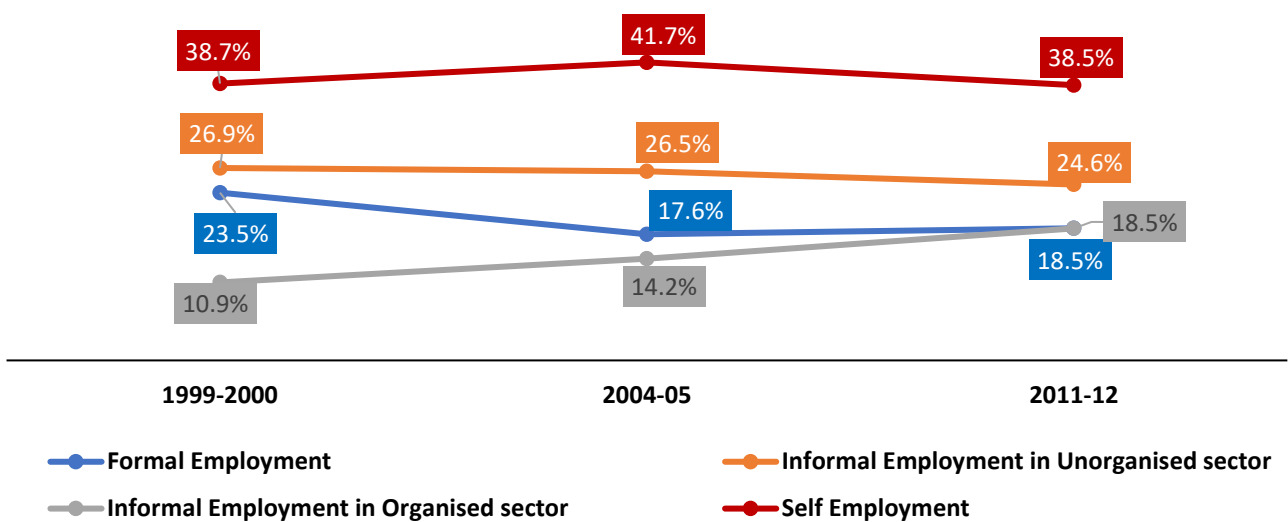
		Enterprise Type	
		Organised	Unorganised
Employment Type	Formal	Regular salaried employment or self-employed with some job security and benefits, in enterprises employing 10 or more workers.	Regular salaried employment with some benefits & self-employed in enterprises employing less than 10 workers.
	Informal	Various types of contract work and employment of short duration, without job security in enterprises employing 10 or more workers.	All types of casual work, work for daily, weekly or monthly wages and self-employment with no benefits or security in enterprises, employing less than 10 workers.

The formal enterprises include public sector institutions and private limited companies, whereas informal enterprises include private unincorporated proprietary or partnership enterprises. The self-employed include own account workers (enterprises with no hired workers), unpaid workers and employers. In rural areas, self-employed includes the cultivators who hire agricultural labourers for farm work.

Employment Trends in India

In India, self-employed individuals form majority of the overall workforce and are the most prominent constituent of the informally employed workforce. Considering the limited availability of formal employment, self-employment is the path that most individuals are forced to take for their sustenance and livelihood. However, the available data trend suggests that there is a slight decline in the percentage share of self-employed labour force in urban and rural areas in 2011-12 compared to 2004-05. This may be due to number of reasons including greater number of individuals pursuing higher education leading to their employment either in the organised sector or informal employment in organised sector.

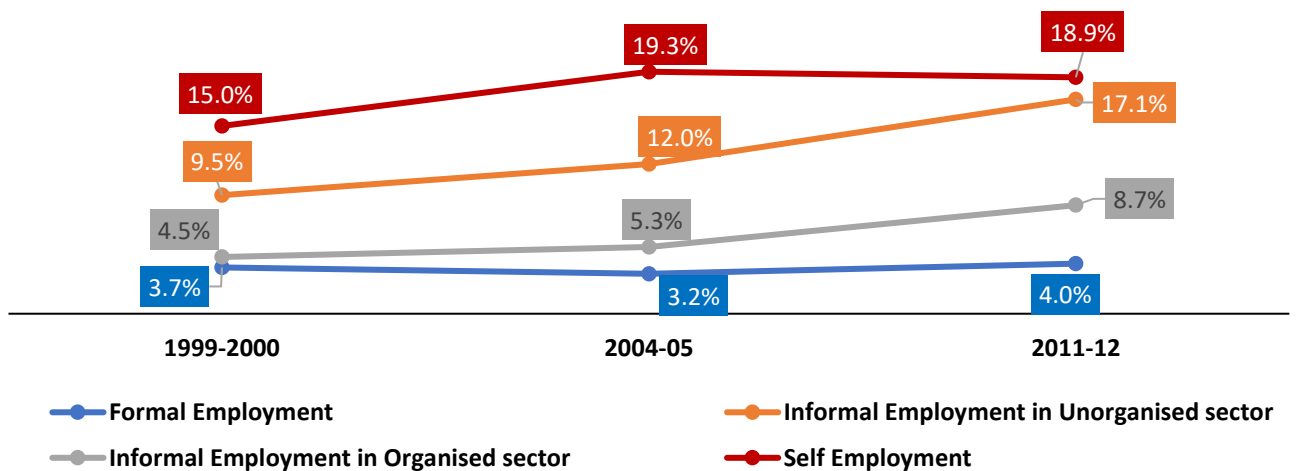
Nature of Employment as percentage share of overall labour force in Urban India



Source: NSSO Employment – Unemployment Survey 2014

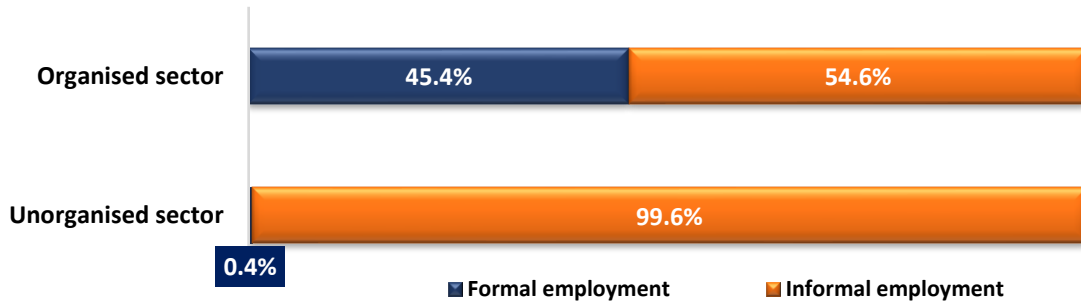
Trends in Employment Status in Rural India

Nature of Employment as percentage share of overall labour force in Rural India



Source: NSSO Employment – Unemployment Survey 2014

Share of Formal – Informal Employment across sectors in India (2011-12)

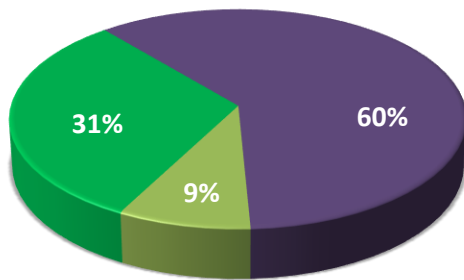


Source: NSSO Employment – Unemployment Survey 2014

Status of the Informally Employed Workforce

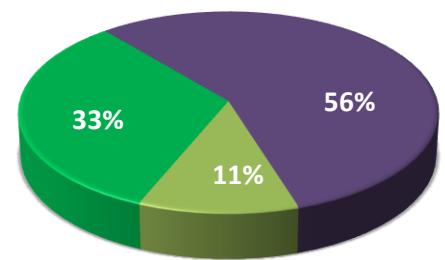
The percentage share of workforce employed in the informal sector based on major categorisation as Self-employed, Regular Wage/Salaried and Casual worker is as follows

Share of Informal Workforce (2004-05)



■ Self Employed ■ Regular Salaried ■ Casual Worker

Share of Informal Workforce (2011-12)



■ Self Employed ■ Regular Salaried ■ Casual Worker

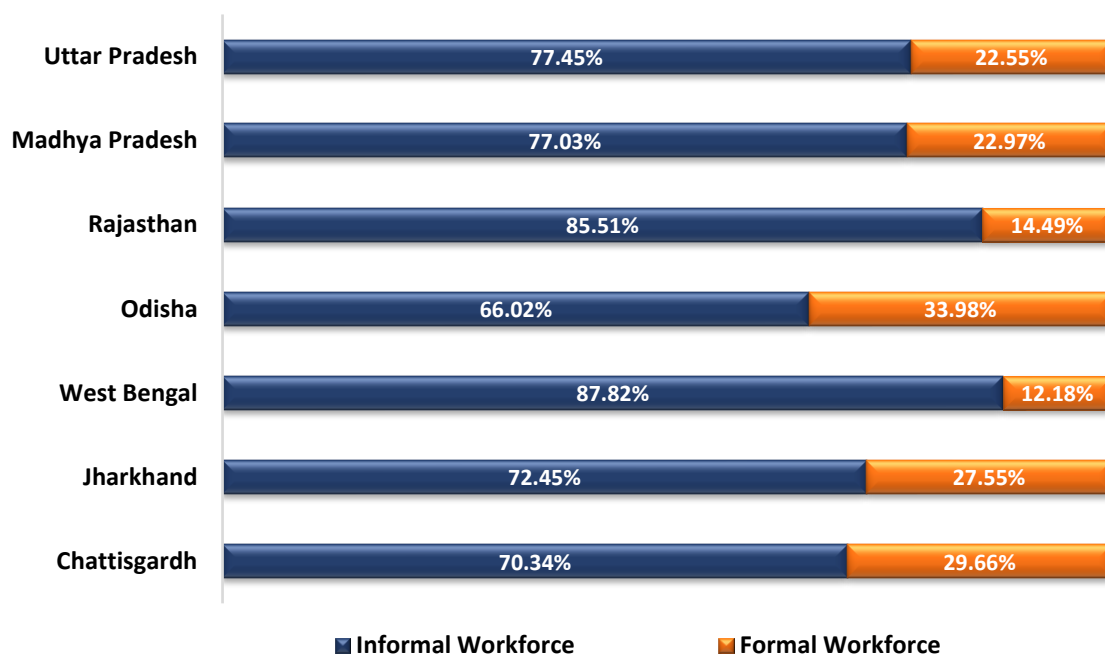
Source: NSSO Employment – Unemployment Survey 2014

The self-employed individuals account for majority of the workforce in the informal segment in India, followed by casual workers who generally find seasonal employment in areas such as agriculture or farming. The general trend for the available data suggests that there is a gradual decline in the proportion of self-employed individuals amongst the informal workforce, whereas the regular wage-earner or salaried amongst the informal segment is increasing. Out of the total informal workforce, 90 percent is either self-employed or casual workers.

Reasons leading to creation of informal employment in India

Labour market rigidity, poor skill levels of available resources and cost saving initiatives on part of employers due to increasing competition are some of the major factors inducing creation of informal employment and decline of formal employment opportunities. Stakeholders have opined that the labour market rigidity is mainly due to multiple labour legislations which are not favourable for the employers. However, contrary to widespread belief, even in states where the stringency of labour regulations has been lowered by procedural changes to facilitate investment in manufacturing sector by simplifying compliance and limiting scope of regulations, the jobs that were created in the manufacturing sector were informal in nature. Irrespective of labour reforms being a hindrance or otherwise, extent of informal employment was upward of 70 percent in major states in India.

Percentage share of Informal workforce in the manufacturing sector in the states under focus (2011-12)



Source: NSSO Employment – Unemployment Survey 2014

Size of the Informal Income Segment in India and states under focus

The size of the informal income segment in the country and various states under the focus of the study has been estimated based on number of individuals employed in the informal segment. The individuals who are part of the informal income segment may be categorised based on the nature of employment as self-employed individuals, regular salaried individuals who work either in organised or un-organised establishments and casual labour. The no. of individuals who are part of the informal income segment has been derived as follows

1. Total size of the urban and rural workforce in India and states under focus of the study in 2019

The size of the workforce as recorded in the Indian Census 2011 has been taken as reference and extrapolated upto 2019, based on the preceding decadal employment growth rate in India and various states under focus.

Size of the Total Workforce								
	Chhatisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Total	1,46,38,073	1,61,14,534	3,71,18,302	2,06,83,640	7,71,20,617	3,58,98,330	3,96,47,856	62,41,65,727
Rural	1,16,52,512	1,29,46,105	2,82,62,761	1,74,74,865	5,86,15,124	2,87,41,381	2,59,93,890	38,32,39,256
Urban	31,23,181	32,23,787	89,86,303	32,68,964	1,90,67,955	72,28,298	1,40,18,210	17,85,28,809

Source: Census of India -2011

2. Proportion of Informal Employment in the overall workforce

Share of Informal Employment in the Indian workforce has been understood based on 2018 data published by International Labour Office – Geneva for India.

Share of Informal Employment in the Indian Workforce (2018)		
Total	Urban	Rural
88.3%	93%	75.9%

Source: Indian Labour Organization - Geneva

3. No. of Individuals who are part of the Informal Income Segment in India and states under study = Total workforce (1) X Proportion of Informal Employment (2)

Size of the Informal Workforce/ Income Segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Total	1,29,21,832	1,42,25,185	3,27,66,367	1,82,58,587	6,80,78,610	3,16,89,430	3,49,99,343	55,09,85,417
Rural	1,08,36,836	1,20,39,878	2,62,84,368	1,62,51,624	5,45,12,065	2,67,29,484	2,41,74,318	35,64,12,508
Urban	23,70,495	24,46,854	68,20,604	24,81,144	1,44,72,578	54,86,278	1,06,39,822	13,55,03,366

Size of the Informal Income Segment in India & Focus States (2019)



State	No. of Employees in Informal Sector
Uttar Pradesh	6,80,78,610
West Bengal	3,49,99,343
Madhya Pradesh	3,27,66,367
Rajasthan	3,16,89,430
Orissa	1,82,58,587
Jharkhand	1,42,25,185
Chhattisgarh	1,29,21,832
Non-Focus States	33,80,46,063
All India	55,09,85,417

8 Demand for Low Cost Affordable Housing in India

The demand for low cost affordable housing in India and states under focus of the study within the EWS and LIG segments of the population has been understood based on estimating the existing housing gap that exists within the informal income segment. The framework used for estimating the housing gap of low-cost affordable housing is elucidated below

A – Estimation of Informal Income Segment in India and states under study

The size of the informal income segment in the country and various states under the focus of the study has been estimated considering the no. of individuals employed in the informal segment. The individuals who are part of the informal income segment may be categorised based on the nature of employment as self-employed individuals, regular salaried individuals who work either in organised or un-organised establishments and casual labour. The no. of individuals who are part of the informal income segment has been is deducted as follows

1. Total size of the urban and rural workforce in India and states under focus of the study in 2019

The size of the workforce as recorded in the Indian Census 2011 has been taken as reference and extrapolated upto 2019, based on the preceding decadal employment growth rate in India and various states under focus.

Size of the Total Workforce (2019)								
	Chhatisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Total	1,46,38,073	1,61,14,534	3,71,18,302	2,06,83,640	7,71,20,617	3,58,98,330	3,96,47,856	62,41,65,727
Rural	1,16,52,512	1,29,46,105	2,82,62,761	1,74,74,865	5,86,15,124	2,87,41,381	2,59,93,890	38,32,39,256
Urban	31,23,181	32,23,787	89,86,303	32,68,964	1,90,67,955	72,28,298	1,40,18,210	17,85,28,809

Source: Census of India -2011

2. Proportion of Informal Employment in the overall workforce

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Share of Informal Employment in the Indian Workforce (2018)		
Total	Urban	Rural
88.3%	93%	75.9%

Source: Indian Labour Organization - Geneva

3. No. of Individuals who are part of the Informal Income Segment in India and states under study = Total workforce (1) X Proportion of Informal Employment (2)

Size of the Informal Workforce/ Income Segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Total	1,29,21,832	1,42,25,185	3,27,66,367	1,82,58,587	6,80,78,610	3,16,89,430	3,49,99,343	55,09,85,417
Rural	1,08,36,836	1,20,39,878	2,62,84,368	1,62,51,624	5,45,12,065	2,67,29,484	2,41,74,318	35,64,12,508
Urban	23,70,495	24,46,854	68,20,604	24,81,144	1,44,72,578	54,86,278	1,06,39,822	13,55,03,366

B – Estimation of total no. of Informal Workforce within the EWS and LIG category in India and states under study.

This has been estimated by understanding the share of the informal workforce belonging to EWS and LIG segment in urban and rural areas. The understanding has been derived through primary research and validated through secondary research.

4. EWS and LIG segment as a percentage of Informal Workforce/ Income Segment in Urban and Rural areas.

EWS & LIG segment as a percentage of Informal Workforce		
	EWS Segment	LIG Segment
Urban India	71%	17%
Rural India	85%	14%

Source: Primary Research

5. Size of the EWS & LIG Segment within the Informal Workforce/ Income Segment in Urban and Rural areas = Size of the Informal Workforce/ Income Segment (3) X EWS & LIG segment as a percentage of Informal Workforce (4)

Size of the EWS Segment within the Informal Income Segment in India								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	92,11,310	1,02,33,896	2,23,41,712	1,38,13,881	4,63,35,255	2,27,20,061	2,05,48,170	30,29,50,632
Urban	16,83,051	17,37,267	48,42,629	17,61,612	1,02,75,530	38,95,258	75,54,273	9,62,07,390

Size of the LIG Segment within the Informal Income Segment in India								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	15,17,157	16,85,583	36,79,811	22,75,227	76,31,689	37,42,128	33,84,405	4,98,97,751
Urban	4,02,984	4,15,965	11,59,503	4,21,794	24,60,338	9,32,667	18,08,770	2,30,35,572

C – Estimation of total no. of EWS and LIG Households amongst the Informal Income Segment in India and states under the focus of the study.

The total no. of Households in EWS and LIG category has been deducted by understanding the average no. of people employed per household in the said categories within the informal income segment/ informal workforce in Urban and Rural areas. This has been understood based on primary interactions with stakeholders.

6. No. of people employed per household within EWS and LIG Segments in Urban and Rural areas

No. of people employed per household		
	EWS Segment	LIG Segment
Urban India	2.5	2.1
Rural India	2	1.8

Source: Primary Research

7. Total no. of EWS and LIG households within the Informal Income Segment = Size of the EWS & LIG Segment within the Informal Income Segment (5) / No. of people employed per household in EWS & LIG Segment (6)

Total No. of Households in EWS Segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	46,05,655	51,16,948	1,11,70,856	69,06,940	2,31,67,628	1,13,60,031	1,02,74,085	15,14,75,316
Urban	6,73,220	6,94,907	19,37,052	7,04,645	41,10,212	15,58,103	30,21,709	3,84,82,956

Total No. of Households in LIG Segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	8,42,865	9,36,435	20,44,340	12,64,015	42,39,827	20,78,960	18,80,225	2,77,20,973
Urban	1,91,897	1,98,079	5,52,144	2,00,854	11,71,590	4,44,127	8,61,319	1,09,69,320

D – Total Housing Supply catering to EWS and LIG segment in India and states under study

The total available housing supply in the EWS and LIG segment has been computed based on the Household Stock as in Census 2011. Dilapidated houses requiring repair and extremely congested houses have been excluded from the housing supply. This has been done as such units definitely need replacement or repairs and represent the housing demand. In case dilapidated houses and extremely congested houses added to the supply, it would not give a correct representation of the existing housing gap. The Housing supply created from 2011 to 2019 has been arrived at by extrapolating the census data and accounting for the sanctioned and completed houses under PMAY and other government schemes in India and states under study.

8. Total housing supply catering to EWS and LIG segments

Total no. of housing units catering to EWS segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	33,59,401	34,73,707	82,12,753	54,66,113	1,62,61,763	62,23,526	84,68,539	10,63,49,111
Urban	5,70,308	5,62,838	17,96,286	5,20,296	38,56,686	12,86,774	24,71,764	3,02,92,256

Source: Census of India -2011

Total no. of housing units catering to LIG segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	3,77,924	3,73,504	9,73,537	5,14,034	19,98,707	9,46,053	8,86,903	1,33,36,430
Urban	1,51,832	1,61,848	5,21,962	1,37,744	10,60,975	4,26,522	7,22,972	85,85,858

Source: Census of India -2011

E – Total Housing Gap faced by EWS and LIG households in India

9. Housing Gaps currently faced by EWS and LIG households in India and states under focus = Total no. of EWS and LIG households (7) minus Total Housing Supply catering to EWS and LIG segments (8)

Housing Gap - EWS segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	12,46,254	16,43,241	29,58,104	14,40,827	69,05,865	51,36,505	18,05,547	4,51,26,205
Urban	1,02,912	1,32,069	1,40,766	1,84,349	2,53,526	2,71,329	5,49,946	81,90,700

Housing Gap - LIG segment								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
Rural	4,64,941	5,62,931	10,70,802	7,49,982	22,41,120	11,32,907	9,93,322	1,43,84,543
Urban	40,066	36,231	30,182	63,111	1,10,615	17,605	1,38,346	23,83,462

Hence, the total housing gap currently prevalent in India currently (2019) and within the EWS and LIG segment is as follows.

Total Housing gap prevalent amongst LIG and EWS households in 2019			
	EWS Households	LIG Households	Total
Rural India	4,51,26,205	1,43,84,543	5,95,10,748
Urban India	81,90,700	23,83,462	1,05,74,162

10. Additional Housing need that shall surface in Urban and Rural areas by EWS and LIG Segment for the years 2019 to 2030

- Additional housing requirement has been computed by understanding the new households that shall be added in urban and rural areas within the EWS and LIG segment over the years 2019 to 2030.

New Households to be added in the year 2019 -2030			
	EWS Households	LIG Households	Total
Urban	2,19,72,025	38,77,416	2,58,49,441
Rural	12,70,193	1,41,133	14,11,326

Source: Census of India -2011

11. Total Housing Gap in India from 2019 to 2030

The total housing gap in India is as follows. This is the maximum addressable opportunity present in the Indian affordable housing sector to service EWS and LIG segment in totality till 2030

Total Housing Gap in India (2019 to 2030)			
	EWS	LIG	Total
Urban	3,01,62,725	62,60,878	3,64,23,603
Rural	4,63,96,398	1,45,25,676	6,09,22,074

F - Sizing of the Affordable Housing Loan Market in India

The maximum addressable opportunity for Housing Finance companies to service the EWS and LIG Segment over the next 11 years from 2019 to 2030 is as follows

12. Average Size of the home loan availed by EWS and LIG households while purchasing/repairing an affordable housing unit.

Average Size of the home loan in INR		
	EWS	LIG
Rural India	80,000	1,50,000
Urban India	1,20,000	2,50,000

Source: Primary Research

13. Total size of the Housing Finance Market (INR Lakhs) basis the overall addressable opportunity represented by affordable housing for EWS and LIG Segment in India over the 11-year period from 2019 to 2030

Size of the Housing Finance Market (INR Lakhs)			
	EWS	LIG	Total
Rural India	3,71,17,119	2,17,88,513	5,89,05,632
Urban India	3,61,95,270	1,56,52,195	5,18,47,465
Total Market Size (INR Lakhs)			11,07,53,097

Source: Primary Research

Although the gap of housing in rural India is more than urban areas, the gap of addressable affordable housing finance market is less. This is due to the difference in the ticket size of the housing loan in urban and rural areas.

14. However, the need for low cost affordable housing or the total housing gap (as derived in point 11) will translate into demand sequentially and not at one go. It is also expected that only around 55 percent of the total housing gap in urban areas and 65 percent of the rural housing gap will progressively translate into demand over the next 11 years as follows. The progressive built-up of demand for affordable housing and consequently the addressable opportunity of the housing loan market is as follows:

Progressive translation of housing gap into demand over the next 11 years.												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Percentage of Housing Gap (As in point 11) that shall translate into demand	4%	6%	6%	8%	6%	4%	4%	4%	4%	3%	3%	3%
Percentage of Housing Gap (As in point 11) that shall translate into demand in Rural India.	6%	7%	7%	10%	7%	7%	4%	4%	4%	3%	3%	3%
Addressable Affordable Housing/ Home Improvement Loan Opportunity – Urban India (INR Lakhs)	20,73,899	31,10,848	31,10,848	41,47,797	31,10,848	20,73,899	20,73,899	20,73,899	20,73,899	15,55,424	15,55,424	15,55,424
Addressable Affordable Housing/ Home Improvement Loan Opportunity – Rural India (INR Lakhs)	35,34,338	41,23,394	41,23,394	58,90,563	41,23,394	41,23,394	23,56,225	23,56,225	23,56,225	17,67,169	17,67,169	17,67,169
Total Addressable Affordable Housing Loan Market (INR Lakhs)	56,08,237	72,34,242	72,34,242	1,00,38,360	72,34,242	61,97,293	44,30,124	44,30,124	44,30,124	33,22,593	33,22,593	33,22,593

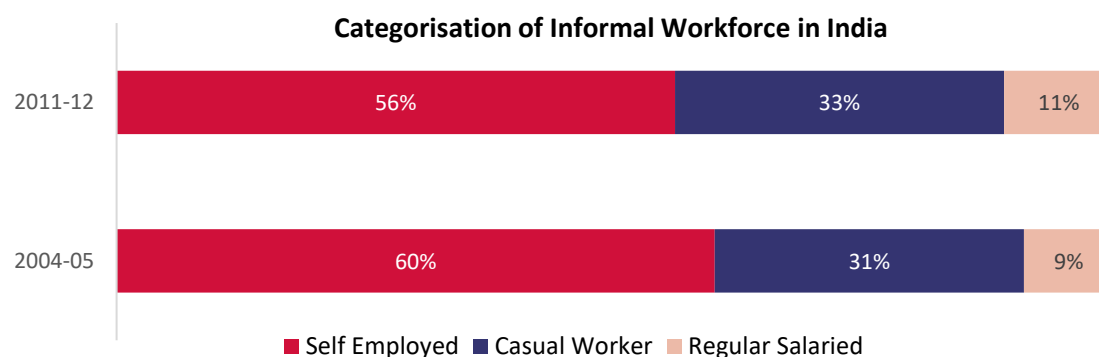
Source: Primary Research + KF Estimation

Factors driving the demand for low cost affordable housing in India

- Government boost to the affordable housing sector in India through favourable policies
The government of India has taken several measures to facilitate the development of affordable housing, especially to meet the housing demand from the EWS and LIG households in the country.
 - Affordable housing scheme aimed at the beneficiaries
 - The Pradhan Mantri Awas Yojana (PMAY) scheme launched in 2015 aims to provide “Housing for All” by 2022. The ambitious scheme targets to facilitate the development of 10 million housing units each in Urban and Rural areas in India. The scheme has been devised in a way to have a wide reach to cater to variety of target beneficiaries with distinct housing needs in urban as well as rural areas.
 - The government has granted infrastructure status to affordable housing, giving developers access to cheaper sources of funding, including external commercial borrowings.
 - Housing loans to individuals up to INR 2.5 million (USD 38,000) in metropolitan cities with population more than one million and upto INR 1.5 million (USD 23,000) in other centres are classified under priority sector lending.
 - In a bid to incentivise participation by developers in the Affordable housing sector, time allowed for project completion of affordable housing projects has been increased from 3 to 5 years.
- Introduction of Real Estate Regulation & Development Act (RERA) has infused fresh buyer confidence, especially in the affordable housing segment. RERA which was introduced in May 2017, mandates the developers to complete the housing projects within the specified time, thus allaying the fear of most consumers during purchase. Since housing projects where more than eight apartments are developed for the purposes of selling will be covered under RERA, affordable housing projects will automatically come under the purview of the new legislation as they are typically large-scale projects. To ensure that developers can adhere to the committed project completion timelines, the government needs to support the developers by creating processes where all approvals are provided in a time-bound manner.
- Increasing access to finance for low cost affordable housing customers
Recognising the huge opportunity of providing small size housing loans to consumers in the EWS and LIG segment, several new entrants have emerged in the mortgage lending space, especially focussing on providing small size loans to EWS and LIG consumers. These firms known as affordable housing finance companies focus on providing loans to EWS and LIG segment

Impact of Informal Employment on Affordable Housing Demand

The employment opportunities in India are largely informal in nature. Nearly 88 percent of the workforce in India is employed in the informal sector. Even within the organised sector, slightly more than 50 percent of the workforce comprises of informal employees.



Source: NSSO Employment – Unemployment Survey 2014

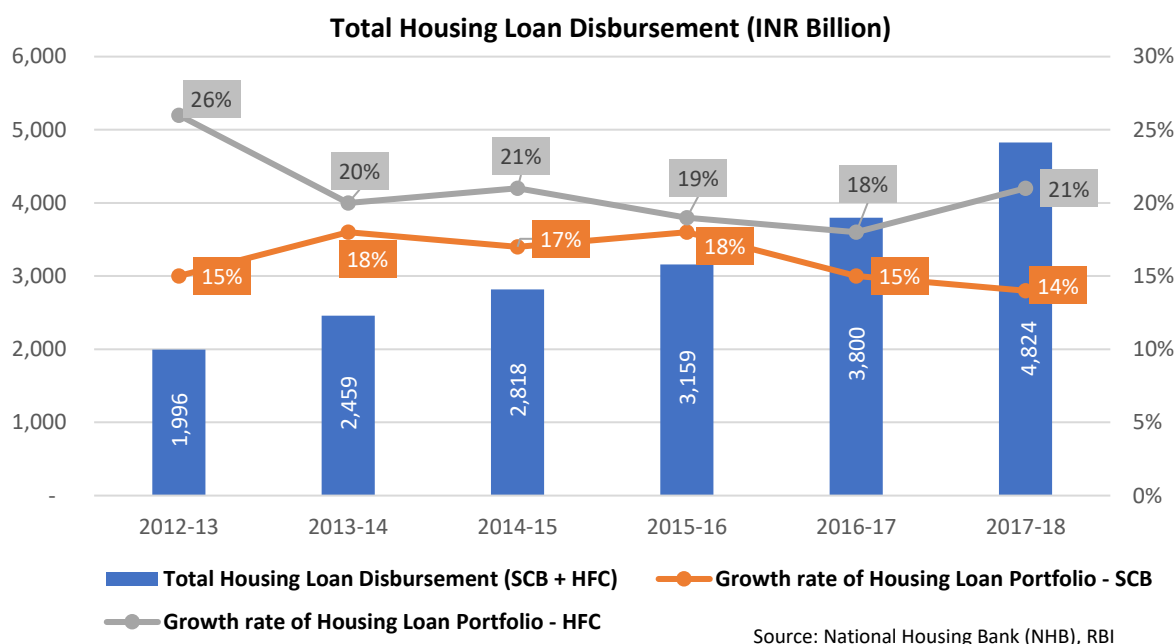
Data suggests that the number of casual workers amongst informal employees is growing which indicates increasing number of marginal workers. Such casual workers migrate to urban areas in search of job opportunities. Such urban migrants have no skillsets and hence end up doing menial jobs with low wages and without any definite livelihood scheme or plan. Such informal employees create a huge demand for low cost housing in the urban areas. Apart from that the native urban population who work in the informal sector find it difficult to avail proper housing options due to limited earnings and difficulty to avail housing finance for home repairs and upgradation.

Analysis of data suggests that there is a correlation between the size of informal employment base in the focus states and the demand for low cost affordable housing. Demand for low cost affordable housing in focus states verses the informal employment base in the state is given below.

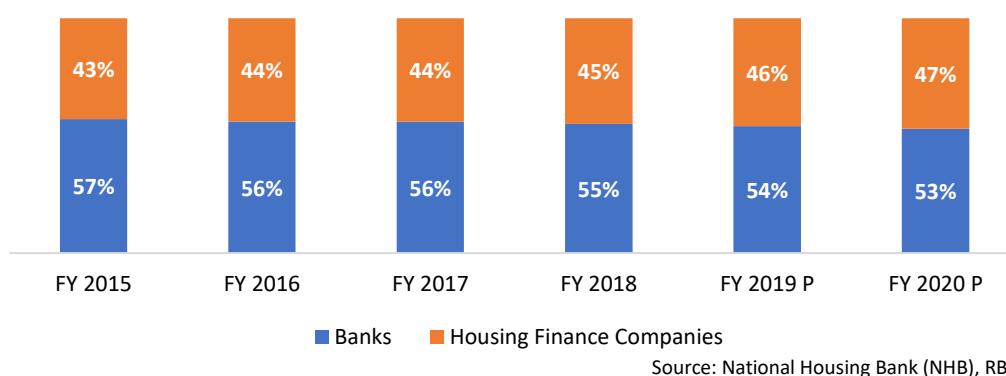
Demand for low cost affordable housing units								
	Chhattisgarh	Jharkhand	MP	Orissa	UP	Rajasthan	West Bengal	All India
LIG Segment	1,02,912	1,32,069	1,40,766	1,84,349	2,53,526	2,71,329	5,49,946	81,90,700
EWS Segment	40,066	36,231	30,182	63,111	1,10,615	17,605	1,38,346	23,83,462
Total	1,42,978	1,68,300	1,70,948	2,47,460	3,64,141	2,88,934	6,88,292	1,05,74,162
Base of informal employees								
No. of Informal employees	1,29,21,832	1,42,25,185	3,27,66,367	1,82,58,587	6,80,78,610	3,16,89,430	3,49,99,343	55,09,85,417

9 Housing Finance Market in India

The housing finance market in India is served by both Scheduled Commercial Banks (SCBs) as well as Non-Banking Financial Corporations (NBFCs) such as Housing Finance Companies (HFCs). However, the share of Housing finance companies in the overall housing loan disbursement is seen to be growing faster vis a vis Scheduled Commercial Banks (SCBs). Over the period FY13 to FY18, the home loan portfolio of housing finance companies to individuals grew at a CAGR of 20 percent as compared to 16 percent CAGR growth for Banks. This led to an overall sectoral home loan portfolio growth of 18 percentage CAGR over the period 2012-13 to 2017-18



Share of Housing Finance Companies in overall Home Loan Disbursement



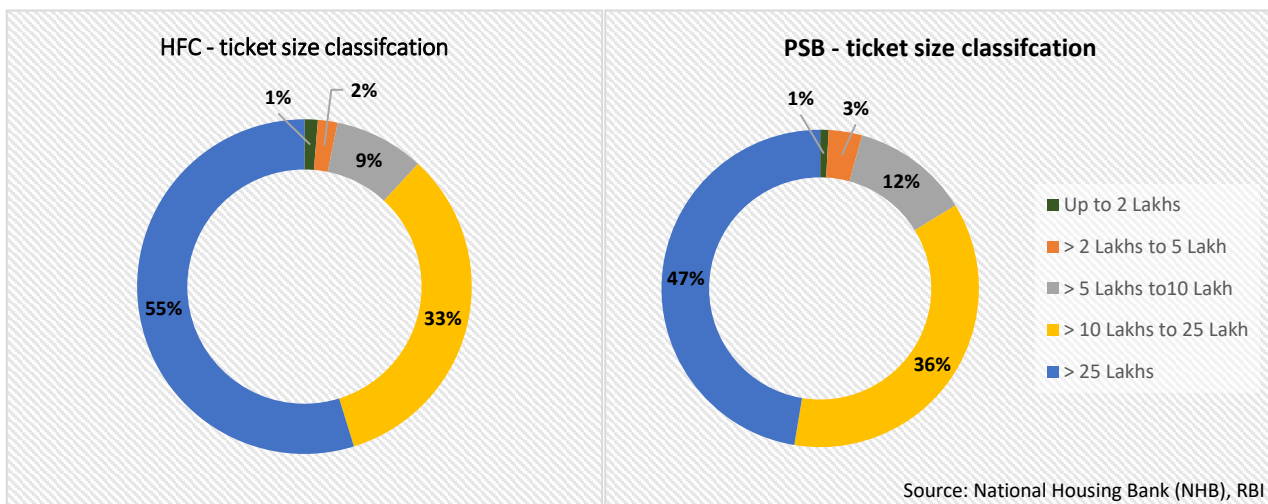
The Housing Finance companies started to gain prominence as the retail housing segment was neglected by banks as many small consumers were unable to fulfil the stringent documentation requirements of banks. Although the interest rates charged by Housing Finance companies are

higher than that of banks due to higher cost of funding, retail consumers do not deter to pursue the same in terms of a clear lack of alternatives.

Ticket Size classification amongst total Home loan Disbursement

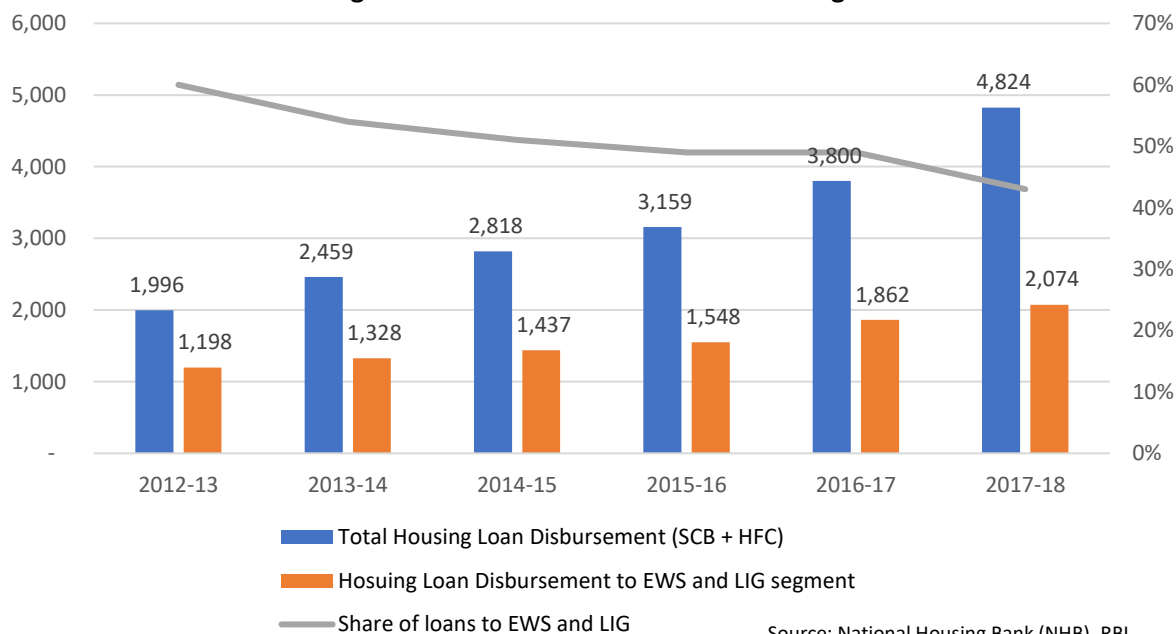
Majority of home loans provided by Housing finance companies and Banks are high value loans targeted to Middle Income and High Income groups. Data suggests that HFCs as well as Banks have a miniscule percentage of loans upto INR 5 lakhs.

Ticket Size Classification of Individual Housing Loans (2016-17)



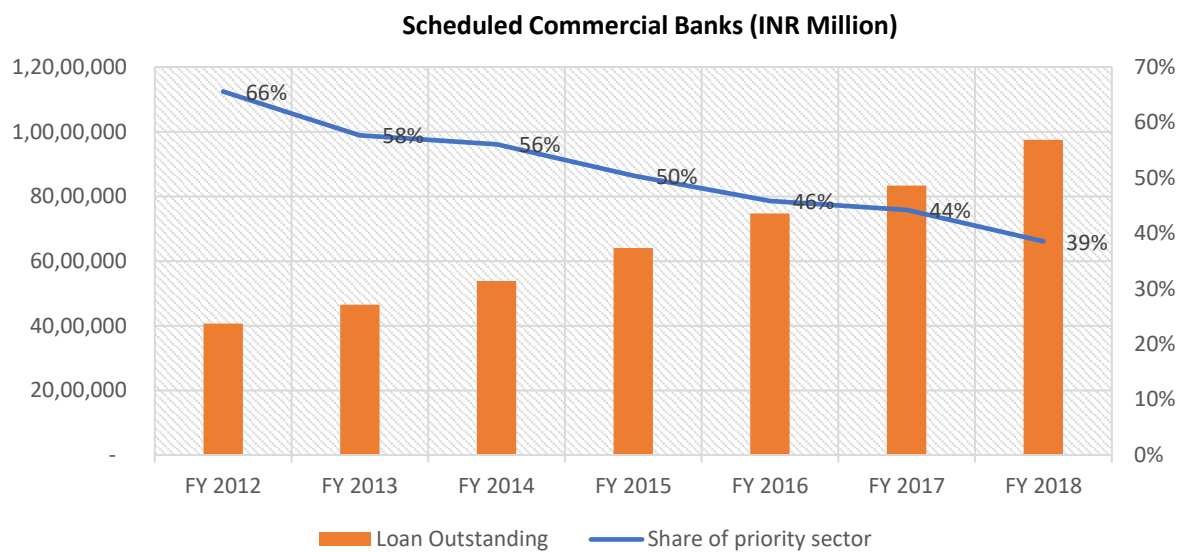
Although the Housing finance market has witnessed rapid growth over the past decade, the focus has been on the formal income customers with higher loan ticket sizes. Share of loans INR 10 lakhs varies from 12 percent to 15 percent for Banks and Housing Finance companies respectively

Housing Loan Disbursement to EWS and LIG segment



Although, approximately 90 percent of the total housing shortage is in the EWS and LIG segment, only 43 percent of all housing loans were extended to this category by the formal housing finance market. Other data trends also suggest that the Housing Finance companies and Scheduled Commercial Banks are not focussed on the EWS and LIG Segment, where the bulk of the housing demand (~90 percent) is present.

A. Decline in Priority Sector Lending by Scheduled Commercial Banks (SCBs) The following chart indicates that share of loan outstanding against priority sector lending has also been gradually declining. Priority sector lending loan outstanding as a percentage of total book has come down to 39% in the 2017-18 from 66% in the year 2011-12.



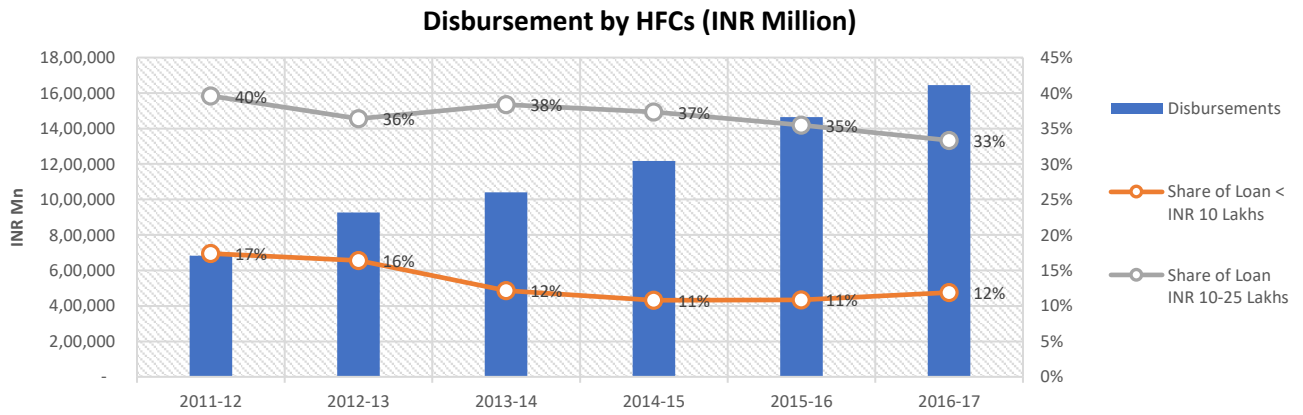
Source: RBI and NHB

Note: Loans to individuals up to Rs 28 lakh in metropolitan centers and Rs 20 lakh in other centres are classified under priority sector lending which, from July 2018, has been revised upwardly to Rs 35 lakh in metropolitan centers and Rs 25 lakh in other centers respectively.

B. Share of Smaller Ticket Size Loan in total disbursement of HFCs – Declining

On the other hand, a trend analysis of HFCs housing loan disbursement reveals an almost similar story. Notwithstanding rising numbers of registered HFCs over the years share of ticket size of less than Rs Ten lakh in total disbursement has declined from 17 percent in 2011-12 to 12% in 2016-17. Share of loan size of less than twenty-five lakhs in total fresh disbursement is also declining, albeit slowly.

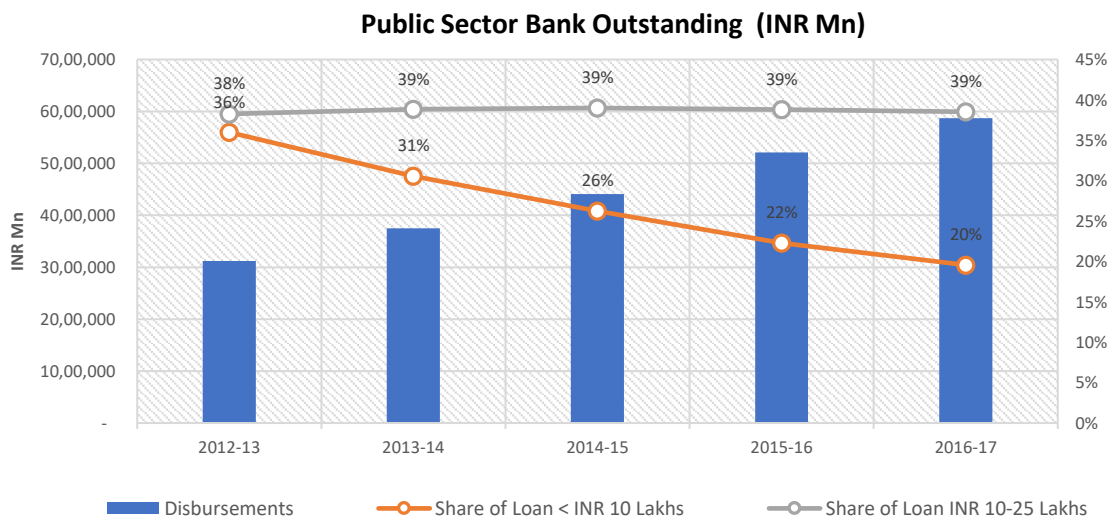
Number of Registered Housing Finance Companies (HFCs)						
Year	2013 (June)	2014 (June)	2015 (March)	2016 (July)	2017 (December)	2018 (May)
	57	62	64	76	91	95



Source: National Housing Bank (NHB)

C. Faster Decline of loans to the EWS Loans (Loans of value less than INR 10 Lakhs)

Within the priority sector lending, share of ticket size of less than INR 10 lakh disbursed by the Public-Sector Banks (PSBs) has been also consistently declining, from 36% in 2012-13 to 20% in 2016-17 and at a faster rate that loan size between INR 10-25 lakh. It indicates easy access to fund even from Government owned banks is difficult for lower income people.



Source: National Housing Bank (NHB)

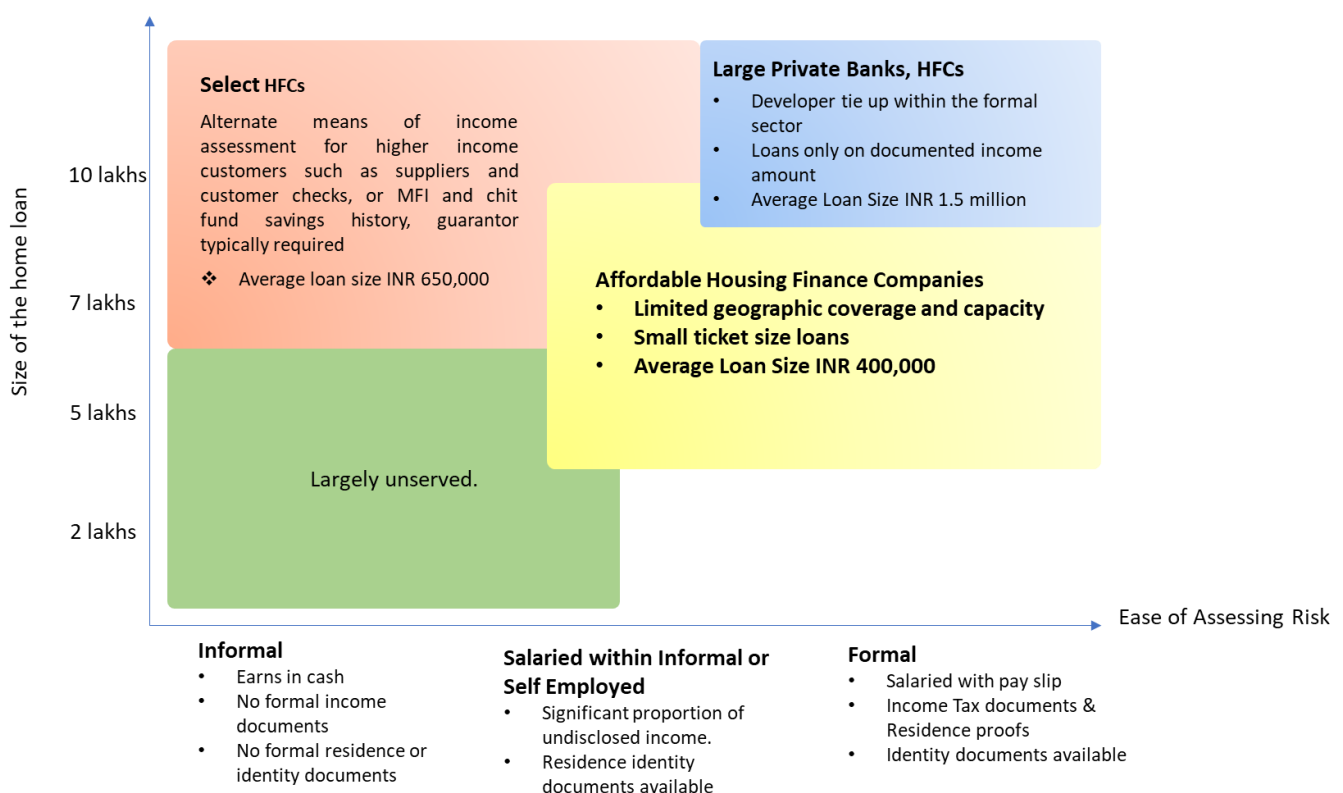
Nearly 51 percent of the mortgage is concentrated amongst middle to upper income bracket in urban areas, which represents only 6.5 percent of the population. Housing loans sought by Informal Income segments and EWS are mainly sub INR 10 lakhs which are not given priority by the formal financing sector in India.

In this scenario, EWS and LIG segment largely remain devoid of loans and find it difficult to realise their dream of owning a house or repairing their existing house. EWS and LIG segments also turn

to informal sources of funding for home construction or repairs. They could be organised sources of informal finance such as pawnbrokers, chit funds and local fund associations or unorganised sources of informal finance which include moneylenders, friends or relatives. The interest rates in case of informal source of finance is extremely high and could range anywhere between 24 to 40 percent per annum.

Housing Finance Market Map

The Housing finance market in India is selectively catered by the financing agencies i.e. Housing Finance companies and banks based on their risk appetite and willingness to engage with various categories of consumers. The below map shows the consumer engagement map for financing firms based on the ticket size of loans issued and the category of consumers serviced.



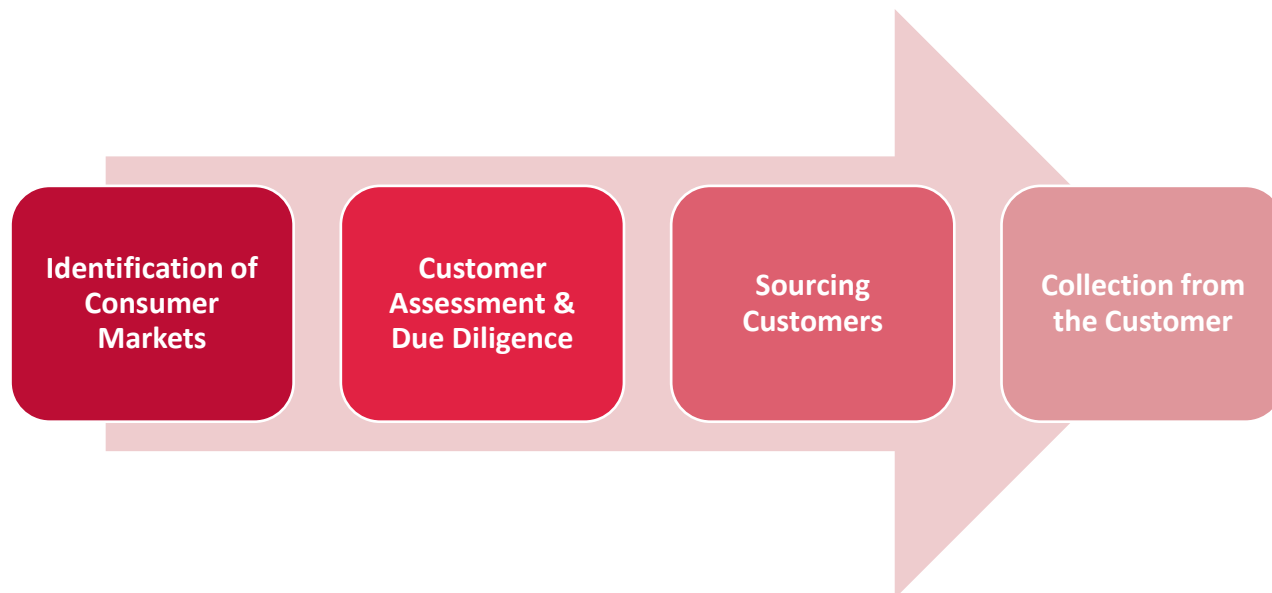
The conventional housing finance companies and scheduled commercial banks only focus on housing loans worth INR 10 lakhs and above. They only operate in the market where the consumer works in a formal sector and has a documented proof of earnings, thereby easily assuring the creditworthiness of the individual. The prime examples of such financiers are banks such as ICICI Bank, HDFC Bank, GIC Housing, LIC Housing etc. Few Housing finance firms cater to people who work or are self-employed in the informal sector and have sound earning potential. Housing finance companies undertake rigorous credit appraisal of the person based on surrogates such as customer footfalls, vendor and supplier checks etc.

After the introduction of the government scheme PMAY which aims to facilitate EWS and LIG segment to purchase a housing unit for use, few Housing finance companies have started to look at the affordable housing segment in a proactive manner and are focussing their attention on the EWS and LIG segment. In a short span of time, the Affordable Housing finance companies have been able to cater to hitherto unexplored market where there is low penetration and high scope for business growth. Realising the need of the low-cost affordable housing segment and the viability of this business model, National Housing Bank has issued 38 new licenses in the last 3 years to start Housing Finance companies which shall primarily focus to service the EWS and LIG segments to purchase low cost affordable houses.

Affordable housing finance companies have developed special housing loan products for low cost affordable housing consumers who are part of the EWS and LIG segments. These products involve on-site credit appraisal of customers based on verifying from co-workers or checking surrogates such as customer footfalls in case of self-employed persons. The interest on such loans is relatively higher and is normally in the range of 14-18 percent.

Process followed by Housing Finance Companies to provide small ticket housing loans to EWS and LIG segment

The process followed by Affordable Housing Finance companies to identify customers and provide housing loans to customers in the EWS and LIG segment would entail the following



1. Identification of Markets and Consumer Segments for providing low cost affordable housing loans

The low-cost Affordable housing finance companies judiciously tries to service LIG and EWS customers only in the markets where they have the requisite infrastructure, knowledge of the operating dynamics, network of associates to help effective outreach and operational effectiveness. Presence of infrastructure and working knowledge of the market is important as the physical consumer engagement is expected to be higher compared to conventional housing finance market.

Consumer segments or micro-markets which need to be serviced are identified based on evaluation of the market or assessment of partners such as NGOs who help the firm identify areas for outreach based on their historical work or current active engagements. Understanding regarding the micro-market to be serviced may also depend upon historical dealings of the affordable housing finance company with the consumers in the area.

2. Customer Assessment & Due Diligence

Housing Finance companies recognize that individuals in the EWS and LIG segment are not high risk but instead unknown risk. Being employed in the informal sector with no defined income streams, majority of the individuals in the EWS and LIG Segment in India have never availed any

formal financing. Consequently, it is difficult to establish the creditworthiness of target customers in EWS and LIG segment.

Hence, the process of customer assessment and process for extending loans to informal sector customers does not utilize conventional financial metrics but incorporates innovative assessment methods. After pre-screening to remove obvious bad assets, the risk assessment method for informal sector customers require credit officers to visit customer homes and businesses to gather financial information. A comprehensive understanding of the household monthly income and seasonal fluctuations in that figure, actual free cash flow after accounting for food, medical expenses, etc., and other sources of debt is sought to determine creditworthiness and limit defaults.

Interviews are conducted with family members, neighbours and colleagues, through which the credit officer gleans a better picture of the customer's ability and willingness to pay back the loan. In case of employed individuals, verification is also undertaken with the employer to determine the earnings of the customers based on the persons skillsets as well as work ethic. After thoroughly examining the socio-economic background of the customer, the Affordable Housing Finance company decides whether the customer is eligible for a housing / home improvement loan and the resultant terms and conditions.

The Housing finance companies also align with various NGOs who have earlier worked in the location, to aid the understanding of the customers better with their detailed and historical understanding of the customer.

3. Sourcing Housing Finance Customers in EWS/LIG Segment

Profile of each prospective customer is created post the assessment exercise undertaken by the affordable housing finance company. Decisions regarding granting of the housing loan and the associated terms and conditions such as applicable tenure, interest rates etc. are based on the customer assessment undertaken by the affordable housing finance company. Apart from the assessment undertaken by the affordable housing finance companies, several risk mitigation measures are undertaken considering the risk involved of providing loans to EWS and LIG Segments, where the customer typically works in the informal sector, with negligible or lack of credit history.

Risk Mitigation measures undertaken by Affordable housing finance companies

The various risk mitigation measures undertaken by the affordable housing finance companies includes having several co-applicants amongst earnings members of the family, having multiple guarantors to the loan, providing loans only to members of Self-Help Groups or creating a Joint liability Group amongst various loan beneficiaries in a neighbourhood etc. The Housing finance companies also align with various NGOs who have earlier worked in the location, to aid the understanding of the customers better with their detailed and historical understanding of the customer.

Difference between affordable housing loans products targeted to EWS/LIG sector and other housing loan products – difference in terms of loan tenure, interest rate, administrative charges etc.

In case of low-cost affordable housing loans, the operational cost is relatively high along with risks involved due to absence of stable income of customers as well as lack of credit history to prove repayment capability. Interest rates charged are typically 4-5 percent higher than normal home loan interest rate. Interest rates charged is also dependent on the assessment of the customer which is undertaken by the customer. The loan tenure is relatively longer than the mid or high-income group home loan products.

4. Collection from the Customer

Repayment of loan is done by the customers by depositing money in monthly or quarterly instalments at the local branch of the finance company. In some cases, collection is undertaken by the affordable housing finance company through its staff/collection agent from the doorstep of the customer. Collection team is typically divided in two parts. First deals with fresh collection and second focusses on collections which have not happened beyond their due dates. Collection Executives are typically assigned around 80 to 100 cases. The team does the calling and pursues the payment with the customer and accordingly they visit on the dates to collect the payments. The collection managers supervise the collection executive team and support them to achieve their targets.

Some affordable housing finance companies such as Shubham Housing Finance company, also helps the customers service their instalments in case of impairment in their cash flows post availing the loan. They help the customers to look for avenues to improve their cash flows to meet the repayment requirements. Even in the case where the customer is in no position to service the loan, few affordable housing finance companies help the customer to dispose off the property in an optimal manner, so that the customer is not at a loss.

Credit quality of housing loans provided to EWS and LIG sector

Contrary to widely held belief, the level of NPA in the low-cost affordable housing finance segment is lower compared to banks and conventional housing finance companies. The major players operating in the low-cost affordable housing sector such as Aadhar Housing finance, Gruh Finance and Aavas Housing Finance have an NPA level which is less than 1 percent. Considering the other prominent organised players operating in the sector, the average NPA is around 4-5 percent. This could be accounted to stringent assessment of the customer repayment capability as well as various risk mitigation measures undertaken by the affordable housing finance companies.

Profile of Key Affordable Housing Finance Companies

Some of the prominent Affordable housing finance companies who focus on the EWS and LIG segment are Adhar Housing Finance, Micro-Housing Finance Corporation, Avas Financers, Indostar Home Financers, ART Affordable Housing Finance etc. The major affordable housing finance companies are profiled as follows

1. Adhar Housing Finance

Number of states covered	13
Focused states	Uttar Pradesh, Madhya Pradesh, Rajasthan, Jharkhand, Chhattisgarh, Orissa, West Bengal.
Type of Organization	Housing Finance Limited
Source of Fund	Banks and Financial Institutions (68.38%) Non-convertible Debentures (16.21%) Public (Fixed) Deposits (1.29%) Refinancing from NHB (7.33%) Commercial Papers (5.07%) Subordinated Debt (1.33%) (As on 2017- 2018)
Average ticket size of loan	Average ticket size of home loan portfolio is INR 8.2 Lakhs
Gross NPA (%)	1.07
Product (Loan) offered in EWS/LIG/Affordable Housing Category	Product portfolio involves home loan, plot loan, loan against property, home loan for self-construction/purchase, home loan for home extension/improvement for LIG & EWS
Maximum Loan Limit (INR)	INR 1 Crore
Affordable Housing Loan Tenure	Home Loan for salaried employees- 30 years Home loan for self-employed – 30 years Home Improvement loan – 20 years Home extension loan – 20 years
Interest Rate	The interest rate for home loans ranges from 11% per annum to 14.50% per annum.
Eligibility Criteria for Affordable Housing loans	The self-employed person should be less than 70 years of age. <ul style="list-style-type: none"> ➤ The applicant is self-employed /trader or engaged in service industry. ➤ The applicant should have been in the same line of business for a minimum period of 3 years or should have inherited the business from parents. ➤ The applicant should be able to contribute at least 20 percent of the total sum required.
Loan Appraisal Process	<u>Step 1 – Assessment</u>

	<p>At this stage the bank determines the individual's loan repayment capacity. The credit team will conduct income verification and validate the accuracy of the information you have provided. A credit check will then be carried out to reveal the credit history; in this case the credit report will be generated to show the following details:</p> <ul style="list-style-type: none"> ➤ Personal details such as : Name, Residential Addresses, Date of Birth and PAN card number ➤ Records of some recent credit accounts ➤ Overdue Accounts (Defaults) which may have been listed against your name, including an indicator on whether the default amount has been paid or not. <p><u>Step 2 : Conditional Loan Sanction</u></p> <p>If there are no major issues with the income verification and credit checks, the Aadhar Housing will provide a conditional sanction for the loan. This means that they will issue a formal Letter of Offer cum acceptance favouring all the applicants to the loan.</p> <p><u>Step 3 : Security Assessment</u></p> <ul style="list-style-type: none"> ➤ Technical Assessment: A qualified technical officer will conduct a valuation on the property to be purchased and any property that will be used as security. ➤ Legal Assessment: A lawyer will examine the property documents i.e. chain of agreements/title etc to determine if the property documents provided are conducive for lending.
Total Number of customers served	100000+

2. Shriram Housing Finance

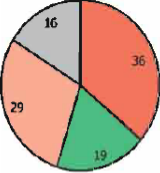

Number of states covered	18
Focused states	Uttar Pradesh, Madhya Pradesh, Rajasthan, Orissa, Chhattisgarh, West Bengal
Type of Organization	Housing Finance Company
Home loan Profile (INR)	The loan disbursement during the year was `75,881.95 lacs. (As of 2018-19) 61% is housing loans, 29% is LAP and remaining 11% is construction finance as of December 2018 as per CRISIL report
Gross NPA (%)	5% (As on 2018)

Product(loan) offered in EWS/LIG/affordable housing category	Home loan Home Improvement loan Residential plot loan Home extension loan Affordable housing Top up loan Balance transfer																								
Loan amount	INR 1 lac to 10 Crores																								
Loan Tenure	25 years																								
Interest Rate	10.49% to 15%																								
Eligibility criteria	<ul style="list-style-type: none"> All Indian residents above 21 years Any salaried or a self-employed individual Loan eligibility will be derived on the basis of your repayment capacity as well as the value of property under consideration The loan can be applied for individually or jointly. However, all co-applicants need not be co-owners. 																								
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3. Gruh Housing Finance

Number of states covered	11
Focused states	Uttar Pradesh, Madhya Pradesh, Rajasthan, Jharkhand, Chhattisgarh, West Bengal
Type of Organization	Housing Finance Company
Home Loan Portfolio (INR)	4936 Cr
Gross NPA (%)	0.66% (As on 2018-19)
Product (Loan) offered in EWS/LIG/Affordable Housing Category	<ul style="list-style-type: none"> Gruh Suraksha – It provides loan for purchase/extension/construction of dwelling unit Gruh Suvidha – It provides loan for purchase/extension/construction of dwelling unit

	<ul style="list-style-type: none"> Gruh Sajavat – GRUH Sajavat loan is offered to individuals to meet expenses of repair/renovation of consumers dwelling unit. Gruh Shubh Lakshmi - – It provides loan for purchase/extension/construction of dwelling unit in rural areas wherein the property is either singly or jointly owned by women <div style="text-align: center;"> <p>GRUH's Outstanding Loans</p> <table border="1"> <thead> <tr> <th>Individual Housing</th> <th>(₹ in crore)</th> <th>%</th> <th></th> </tr> </thead> <tbody> <tr> <td>Suraksha</td> <td>8,408</td> <td>49</td> <td>■</td> </tr> <tr> <td>Suvidha</td> <td>5,770</td> <td>33</td> <td>■</td> </tr> <tr> <td>Mortgage</td> <td>1,787</td> <td>10</td> <td>■</td> </tr> <tr> <td>Sajavat</td> <td>231</td> <td>1</td> <td>■</td> </tr> <tr> <th colspan="4">Individual Non-Residential</th> </tr> <tr> <td>Samrudhi</td> <td>328</td> <td>2</td> <td>■</td> </tr> <tr> <td>Shubh Labh</td> <td>8</td> <td>-</td> <td>■</td> </tr> <tr> <td>Developer Loans</td> <td>876</td> <td>5</td> <td>■</td> </tr> <tr> <td></td> <td>17,408</td> <td>100</td> <td></td> </tr> </tbody> </table> </div>	Individual Housing	(₹ in crore)	%		Suraksha	8,408	49	■	Suvidha	5,770	33	■	Mortgage	1,787	10	■	Sajavat	231	1	■	Individual Non-Residential				Samrudhi	328	2	■	Shubh Labh	8	-	■	Developer Loans	876	5	■		17,408	100	
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Loan Tenure	<p>Gruh Suraksha-30 Years Gruh Suvidha – 30 Years Gruh Sajavat – 15 Years Gruh Shubh Lakshmi – 30 Years</p>																																								
Interest Rate	<p>Gruh Suraksha-8.75 % - 12.50% Gruh Suvidha-9.25%-12.75% Gruh Sajavat -9.75% - 12.25% Gruh Shubh Lakshmi- 11.25% - 14%</p>																																								
Eligibility Criteria	<p>Gruh Suraksha – It is a home loan offered to individuals who are having formal income proof such as salary slip with DF deduction or IT returns filed regularly for two years or more and where the loan is to be appraised based on the above formal income sources only. Loans under Gruh Suraksha is offered upto 75% /80%/90% of the cost of property depending on the norms laid down by NHB and subject to eligibility of the customer</p> <p>Gruh Suvidha – It is a home product offered to individuals who are not having formal income proof such as salary slip with DF deduction or IT returns. GRUH assesses the income of the applicants based on there cash flow arrived on the basis of detailed field investigation.</p> <p>Gruh Sajavat – It is offered for repair/renovation such as painting , plumbing, Re -laying the roof etc is financed under gruph sajavat.It is offered upto75%/80% of the cost of repair work</p> <p>Gruh Shubh Lakshmi -Loans of upto Rs 15 lacs wherin the property cost is Rs 25 lacs or less are eligible under GRUH shubh lakshmi</p>																																								
Loan Appraisal Process	GRUH offers loan to all segments of society – salaried segment, self employed individuals, Businessmen and individuals having there own professional practise.																																								

	<p>GRUH offers loan against formal income proof documents as well as to individuals who do not possess formal income proof documents such as pay slips or IT returns</p> <p>The income appraisal for self-employed individuals and individuals who do not possess income proof is determined based on assessment of cash flow wherein GRUH staff carries out detailed field investigation of the business and determines the cash flow</p> <p>TO assess the income of such varied segments and bring in uniformity in its appraisal methods, GRUH has developed its own credit score model. Each loan applicant is assessed on 23 credit parameters covering aspects such as income, family savings, assets and liabilities etc. For each loan product therefore, there is a ROI and band wherein depending on the individual credit score of the applicant, the customer is offered an ROI within the band</p>																																																
Ticket Size of Loans	<p>Properties Financed - Loan Amount Wise Distribution</p> <table border="1" data-bbox="552 824 817 1003"> <thead> <tr> <th>Loan Amount (₹)</th> <th>No.</th> <th>%</th> <th></th> </tr> </thead> <tbody> <tr> <td>Up to 3,00,000</td> <td>1,67,764</td> <td>36</td> <td>■</td> </tr> <tr> <td>> 3,00,000 to 5,00,000</td> <td>86,380</td> <td>19</td> <td>■</td> </tr> <tr> <td>> 5,00,000 to 10,00,000</td> <td>1,36,973</td> <td>29</td> <td>■</td> </tr> <tr> <td>> 10,00,000</td> <td>74,808</td> <td>16</td> <td>■</td> </tr> <tr> <td></td> <td>4,65,925</td> <td>100</td> <td></td> </tr> </tbody> </table>  <p>Property Financed - Family Income Wise Distribution</p> <table border="1" data-bbox="956 1086 1220 1265"> <thead> <tr> <th>Family Income (₹)</th> <th>No.</th> <th>%</th> <th></th> </tr> </thead> <tbody> <tr> <td>Up to 15,000</td> <td>1,64,230</td> <td>35</td> <td>■</td> </tr> <tr> <td>> 15,000 to 25,000</td> <td>1,27,375</td> <td>27</td> <td>■</td> </tr> <tr> <td>> 25,000 to 50,000</td> <td>1,28,411</td> <td>28</td> <td>■</td> </tr> <tr> <td>> 50,000</td> <td>45,909</td> <td>10</td> <td>■</td> </tr> <tr> <td></td> <td>4,65,925</td> <td>100</td> <td></td> </tr> </tbody> </table>  <p>Cumulative figure as on 31.3.2019</p>	Loan Amount (₹)	No.	%		Up to 3,00,000	1,67,764	36	■	> 3,00,000 to 5,00,000	86,380	19	■	> 5,00,000 to 10,00,000	1,36,973	29	■	> 10,00,000	74,808	16	■		4,65,925	100		Family Income (₹)	No.	%		Up to 15,000	1,64,230	35	■	> 15,000 to 25,000	1,27,375	27	■	> 25,000 to 50,000	1,28,411	28	■	> 50,000	45,909	10	■		4,65,925	100	
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4. AAVAS FINANCIERS LIMITED

Number of states covered	10
Focused states	Rajasthan Madhya Pradesh, Uttar Pradesh, Chhattisgarh
Type of Organisation	Housing Finance company
Source of Fund	<p>Share capital - 78,10,79,010</p> <p>Initial public offer - 1,99,79,503</p> <p>Term loans from banks and financial institutions – 630 Cr</p> <p>Securitization/Assignment of Loan Portfolio - 680.16 crore</p> <p>Refinance from NHB – 400 Cr</p> <p>Masala Bond issued to multilaterals – 200 Cr</p> <p>Non-Convertible Debentures ('NCDs') issued to domestic financial institutions – 10 Cr</p> <p>Commercial Paper (CP) - Nil</p>

Asset under Management (Cr.)	5941.6 Cr (As on 2018-19)
Home Loan Profile (Cr.)	93,484 Cumulative housing units financed Average loan ticket size – 8.59 lacs (As per 2018-19)
Gross NPA (%)	0.47 (As on 2018-19)
Loan Amount	Loan amount starting from Rs 1 lacs
Loan Tenure	Tenure of <ul style="list-style-type: none"> • 30 years for salaried customers (from government/ PSU/ Private sector) with more than 35,000/- • 25 years for other salaried customers • 20 years for self-employed customers
Interest Rate	10% to 19%
Eligibility Criteria	<ul style="list-style-type: none"> • Aavas Financiers Home Loans are offered for salaried customers, self-employed businessman and self-employed professionals. • The applicant must be an Indian resident. • The applicant must also have a stable source of income and the financial capacity to repay the loan. • Home Loans can be availed individually or jointly. Co-applicants need not be co-owners of the home. But, the proposed owners of the property will have to be co-applicants. • For income criteria and other conditions, enquire with Aavas Financiers.
Total Number of customers served	77,400+

5. Adhikar Microfinance Pvt. Ltd.

Number of states covered	4
Focused states	Orissa, Chhattisgarh
Type of Organisation	NBFC - MFI
Total home loans disbursed	Loans disbursed (2017-18): 129.12 crores
Gross NPA (%)	3.5%
Product (Loan) offered in EWS/LIG/Affordable Housing Category	<ul style="list-style-type: none"> • Home improvement loan-The loan is mainly used for repair or renovation of the existing house, making part of it Pucca or construct new house with individual contribution apart from loan. • Income generation loan - This loan is basically for Women not able to access formal loans but needing financial services to improve their living standard are the main customers.
Average Loan Amount (INR)	Home improvement loan = INR 40,000

Loan Tenure	Home improvement loan - 24 months Income generation loan – <ul style="list-style-type: none"> • 12 months • 12-18 months • 24 months Top up loans – 12 months
Interest Rate	Home improvement loan - 23% Income generation loan – <ul style="list-style-type: none"> • 12 months -24.50% • 12-18 months - 24.50% • 24 months- 24.50%
Eligibility Criteria	<ul style="list-style-type: none"> • Women between 18-55 years • Permanent resident of a village/ slum • Active household way out contributor • Member of a joint liability a team worker group (JLG)
Total Number of customers served	1.23 lacs

6. Micro Housing Finance Corporation

Number of states covered	6
Focused states	Madhya Pradesh, Rajasthan, Chhattisgarh, West Bengal
Type of Organisation	Housing finance company
Home Loan Profile (Cr.)	Average loan size of 5 lacs
Gross NPA (%)	1.6 %
Loan Amount	Upto INR 15 lakhs
Loan Tenure	15 years
Interest Rate	12% - 13%
Eligibility Criteria	Their customers are a mix of self-employed micro-entrepreneurs (e.g. vegetable vendors, electricians) and unorganized sector salaried workers (e.g. drivers, housemaids), currently living in rental housing or illegal tenements and earning a combined household average income of between Rs. 8,000 and Rs. 25,000 per month.
Total Number of customers served	19,000 (As per 2017-18)

7. Tata Capital Housing Finance Ltd

Number of locations covered	140+ cities in India
Focused states	Madhya Pradesh, Uttar Pradesh, Chhattisgarh, West Bengal, Jharkhand, Orissa
Type of Organisation	Housing Finance company
Gross NPA (%)	1.22% (As on 2018)
Product (Loan) offered in EWS/LIG/Affordable Housing Category	<p>1.Home Loan Tata capital Home Loan covers all the housing needs including:</p> <ul style="list-style-type: none"> • Home, plot, apartment (ready to move in houses/apartment) buying • Constructing a home/apartment on a plot • Home extension • House maintenance/repairs. <p>2.Home extension loan A Home Extension project involves creating and adding more space within the house. Usually, it means expanding the house to add a few more rooms to accommodate your growing needs. Here are some of the ways you can use the Home Extension Loan for:</p> <ul style="list-style-type: none"> • New floor • New room • Terrace Garden • Garage for your car • Landscaping of the Garden • Build a basement <p>3.Affordable housing loan Under the Pradhan Mantri Awas Yojana Scheme, Tata Capital Housing Finance offers affordable home loans at competitive interest rates. Under this scheme, a customer with an annual income of Rs. 6 lakhs and below can avail a subsidy of 6.5%.</p>
Loan Amount	<p>Home loan – 2 lakhs to 5 crore</p> <p>Home extension loan – 1 lakh to 5 lakhs</p> <p>Affordable housing loan – 25 lakhs</p> <p>Home renovation loan – 75000 to 25 lacs</p>
Loan Tenure	<p>Home loan – 30 years</p> <p>Home extension loan – 60 months</p> <p>Affordable housing loan – 1 to 30 years</p> <p>Home renovation loan – 12 to 72 months</p>
Interest Rate	<p>Home loan - 9.25%</p> <p>Home extension loan – 9.60%</p> <p>Affordable housing loan – As per PMAY – CLSS</p> <p>Home renovation loan – 9.60%</p>
Total Number of customers served	17,54,151 (As on 2018-2019)

Challenges faced by Affordable Housing Finance companies to operate and scale up business in the EWS/LIG Segment

- **Non-Availability of long-term capital for investment**

Financing in any area depends on the availability of funds for the purpose. Housing finance is a long-term investment, which requires plenty of funds. One of the main problems of housing finance sector of India is non-availability of long-term capital for investment. Conventionally, the funds for the housing sector have originated from the individuals themselves by way of their own savings or from the financial institutions that are primarily engaged in the intermediation process of channelizing funds from the savers to the borrowers. But, the funds so organized through the formal sector financial institutions remain much lower than what is required to tackle the problems of housing finance in India.

- **High Cost of Customer Acquisition**

Majority of the customers in the EWS and LIG Segment are self-employed or are working in the Informal sector. Consequently, majority of the target segment do not have a steady flow of recorded income or credit history, which makes assessment of customers creditworthiness difficult. The cost of customer acquisition is high due to complex and lengthy customer assessment methods which need to be carried out by the affordable housing finance companies. The affordable housing finance companies use unconventional methods of assessing the income and creditworthiness of customers such as

- Verification of income from employer or contractor with whom the customer is informally employed.
- The credit manager of the housing finance companies personally goes and interacts with the customer as well as people in the vicinity of the customers residence to ascertain creditworthiness.
- In case of self-employed individuals who do not have a defined monthly income, the credit manager checks the scale of operations of the business such as daily sales, footfall of customers, raw material procurement records, vendor bills and payment frequency.

Apart from this, third party verification of the customer is also undertaken before deciding on providing loans. All these procedures undertaken to ascertain creditworthiness leads to high cost of customer acquisition for affordable housing companies working with EWS and LIG segment.

- **High Cost of Operations**

The cost of operations and debt servicing is higher for affordable housing finance companies because of the following

- High Cost of Collection – Majority of the customers in the EWS and LIG Segment are not digitally connected and find it difficult to make payment through the banking system. In some cases, such as rural areas, affordable housing finance companies are forced to undertake payment collection in cash from the customers doorstep.

- The legal costs associated with the loan transaction is high for small ticket loans and is generally to the tune of ~1 percent in case of affordable housing loans.

- **Limited Customer access to technology**

Access to technology is limited in the segment as EWS/LIG customers are not exposed/ less skilled to take part in digital technology drive processes. Hence all processes need to be undertaken manually which limits the reach of the housing finance company. In this scenario, Housing finance companies can cater to specific locations only, where they have a geographic presence.

- **High Risk Customer Segment**

Understanding the customers and judging their ability to service loans takes huge time. Diversity of the customers and their varied social behaviours also influence their propensity to service loans. In this scenario, majority of the affordable housing finance companies give priority to financing loans to customers in the EWS/LIG Segment who have some credit history or has availed loans earlier.

Challenges faced by EWS/LIG Customers to avail formal loans from Housing Finance Companies

The affordable housing segment faces serious demand side issues especially pertaining to access of EWS and LIG Segment to formal housing finance, which impacts their ability to purchase a housing

unit. The major challenges faced by the consumers are as follows

- **EWS and LIG segments are less preferred customer segments**

Most of the housing finance companies in India focus on providing loans to customers in High Income group (HIG) and Medium Income group (MIG) classes of society. EWS and LIG consumers are not the focus of Housing finance companies owing to lack of proper documentation, higher credit and default risk, lack of guarantor, higher operating costs, high cost of customer acquisition etc. which are some of the issues which dissuades housing finance companies from engaging with EWS and LIG Segment.

- **Tedious KYC norms**

The provision of the loan to beneficiaries is guided by Know Your Customer (KYC) guidelines issued by National Housing Bank. This entails intensive due diligence of documents and guaranteed ability of the individual to repay the loan amount.

However, majority of the EWS and LIG segment is employed in the informal sector. Since majority of EWS and LIG segment are paid in cash and lack formal documents of identification to prove address and income, they remain unserved or underserved by Banks or Housing finance companies. The potential beneficiary is either denied a loan or left with no option but to finance through own funds.

- **Higher Interest rate charged to the EWS/LIG customer**

Banks have the advantage of getting funds for loan disbursements at lower costs. Unlike Banks, Housing Finance companies get input funds from sources such as Private Equity Funds at higher interest rates. Consequently, the interest rates levied on consumer loans are high, thus deterring consumers from availing loans. Opening up options for long term funding of Housing Finance companies will level the playing field for Housing finance companies and Banks, thus increasing the penetration and supply of housing loans, especially in EWS and LIG category.

- **Limited Financial Literacy and Awareness of Government Schemes**

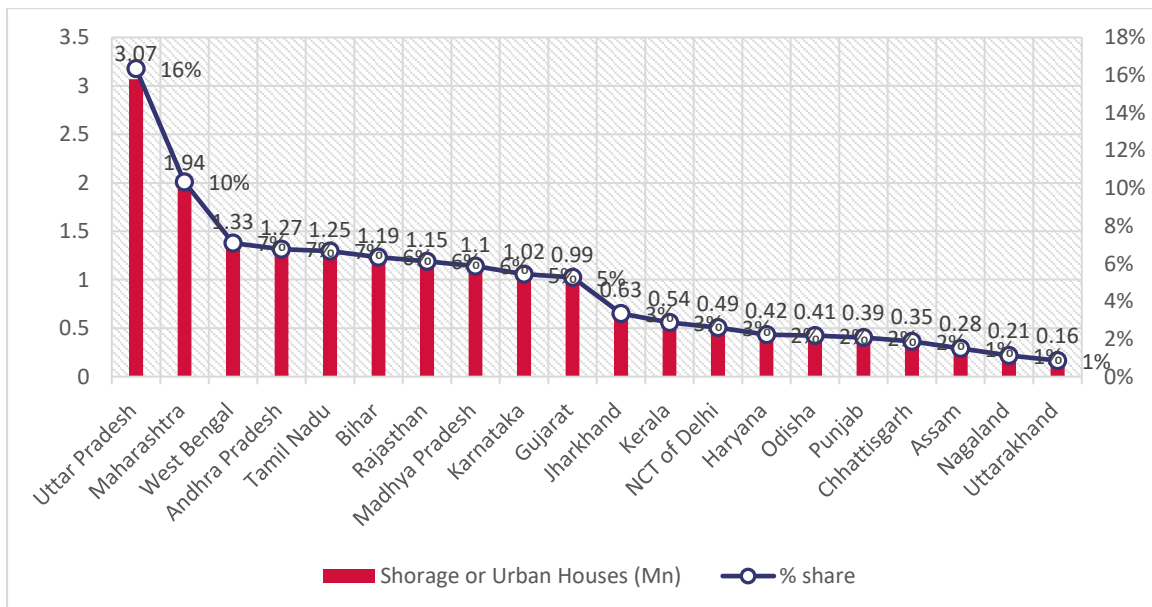
Customers in the EWS and LIG Segment may have limited awareness of various financing options which are available. Even if the person is aware, there is limited awareness if they are eligible for and understanding of the modalities of formally applying for a loan and seeking formal housing finance. Financial literacy and awareness is one of the major need gaps amongst EWS/LIG segment. Few Housing Finance companies and NGO are working to provide assistance to EWS/LIG customers for securing housing loans.

10 Affordable Housing Policies - India

The Indian Government has formulated many policies for housing especially since the late eighties including the National Housing Policy of 1988. Additionally, many bodies like the National Housing Bank (NHB) and Housing & Urban Development Corporation (HUDCO) had also been created to facilitate the implementation of such policies.

Consequently, numerous efforts have been made to provide adequate policy support for low cost housing starting with the National Housing Policy 1994. However, the first policy specific to urban housing was the National Urban Housing and Habitat policy in 2007 (Ministry of Housing and Urban Poverty Alleviation, 2007). It focused on affordable housing as a key objective for sustainable urban development. Following this, many programmes specific to affordable housing have since been incorporated like Jawaharlal Nehru National Urban Renewal Mission, Rajiv Awas Yojana (RAY), Rajiv Rinn Yojayan (RRY), etc.

Shortage of Affordable Housing in India (Million units)



10.1 "Housing for All" Initiative

The Pradhan Mantri Awas Yojana - Urban (PMAY-U) launched in 2015 provides a fresh impetus to the affordable housing sector. The policy subsumes all the previous urban housing schemes and aims at 'Housing for All' to be achieved by the year 2022. The total housing shortage envisaged at the commencement of the mission was for Urban areas was 20 million, which was revised downwards to 11.2 million post demand surveys across identified urban centres.

Pradhan Mantri Awas Yojana – Housing for All (Urban) was launched by the Central Government to achieve the objective of providing every family a pucca house with water connection, toilet facilities, 24x7 electricity supply etc. The Mission is planned to be implemented during 2015–2022

and is expected to provide central assistance to implementing agencies through states and UTs for providing houses to all eligible families/beneficiaries by 2022. All statutory towns as per Census 2011 and towns notified subsequently are eligible for coverage under the Mission.

The mission can be sub-divided into two sub-missions, which are as follows:

- **Financial Sub-Mission**
- **Technology Sub-Mission**

Financial Sub-Mission

The primary objective of the mission is to provide housing through means of financial assistance to the unserved segment of the society. Basis the resource availability and execution capability of identified beneficiaries, Urban Local Bodies (ULBs), and State Governments the scheme may be formulated and implemented. A brief of the four primary schemes is as below:

'In-situ' slum redevelopment (ISSR)	Affordable Housing through credit-linked subsidy (CLSS)	Affordable Housing in partnership (AHP)	Subsidy for beneficiary-led individual house construction or enhancement (BLC)
<ul style="list-style-type: none"> • Using land as a resource • With private participation • Extra FSI/TDR/FAR, if required, to make projects financially viable 	<ul style="list-style-type: none"> • Demand side intervention • Interest subvention subsidy for EWS, LIG MIG for new house or incremental housing 	<ul style="list-style-type: none"> • With private sector or public sector including parastatal agencies • Central assistance per EWS house in affordable housing projects where 35 per cent of constructed houses are for EWS category 	<ul style="list-style-type: none"> • For individuals of EWS category requiring an individual house • Central assistance @ Rs. 1.5 lakh per house • State to prepare a separate project for such beneficiaries • No isolated/splintered beneficiary to be covered

It may be noted that ISSR, AHP and BLC schemes are being implemented as a Centrally Sponsored Scheme². However, the CLSS is being implemented as a Central Sector Scheme³. The Mission also prescribes certain mandatory reforms for easing up the urban land market for housing, to make adequate urban land available for affordable housing such as provision for affordable housing in city master plan.

Technology Sub-Mission – For faster & better-quality construction

A Technology Sub-mission under “Housing for All by 2022” was set up to facilitate adoption of modern, innovative and green technologies and building material for faster and quality

² Central sector schemes are schemes with 100% funding by the Central government and implemented by the Central Government machinery.

³ Centrally Sponsored Schemes are the schemes by the centre where there is financial participation by both the centre and states.

construction of houses under various geo-climatic zones. The Technology Sub-Mission will work on the following aspects:

- i) Design & Planning
- ii) Innovative technologies & materials
- iii) Green buildings using natural resources
- iv) Earthquake and other disaster resistant technologies and designs.

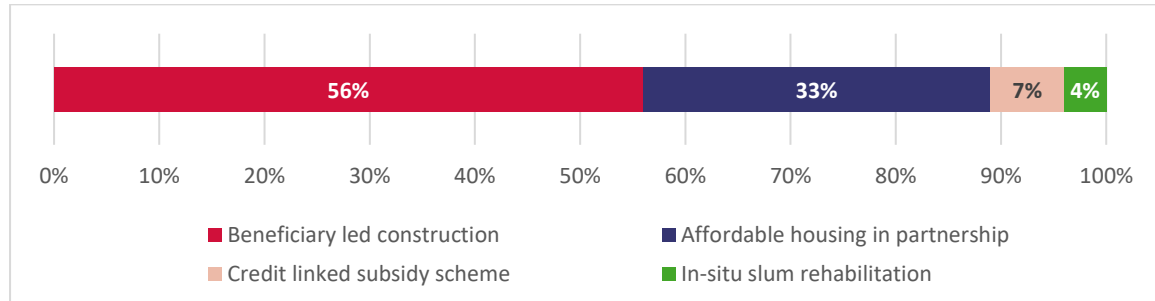
In line with above, Ministry of Housing and Urban Affairs (MoHUA) has conceptualized Global Housing Technology Challenge – India (GHTC-India) sub-mission that aims to identify and mainstream a basket of innovative technologies from across the globe that are sustainable and disaster-resilient.

Lighthouse projects is the scheme aimed at developing EWS housing under GHTC-India. Presently RFP has been floated by GHTC-India for development of EWS housing across 6 cities under EPC Mode. These cities include - Lucknow (UP), Indore (Madya Pradesh), Ranchi (Jharkhand), Agartala (Tripura), Rajkot (Gujarat) and Chennai (Tamil Nadu).

Implementation and Offtake of the PMAY (Urban) – Pradhan Mantri Awas Yojana Scheme

Beneficiary Led Construction and Affordable Housing in Partnership have surfaced as the most popular sub-scheme of the Pradhan Mantri Awas Yojana (Urban) amongst beneficiaries.

Figure 1: Percentage of total beneficiaries who have opted for each sub-scheme (Since Inception of the Scheme in 2015 upto November 2018)



Source: Ministry of Housing and Urban Development, Press note Nov 2018

In-situ Slum Redevelopment Scheme (ISSR) under Pradhan Mantri Awas Yojana (PMAY)

ISSR is primarily proposed for private or government (central/state/ULBs) land parcels that have been notified as slums as per the state government. The primary tool in implementation of ISSR is the slum land that is used for re-development of slum into formal housing as per PMAY guidelines for EWS/LIG housing with private sector participation. Such slums upon re-development would be de-notified.

Private partner is selected through open bidding process. In order to incentivise slum redevelopment, additional Floor Area Ratio (FAR)/Floor Space Index (FSI), Transfer of Development Rights (TDR), etc. may be provided depending upon project viability.

The central government provides a grant of upto INR 1 Lakh per house on average for houses developed for slum dwellers on government land parcels. The same is not provided in case of slum redevelopment on private land parcel.

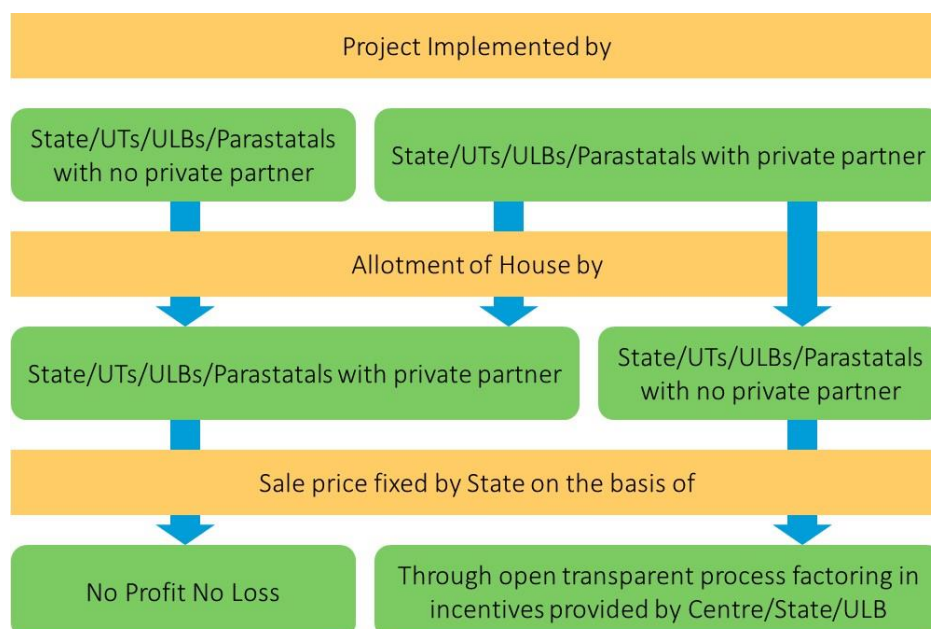
Eligibility of slum dwellers is decided by state government / UT administration. Upon redevelopment of dwelling units, private partner is required to hand over the rehabilitation units to authorities for allotment. The beneficiary contribution towards redevelopment of dwelling unit is also decided by governing authority.

Affordable Housing in Partnership (AHP)

In order to increase the supply of affordable housing in EWS category, state/UT/ULBs may develop affordable housing projects with or without private sector partnership including industries. In such projects the central government provides a grant of INR 1.50 Lakhs per EWS unit.

There is no specified sale price for such units and the state government/UT/ULB is free to decide the same. State / ULBs can extend other concessions such as their State subsidy, land at affordable cost, stamp duty exemption, etc.

Projects to be eligible for subsidy need to have 35% EWS units of total permissible affordable units with minimum 250 EWS dwelling units in single project.



Credit Linked Subsidy Scheme (CLSS) under Pradhan Mantri Awas Yojana (PMAY)

CLSS provides for easy institutional credit to EWS, LIG and MIG households with interest subsidy credited upfront to the borrower’s account. This effectively reduces the housing loan amount and equated monthly instalments (EMI). This scheme should give a boost to housing projects in the peripheral areas of metros.

CLSS – AN ILLUSTRATION

Criteria	EWS	LIG	MIG-I	MIG-II ⁴
Household/ Annual Income (Rs)	Upto Rs. 3.00 lakhs	Rs. 3.01-6.00 lakhs	Rs. 6.01-12.00 lakhs	Rs. 12.01-18.00 lakhs
Property Area (Carpet Area)	Upto 30 sqm	30 - 60 sqm	Upto 160sqm	Upto 200sqm
Max Loan Amt for Subsidy	Upto 6 lakhs	Upto 6 lakhs	Upto 9 lakhs	Upto 12 lakhs
Subsidy %	6.50%	6.50%	4%	3%
Subsidy Amount	Rs. 2.67 lakhs	Rs. 2.67 lakhs	Rs. 2.35 lakhs	Rs. 2.30 lakhs
Max term of loan (on which subsidy will be calculated)	20 yrs.	20 yrs.	20 yrs.	20 yrs.
Validity of scheme	March 31, 2022	March 31, 2022	March 31, 2020	March 31, 2020
Woman Ownership	Yes ⁵	Yes	No	No

Source: Ministry of Housing & Urban Affairs

Among other objectives to fulfil this initiative was to provide affordable housing in partnership with public and private developers. Since the launch of the “Housing for All” initiative, the government has come up with various policies that would help to create a conducive environment so that private developers can make their foray in this field.

Beneficiary Led Construction / Enhancement (BLC)

BLC provides direct financial assistance to EWS families that have a Kutcha or Semi-Pucca house that needs enhancement or extension or construct new house. The central government provides assistance of INR 1.50 lakhs for construction of new houses or for enhancement of existing houses.

Beneficiaries under this scheme approach the ULBs with adequate documentation regarding availability of land owned by them. Such beneficiaries may be residing either in slums or outside the slums but should not be covered other any other scheme of PMAY. Basis these applications, ULBs are required to prepare an integrated city-wide housing project in accordance with the City

⁴ for MIG - I & II loan should be approved on/or after 1-1-2017

⁵ woman ownership is not mandatory for construction / extension

Development Plan (CDP) or other such plans. Individual applicants for assistance are not be considered.

Urban Local Bodies and State/UT would ensure that additional finance is available to beneficiary including his own contribution beyond the central assistance. The initiation fund for construction as to be arranged by beneficiary and the funds are released by state government basis the construction completion. The last instalment of INR 30,000 is released to beneficiary upon completion of construction. The progress of such individual houses is tracked through geo-tagged photographs at unit level.

Units with carpet area upto 21 sq.m., kutcha or semi-pucca lacking in either room, kitchen, toilet, bathroom, or combination of any of these would be considered for new construction or enhancement. Post enhancement the minimum carpet area should be 21 sq.m. and maximum area of 30 sq.m.

10.1.1 Other Initiatives to Promote Affordable Housing

The first major push by the government to the affordable housing sector came in the Union Budget 2016-17 proposals, where it laid down the guidelines for housing projects to qualify as an affordable housing project.

Qualifying Criteria:

- Flats/Apartments with the carpet area of 30 and 60 square meters
 - Also, the 30 square meters will apply only in case of municipal limits of the four metro cities while for the rest of the country, including the peripheral areas of metros, 60 square meters will apply.

Timely Approval & Completion - A Key

- The project approvals need to be received between June 2016 and March 2019
- The project needs to be completed within a period of five years from the date of getting the approval.

Granting Infrastructure Status

- Union Budget 2017–18 granted affordable housing segment an infrastructure status and met long-standing demand of the real estate sector. This initiative gives banks more elbow room to provide loans for houses in this segment at a much more competitive rate.

Other Financial Benefits

- To make these projects attractive 100% deduction for profits was allowed.
- Minimum Alternate Tax will be applicable on such projects.
- Providing a year's time to developers to pay tax on notional rental income on completed but unsold units;
- Reducing the tenure for long-term capital gains for affordable housing from three to two years

- Reserve Bank of India (RBI) also initiated series of measures to promote affordable housing in the country
 - RBI defined affordable housing loans as eligible under priority sector lending
 - Banks allowed to issue long term bonds (of minimum 7 years maturity) to finance loans to affordable housing. Such bonds exempt from the computation of adjusted net bank credit (ANBC).
 - RBI allowed the banks to provide home loans up to 90 per cent for properties that cost up to INR 30 lakh
 - RBI modified the provisioning or risk-weight norms for home loans to make them cheaper. The standard asset provisioning on housing loans lowered to 0.25 per cent from 0.4 per cent in June 2017.

10.1.2 Real Estate Regulatory Authority

In affordable housing projects two parameters play a very important role in the success of a project—the pricing of the project and second its timely completion. At present even in affordable housing projects there have been instances of project not being completed on time. To ensure that this anomaly (of delay in timely completion) in the real estate is removed, the government implemented the Real Estate (Regulation and Development) Act (RERA), 2016 in full letter and spirit from 1 May 2017. Among other things, as per the provisions of this Act, players from the supply side will have to complete their projects within the time they specify to the relevant Authority when applying for registration of their housing project. Since housing projects where more than eight apartments are developed for the purposes of selling will be covered under RERA, affordable housing projects will automatically come under the purview of the new legislation as they are typically large-scale projects. This will further ensure that the players operating in the affordable housing space complete their projects within the stipulated time. To ensure that developers can do this in an efficient manner, the government needs to further make sure that there are processes in place that will provide approvals in an efficient manner.

10.1.3 Infrastructure Status – Affordable Housing

The central government in the Union Budget 2017 designated Affordable Housing status of Infrastructure project. The main purpose of granting Infrastructure status to affordable housing is to ensure lower borrowing rates, tax concessions & increased flow of Foreign & Private Capital in Affordable Housing Projects. The affordable housing project is given status of Infrastructure Company to be eligible for the benefits.

One key aspect to be understood herein definition of affordable housing projects is - housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters. By virtue of the same the target audience of the project get limited to EWS segment or entry level MIG segment in certain metro cities.

Some of the key provision that are applicable to affordable housing sector under the infrastructure provision are as follows:

- Ability to raise funding through External Commercial Borrowings under Track I. The total ECB that been raised through automatic route is limited to USD 750 Million or equivalent.
- The developer company is allowed to raise funds through freely convertible foreign currency or INR.
- Further rationalization and liberalization of ECB policy allowed developers to raise funds in form of:
 - Loan including banks
 - Securitized instruments e.g. floating rate notes and fixed rate bonds, nonconvertible, optionally convertible or partially convertible preference shares / debentures
 - Foreign Currency Convertible Bonds (FCCBs)
 - Foreign Currency Exchangeable Bonds (FCEBs)
- Investment by Foreign Portfolio Investors (FPIs) - Foreign Exchange Management Regulations - 2002 allow for investment by FPIs in unlisted debt securities issued by companies engaged in infrastructure sector.
- Investment by Foreign Venture Capital Investors (FVCIs) - Foreign Exchange Management Regulations - 2002 allow FVCIs to invest in Equity or equity linked instrument or debt instrument issued by an Indian company engaged in infrastructure sector under automatic route.
- Infrastructure Finance Loans from institutions like NABARD, SIDBI, NHB, etc.
- Priority Sector Lending - The maximum limit of priority sector lending to Housing Finance Companies is restricted to 5% of the total priority sector lending on an ongoing basis.

Despite the above provisions, limited impact of the above policy has been witnessed on affordable housing sector that can be attributed to various parameters that are as below:

- Developers of affordable housing projects are finding it difficult to get increased credit from banks as banks are yet to treat loans to affordable housing as loans to infrastructure.
- Lower risk weight is yet to be applied to such projects which are different from regular real estate projects in general.
- RBI could classify affordable housing project loans as 'priority sector', resulting in increasing participation by banks.
- The condition of utilizing the 50% of FAR/FSI towards upto 60 sq.m. carpet area housing is limiting the target audience to EWS. This segment has limited financial viability for private players in light of high land cost and increasing construction cost, thus limited interest from private developers.

10.2 States to play Major Roles

"Housing for All by 2022" provides flexibility to States for choosing best options amongst four verticals of the Mission to meet the demand of housing in their states. The process of project formulation and approval in accordance with Scheme Guidelines are left to the States, so that projects can be formulated, approved and implemented faster. It also provides technical and

financial support in accordance to the Guidelines to the States to meet the challenge of urban housing.

10.2.1 West Bengal Affordable Housing Policy

West Bengal has an urban housing shortage of approximately 2.04 Mn as on 2007 as per the Report of the Technical Group [11th Five Year Plan: 2007-12] on Estimation of Urban Housing Shortage. This shortage accounts for approximately 8.25% of entire country’s shortage. With the concerned efforts of GoWB, an additional supply of 1.33 million house has been undertaken that has reduced the shortage to 7.08% of total shortage in India, as per 2012-17 data. The striking aspect of the estimation is that 95.62% of this shortage comes from the EWS and the LIG sections of the society (EWS- 56.18% and LIG- 39.44%).

Government of West Bengal in 2015 had submitted a policy to MoHUA titled ‘West Bengal Urban Affordable Housing & Habitat Policy’ under Support to National Policies for Urban Poverty Reduction (SNPUPR). The policy has been pending with MoHUA and is yet to receive approval.

Some noticeable objectives listed in the policy include:

- Reduction in housing shortage in the State, especially in EWS/LIG categories by taking up large scale construction of preferably Resource and Energy Efficient Affordable Housing.
- Reduce barriers to appropriate credit flow and shift from subsidy-based housing schemes to cost recovery-cum-incentive based scheme for housing through proactive financial instruments such as micro-finance and related self-help group programmes.
- Removal of legal, financial and administrative barriers in order to facilitate easy access to tenure, land, finance and technology.
- Creation of rental housing that has provisions of required infrastructure and services and transportation linkages to work areas as transit accommodation for migrants to urban areas, and check creation of new slums.
- Build an internal community of Building Construction related Skill Imparting Champions
- Build an internal community of Micro, Small and Medium Entrepreneurs, MSME Champions, who can provide Building Construction related goods (cement/steel/bricks/stone/gravel/sand etc) incentivizing them with onsite small godowns with checks on daily inventory of materials used and their replenishment.
- Change laws & legislative framework for rejecting dysfunctional land title/related systems

The economic categorization has been revised from that proposed in PMAY. The proposed economic categories are as follows:

Category	Monthly Household Income	Yearly Household Income	Min. Plinth Area (Sq.ft.)	Max. Price
EWS	Upto INR 10,000	Upto INR 120,000	200	INR 1.75
LIG	INR 10,001-15,000	INR 120,012 - 180,000	400	INR 4.10
MIG (I)	INR 15,001-25,000	INR 180,012 - 300,000	600	INR 9.20

MIG (II)	INR 25,001-40,000	INR 300,012 - 480,000	800	INR 15.00
HIG	Above INR 40,000	Above INR 480,000	841 & above	-

As per West Bengal Town and Country Planning (Development of Township projects) Rules, 2008, a minimum of 25% of the total residential units in each township should be reserved for the EWS categories, where the minimum area for township is 50 acres.

The draft final policy suggests following approaches for home unit accessibility and ownership:

- Welfare housing - permanent or transit shelters wherein the shelters could be dormitory type accommodation typically comprising of one room tenement, with basic amenities for Poorest of the Poor
- Rental housing - An option that can be considered whenever there is a high incidence of migrant population
- Rent to own: Rent to own housing model typically involves the initial allotment of the unit on a leased basis for a fixed number of years. The buyer deposits the monthly rent (equivalent to EMI) in bank account. The EMI contains 80% rent and 20% thrift. When EMI amount reaches 10% of total unit price, property will be registered on buyer's name and hypothecated to bank and government. In case of non-payment of EMI, bank and government will resell property. Thrift amount will be returned to buyer without interest. Resale powers lie with bank and government till the completion of tenure. Once 100% payment is done, property papers are handed over to buyer by de-hypothecation.
- Purchase: The house is allotted through lottery basis and the owner owns the unit from beginning.

Key highlights include:

Land Bank

- Earmarking of land for affordable housing
- Rental Housing and Shelters shall be promoted which will cater the needs of low-income groups and migrant labours/ workers
- Mortgagable leasehold property rights or land titles for the EWS and LIG categories shall be facilitated by the Revenue Department and the ULBs

Financial Intervention

In addition to the CLSS and subsidies, the GoWB has proposed to develop alternate mechanisms:

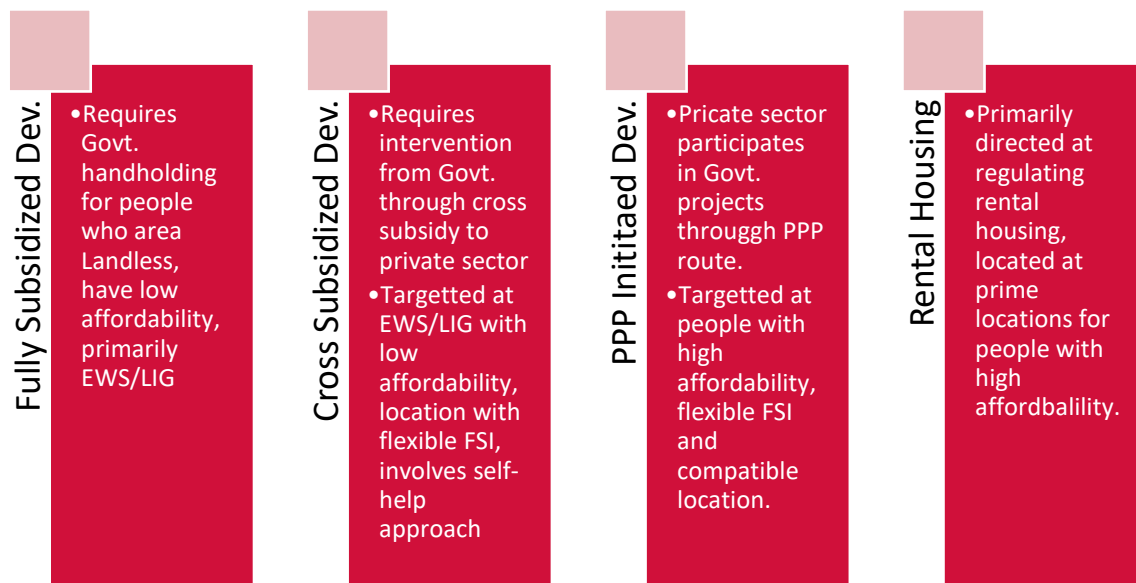
- Exploit the funding available as part of CSR initiatives of major corporate houses based out of the state.
- Access Social security funds for housing.
- Accessing EPF loans where possible;

Legal Interventions

- Title to ownership shall be transferred after the settled gestation period is over (20 – 30 years or as agreed in the mortgage period).
- web portal for creating data base of ultra-poor/ EWS/ LIG individual or household, also provide finance related data;
- Rental housing shall have legal provision for conversion to ownership housing.

Department of housing to be state level nodal agency. The development activities proposed to be undertaken by Directorate of Local Bodies (DLB), Municipal Engineering Directorate (MED), State Urban Development Agency (SUDA), West Bengal Housing Board (WBHB).

Four primary models of development have been proposed in the policy of West Bengal that:



Policy Implementation –Status

The state government has been developing various schemes for development of EWS/LIG segment housing in addition to MIG housing. The most recent schemes marketed and developed include:

- **Gitanjali** - State scheme focused on belonging EWS section are provided a grant of Rs.70,000/- in the plain area and an additional grant of Rs.5,000/- is provided to the people in the Hills, Sunderbans and Jangalmahal areas. The scheme was initiated in May 2011, and the current beneficiaries extended to 3,48,423 families. 720 units in Rajarhat New Town have been developed and handed over to WBHIDCO for people affected by development of the township scheme.
- **Nijoshree** – under this scheme, WB Housing Department proposed to develop affordable segment home. The houses area to be developed on government lands of local bodies and other parastatals. The cost of unit does not include the cost of land and the same is treated as subsidy to beneficiary by the GoWB. The adopted areas for units are 1 BHK – 25.15 sqm (378 sq.ft.) and 2 BHK of 50.9 sqm (559 sq.ft.) for MIG category. The income categories

have been defined as household income upto INR 15,000 or less per month for LIG segment and upto INR 30,000 or less per month for MIG segment.

PMAY (U) Allocations & Utilizations:

West Bengal has focussed on BLC scheme of PMAY(U) missions for development of affordable housing as per the various presentation given by state. The state government has made a matching financial share in provision for developing BLC led housing. The following table details the same:

Population Criteria	Central Share	State Share	Beneficiary share	Total
ULBs with more than 5 Lakh pop.	1.50	1.83	0.35	3.68
ULBs with less than 5 Lakh pop.	1.50	1.93	0.35	3.68
ULBs in Hilly Area	1.50	2.66	0.25	4.41

Source: 45th CSMC Meeting – 25 July 2019, PMAY (U)

An additional 10% of state's contribution towards DU cost has been levied as infrastructure development cost, which is borne was state and beneficiary in equal split.

As per the 47th CSMC meeting presentation, following number provide the details of scheme implementation since 2015- till date:

DUs Sanctioned	DUs Confirmed	DUs Grounded	DUs Completed	DUs Occupied
359,557	331,611	215,191	106,990	106,990

Source: 47th CSMC Meeting – 25 July 2019, PMAY (U)

The state government presentation does not provide any details on affordable housing stock created under other schemes of PMAY(U) or state initiatives.

10.2.2 Rajasthan Affordable Housing Policy

State of Rajasthan account for approximately 10.41% land area of India, making it the largest state based on land area. As per the technical group on housing shortage, constituted by Gol, there is a shortage of approximately 1.05 million units in urban area alone and 85% of this shortage is in the EWS/LIG segment.

In line with PMAY-(U), GoR has formulated an affordable housing scheme to suit the requirements of the state and has been titled as “**Chief Minister's Jan Awas Yogna**”. The goals of the scheme

are largely in line with the PMAY-(U) mandate, however, the difference is in the various models devised for provisioning residential stock across economic segments. These models are as follows:

Model 1	Model 2	Model 3	Model 4
<ul style="list-style-type: none"> • Mandatory Provision • Minimum 50% EWS/LIG Housing and 20% for MIG (I) in Rajasthan Housing Board schemes • Minimum 25% EWS/LIG Housing and 20% for MIG (I) in schemes by ULBs, UITs, Municipal bodies. • 15% reservation of residential plots in townships and 5% FAR reservation in group housing projects • 5% land reservation for EWS/LIG housing 	<ul style="list-style-type: none"> • Private developer on private land • Min. project 2 Hac. and min. 50% land allocation for EWS/LIG • Allotment by ULBs to end-users • 100% fee waiver on CLU, Building approvals and FAR of 2.25 • Provision for TDR for sale and transfer of development opportunity. • Land cost considered ZERO, EWS house cost max. INR 2.40 lakhs with 335 sq.ft. super area and LIG house cost max. INR 3.75 lakhs with 500 sq.ft. super area 	<ul style="list-style-type: none"> • Private Developer Govt Land • Land allotment to Pvt. Dev. for 75:25 ratio for EWS/LIG housing to other categories for G+3 or higher. • ULBs offering <u>govt. land through open bidding</u> for EWS/LIG housing • Free Govt land for developers offering max. EWS/LIG units (min. 50%) • Remaining land for commercial exploitation • Rental or Outright sale permitted • Joint Development for land above 10 Hac. 	<ul style="list-style-type: none"> • Slum housing re-development • Basic services to urban poor under JNNURM • Integrated Housing and slum development programme (IHSDP) • Rajiv Awas Yogna • PPP in slum housing • Higher FAR upto 4.0 with 10% of land for commercial usage.

Source: Chief Minister's Jan Awas Yogna

In addition to the provision of PMAY, the income-based eligibility criteria have been defined to suit the state's requirement. EWS group has been defined as household with yearly income upto INR 150,000 and LIG group has been defined as households ranging from INR 150,001 – 300,000. The income ranges are half of the proposed range in PMAY-(U).

The sale price of EWS/LIG units has been fixed to INR 1200 per sq.ft. However, the built-up area for the proposed units for EWS and LIG remains 30 sqm and 60 sqm carpet area, respectively.

The policy also proposes have time bound development of these projects and accordingly, the timelines have been defined for execution of the project.

- up to 200 EWS/LIG units - 30 months
- above 200 upto 400 EWS/LIG units - 36 months
- above 400 upto 600 EWS/LIG units – 42 months

- above 600 EWS/LIG units - 48 month

Accordingly, penalty clauses have been defined for developers in case of non-adherence to the timelines.

- For first three months Rs.50/- per sq.ft.
- For next three months Rs.100/- per sq.ft.
- For next six months Rs.200/- per sq.ft.

After the expiry of extended time in case developer fails to complete the project, the Local Authority shall take over the project and get the remaining work completed and the incentives of TDR etc. shall be withdrawn.

Policy Implementation –Status

Detail	Govt / Pvt.	Plot/ Flat/ House	Houses/ Flats as per scheme	Houses/Flats/Plots Taken up			House/ Flat/ Plot completed	House/ Flat/Plot Allotted	House/ Flat/Plot Handed over
				Target	Taken up	Achievement			
Model - 1	Govt.	Plots	1447		1447	1447	427	576	427
		Flats/ Houses	0		0	0			0
	Pvt.	Plots	69		0	0			
		Flats/ Houses	351		247	247			
Model - 2	Pvt.	Flats/ Houses	912		912	912		839	
Model - 3	Pvt.	Flats/ Houses	0			0			
Model - 4	Govt.	Flats/ Houses	57997		5914	5914		5914	
Total-A			60776*	96500	8520	8520	427	7329	427

Source: Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation

As per the latest CSMC meeting dated 25 September 2019, the state has a target of 614,622 DUs, of which 359,488 DUs have been verified. As per the survey conducted through 164 ULB of total 183 ULBs, the demand is 59% for AHP, 25% of BLC, 11% of CLSS and only 5% for ISSR.

The following table highlights the current status of affordable units developed under PMAY-(U) till February 25, 2019.

Component	Central Assistance in INR Crore			Houses (Units)				
	Sanction	Release	Balance	Sanctioned	Grounded	Yet Start	to	Completed
Total AHP – 87 Projects	689.27	172.02	517.25	67,702	34,736	32,966		3,316

Total BLC – 248 Projects	1,280.25	1.08	1,279.17	90,309	171	90,138	6
Total – 355 Projects	1969.52	173.1	1,796.42	158,011	34,907	123,104	3,322

Source: Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation

As may be noted from above, Beneficiary led construction (BLC) - credit subsidy scheme has witnessed higher number of projects as it is led by individuals having existing land and the primary purpose has been re-development or expansion of existing premise. However, the delivery of completed units is higher in under affordable housing scheme (AHP) which is focussed on creation of newer housing stock for EWS/LIG segments.

Rajasthan has a slum development policy under Public-Private Partnership- 2012 and under RAY, 13 DPRs for slums redevelopment were undertaken. The scheme eventually merged into PMAY(U) by Ministry of Housing & Urban Affairs (MOHUA) of India. The following table details the latest information for DU completed under RAY.

Houses as per DPR	Revised Houses	In Progress	Completed	Allotted	Possession	Houses not Started	De-sanctioned
16,132	16,132	1692	6,985	3,548	1,138	4,082	3,373

Source: 35th CSMC – 25th June 2018, MOHUA.gov.in

10.2.3 Madhya Pradesh Affordable Housing Policy

After Rajasthan, Madhya Pradesh is the second largest state in India based on land area. As per census 2011, the state has a population of 72 million. As per the demand survey conducted across 379 urban centres under ‘Housing for All’, the urban housing demand has been pegged at 11,51,809 dwelling units. As per MP Vision 2018, the GoMP has targeted to complete and handover 5 lakh dwelling units in EWS/LIG segment across urban centres by 2021-22. The state aims to provide 50% of the 5 lakh housing through PPP mode.

Madhya Pradesh Urban Development and Environment Department (MPUED) has been mandated for effective and efficient implementation of affordable housing objective. MP housing and infrastructure development board and other ULBs have designated as the nodal agencies for identification of land and LIG has been revised to annual household income between INR 1-2 Lakh with house eligibility for 35-48 sqm.

In addition to PMAY-(U), creation of new affordable housing stock and re-development / upgrade of existing housing stock has been undertaken through existing central schemes that includes BSUP, IHSDP and RAY.

Other Key highlights:

Nagar Uday Abhiyan initiated to promote awareness of PMAY under this scheme Adhikar Patra has been distributed to 2.80 Lakh beneficiaries.

In addition to existing provisions of PMAY, an additional grant of INR 1 lakh per family has been provided for beneficiaries registered with Labour Welfare Board.

Under loan linkage of beneficiaries share in AHP module, a maximum benefit of INR 2 Lakh has been provided to slum dwellers. To ensure timely loan linkages of EWS beneficiaries, state government has issued a tripartite agreement. The key point of this agreement are:

- Beneficiary contribution at the time of pre-allotment is 10% of his/her share.
- ULB bears lump sum charges of Rs. 5500 for Stamp Duty, registration charges, insurance, SARFAESI charges etc.
- ULB acts as an intermediary Guarantor.
- In case of NPA, ULB empowered to cancel the allotment of existing beneficiary and re-allot the dwelling unit to a new beneficiary of the same category.

Additionally, the state government has amended certain mandatory provisions for effective implementation of PMAY-(U). Some of the major changes include:

- Permission for dispensing Non-agricultural land has been removed.
- 15% reservation for LIG/EWS housing in all residential colonies.
- Single window clearance mechanism has been established for affordable housing segment
- Pre-approved building permission has been adopted for plot sizes up to 300 square meters, as per amendment issued in Madhya Pradesh Bhumi Vikas Niyam. 2012 on 27th November 2015
- An additional FAR of up to 0.50 is allowed in addition to the permissible FAR for redevelopment of slum.

Policy Implementation –Status

Madhya Pradesh Housing & Development Board has launched affordable housing scheme in **Samridhhi Parisar** for EWS and LIG category. In Samridhhi Parisar Affordable Housing scheme 432 units of 1 BHK flat are available for Economical Weaker Section (EWS) at 5.45 lakh while 480 units of 2 BHK flat are available for Lower Income Group (LIG) at 12.31 lakh.

Under **Atal Ashray Yojana**, the state is developing 20 schemes across 18 districts in the state for EWS/LIG segment households and the benefits of PMAY are extended to the beneficiaries of this scheme. The scheme is primarily focussed on households registered under economically weaker group and are not able to buy their own house.

A total of 3395 independent houses and 1372 flats would be constructed, of which 2838 would be EWS and 1929 LIG houses. The cost of EWS housing units under the scheme will be between Rs. 5 Lakh to Rs. 8 Lakh while the LIG homes will be priced between Rs. 11 Lakh and 14 Lakh.

The following table highlights development of housing stock under various schemes as per March 2018.

Verticals		House Approved	Not Started	Under Development	Completed
In-Situ Redevelopment	Slum	2,172	2,172	-	-
Affordable Housing Project		141,954	93,062	32,787	16,105
Beneficiary Led Construction		527,554	206,701	110,404	210,536
Total		671,680	301,935	143,191	226,641
Credit Subsidy Scheme	Linked	13,587		Data of 2.52 potential beneficiaries entered in PMAY.	

As may be noted from table above, the state has been focussing on providing new housing through AHP module. As the work is in initial stage, a limited number of dwelling units have been completed. However, the BLC is the primary led in the PMAY beneficiaries. The higher participation of BLP is attributed to availability of land with end/users, extension or redevelopment in govt. regularized areas and presence of property title.

Following table details the progress undertaken under BSUP, IHSDP and RAY schemes till March 26, 2018:

Scheme	Approved DU	Completed DU	Allotted DUs	Occupied DU
BSUP	24,756	24,726	24,726	24,202
IHSDP	13,412	12,423	12,888	11,119
RAY	8,123	3,299	1,767	1,338
Total	46,261	40,448	39,381	36,658

Source: MOHUA.gov.in

10.2.4 Odisha Affordable Housing Policy

Odisha, with 41 million people as per census 2011 is eleventh-most populous Indian State. Over the last decade, Odisha has witnessed a growth rate of 14.1 per cent population rise while the

urban population increased at a rate of 27.2 percent. As per technical group (2012-17), the state has an urban housing shortage of 410,000 dwelling units. The EWS and LIG households accounts for about 75% of the housing stock requirements.

Government of Odisha (GoO) in 2015 repealed the pre-existing policies i.e. Revised Scheme for Affordable Urban Housing in Odisha - 2013 and Slum Rehabilitation & Development Policy. A new policy aligning with PMAY was launched as “Policy for Housing for All in Urban Areas, Odisha, 2015”.

As per the new policy, GoO has targeted to develop 100,000 dwelling units for EWS / LIG sections of society in urban areas. The objectives of the new policy are in line with PMAY-(U), with addition of some key points that are as follows:

- Promote mixed land use in housing estates in future so as to meet requirements of neighbourhood shopping, retail etc. within walking distance.
- Tenable proactive market-led efforts to address the low and informal income market segment
- Provide a platform for operation and maintenance of AH, SRRH and RH units
- Frame work for supply of Affordable Rental Housing for new migrants to prevent development of new slums.

Key Policy Highlights:

Implementation Modules - The policy discusses 7 modules for implementation of Housing for All objectives that are as follows:

- Model-1: Mandatory Development of EWS Housing
 - Private Developer (Pvt. Dev.)
 - 10% reservation in group housing projects with land area more than 2,000 sqm.
 - 100% compensatory FAR provision in same project
 - 5% area under EWS FAR to be utilized for neighbourhood shopping, etc.
 - Project Development Agencies (PDA - OSHB/ULS/DA/RIT/SPA)
 - At least 20% of land area in all PDAs housing schemes reserved for EWS/LIG housing, with min. 10% for EWS only.
 - PDA eligible of equivalent reserved govt. land at zero cost from GoO.
 - Remaining provisions similar to private developers.
- Model-2: Incentives for market-based development of EWS and LIG Housing
 - In case private developer reserves min. 50% area for EWS/LIG area.
 - Pvt. Dev. eligible for 100% compensatory FAR on EWS and 50% on LIG housing.
 - TDR permissible in case of non-utilization of compensatory FAR.
 - Pvt. Dev. Allowed to determine sale value of EWS/LIG units beyond 10% mandatory units provided overall ceiling of INR 15 per unit.

- Fast track approvals, exemption from Change of Land-use (CLU), building plan sanction fee, External Development Charges (EDC) and security deposit by building plan approval agency.
 - In case of PDAs the above provision are maintained along with allocation of equivalent government land at no cost basis.
- Model-3: Development of Affordable Housing Projects
 - PDA to develop projects for EWS/LIG sections on land allotted by government free of cost and freehold basis through PPP mode.
 - Project divided into two parts – Affordable Housing Area (AHA) and Developer Area (DA)
 - AHA area minimum 65% of total area and minimum 50% of housing stock for EWS.
 - DA to be given in freehold basis to private developer.
 - Land ownership of AHA with PDA and dwelling units allotted to beneficiaries.
- Model-4: In-situ Slum Redevelopment
 - Develop on PPP basis on similar basis as model-3
- Model-5: Relocation and Rehabilitation
 - Typically proposed for site located proposed for alternate usage as per master plan. The site for relocation would be provided by GoO to PDA and model-3 would be adopted for development.
 - Provision for transit accommodation.
- Model-6: Beneficiary-Led Individual Housing Construction or Enhancement
 - Proposed for upgradation of slums with provision for utilities and urban services.
- Model-7: Rental Housing
 - PDA may develop new standalone projects for EWS rental housing units on PPP mode.
 - Specific percentage of EWS housing units developed under Model - 3, as decided by OHM, shall be reserved by PDA for this purpose.
 - In case of any state/central department, industrial unit public/private may finance the development of rental housing projects for their captive use. 50% of total built up area and not less than 50% of total number of units built shall be reserved for the captive use of such sponsor and the balance unit developed will be utilised by PDA for Rental Housing Purpose in general.

Regulatory Reforms – the reforms proposed in the new policy are similar to other states that such as relaxation in conversion of agricultural land to non-agricultural land for housing purpose, single window clearance, transfer of development rights, model tenancy act, preparation of pre-

approved layouts, etc. The only additional provision is reservation of at least 20% of land for housing as Affordable Housing while preparing city master plan / development plan.

Implementation – GoO has established Odisha Housing Mission (OHM) as separate Mission-Directorate for implementation of the objectives.

Unit Norms - Cost and Area - Norms regarding Unit size, Cost of Construction, Sale Price and Cost to the Beneficiary for EWS and LIG dwelling units developed under this policy will be as per the table given below:

Criteria	Unit Size	EWS Dwelling Unit	LIG Dwelling Units
Carpet Area	sqm	21 -30	31 – 60
	sqft	316.46 – 452.09	467.16 – 904.18
Cost of Construction (including Internal Infrastructure at 1750/sq.ft.)	INR	5.54 – 7.91	8.17 – 15.82

The cost of construction would vary from year to year and the same will be notified by the State Government from time to time.

Eligibility Criteria – the income-based eligibility criteria is similar to PMAY-(U) i.e. INR 180,000/- per annum for EWS & from INR 1,80,001 to INR 3,60,000 per annum for LIG Housing.

The minimum lock-in period for transfer of ownership by the beneficiary will be 10 years from the date of handover of the unit and no leasing/sub-leasing for rental would be permissible.

Policy Implementation –Status

114 cities have been approved considered for PMAY-(U) of which demand survey has been completed in 78 cities as on February 25, 2019. As per the survey, there is a urban housing shortage of 1.78 lakh dwelling units and the target for OHM by 2019-20 is providing for 109,961 dwelling units.

The following table provided the details of the various activities that have been undertaken till date:

Verticals	House Approved	Work issued	order	Under Progress	Completed
In-Situ Slum Redevelopment	7,300	2,500	-	-	-
Affordable Housing Project	12,010	5,262	-	-	-

Beneficiary Led Construction	106,726	53,260	21,032	20,303
Total	126,036	61,022	21,032	20,303
Credit Linked Subsidy Scheme	NA			

Source: 43rd CSMC – 25 Feb 2019, mohua.gov.in

Despite various development models proposed in the policy, Beneficiary Led Construction (BLC) has witnessed the maximum number of beneficiaries. Other models such as rental housing and Relocation and Rehabilitation have witnessed limited progress on account of land availability concerns and consensus for alternate housing provisions.

Further to align with PMAY scheme some other legislative and operational reforms have been undertaken in Odisha which are as follow: -

CDP land implementation policy(CLIP), 2015: -

- Transfer of Government Land to Development Authorities and from Development Authorities to Allottees
- Land - free of cost for affordable housing
- Monetising Land for creating Urban Infra – Affordable Housing
- Setting up of CDP Infrastructure Development Fund (CIDF)
- Removal of Dual control over urban Land
- Provides for Land & Money for Affordable Housing

Odisha Land Rights to Slum Dwellers Act- 2017

It is an important legislation that provides land rights to slum dweller. The act aims at facilitating redevelopment, rehabilitation and upgradation of slums to livable habitats. The act would also assist in tackling a major concern with regard to land title and availability of structured finance for re-development. The legislation was enacted by Odisha Legislative Assesmbly on October 16, 2017, basis which various ISSR scheme have been undertaken. The key highlights of this act are:

- Land ownership rights are non-transferable, heritable and mortgage-able for home loan purpose only.
- Maximum land allotted for in-situ development to be settled for slum dwellers in Municipal Council limits is max. 45 sqm and 60 sqm in case of Notified Area Committee.
- In case of relocation and rehabilitation the maximum land allotment would be 30 sqm, both in Municipal council and Notified Area Committee.
- The land allotment for EWS category upto 30 sqm would be free of cost, however, in case of land exceeding 30 sqm, the beneficiary is required to pay cost of excess land basis 'benchmark value' that would be established by GoO. Presently, there is no mechanism for establishing the same.

10.2.5 Jharkhand Affordable Housing Policy

The rural urban migration, post economic liberalization, has resulted rapid rise in India's urbanization which now stands at 31.2 % whereas for Jharkhand it is 24 %. The trend of migration from rural to urban areas is likely to continue and around of 40% population of India will stay in urban areas by 2030 whereas in Jharkhand it will be 32 %.

According to a report submitted by a Technical Committee of the Ministry of Housing and Urban Poverty Alleviation (MHUPA), Jharkhand urban housing shortage is estimated nearly 0.63 million households in 2012. Around 96 % of the shortage constitute of Economically Weaker Section (EWS) and Low-Income Group (LIG) of the society.

Government of Jharkhand (GoJ) in 2016 formulated their affordable housing policy in line with PMAY-(U). In the policy, GoJ has proposed to develop 150,000 dwelling units under various strategies such as Affordable housing (AR), Slum Rehabilitation & Re-development Housing (SRRH), In-situ Slum Upgradation Housing (ISUH) and Rental Housing (RH) for EWS and LIG sections over the next 7 years.

The objectives of the policy are in line with PMAY-(U) and other states such as Odisha. Even the target groups have been defined as per PMAY-(U) i.e. EWS group is households earning upto INR 300,000 per annum and LIG section is households earning between INR 300,000-600,000 per annum. The other provisions of the policy are similar to Odisha policy largely such as creation Housing Land Bank under the control of Urban Development & Housing Department, integrating slum rehabilitation and re-development with affordable housing project, formulation of land purchase policy for private sector participation and notification of rules towards the same, and technology support, etc.

Key Policy Highlights:

Implementation Modules - The policy discusses 9 modules for implementation of Housing for All objectives that are as follows:

- Model-1: Mandatory Development of EWS Housing
 - Private Developer (Pvt. Dev.)
 - Not less than 10% reservation in plotted development schemes with land area more than 4,000 sqm.
 - 35% of total permissible built-up area reserved for EWS housing in group housing project on plot areas more then 4,000 sqm.
 - 100% compensatory FAR provision in same project
 - 5% area under EWS FAR to be utilized for neighbourhood shopping, etc.
 - In case of projects less than 4,000 sqm 'Shelter Fee' would be applicable.
 - Project Development Agencies (PDA - JUIDCO/Housing Board/ULBs)
 - At least 20% of land area in all PDAs housing schemes reserved for EWS/LIG housing, with min. 10% for EWS only.
 - PDA eligible of equivalent reserved govt. land with any cost from GoJ.

- Remaining provisions similar to private developers.
- Model-2: Development of Affordable Housing Projects
 - PDA to develop projects for EWS/LIG sections on land allotted by government free of cost and freehold basis through PPP mode.
 - Project divided into two parts – Affordable Housing Area (AHA) and Developer Area (DA)
 - AHA area minimum 65% of total area and minimum 50% of housing stock for EWS.
 - DA to be given in freehold basis to private developer.
 - Land ownership of AHA with PDA and dwelling units allotted to beneficiaries.
 - Fast track approvals, exemption from various fee, charges & security deposit such as sanction fee, external development charges, etc.
 - Selection of private developer through bidding process.
- Model-3: In-situ Slum Redevelopment
 - Redevelopment of slum proposed in in-situ mode provided the land is tenable and is not required for important public purpose
 - Project to be developed on PPP mode or itself as per model-2
 - Affordable housing component shall not be less than 65% of total project area.
- Model-4: Relocation and Rehabilitation
 - In case of slum located on untenable land parcel or allocation of relocation already undertaken
 - Site for relocation to be provided free of cost to PDAs by state government
 - PDA shall take up development of EWS housing as per the principles given under Model – 2.
- Model-5: Beneficiary-Led Individual Housing Construction or Enhancement
 - Slums wherein slum dweller has Record Of Rights (ROR), in-situ redevelopment model to be applied
 - PDA would be the facilitating agency.
- Model-6: Credit Linked Subsidy (under Pradhan Mantri Awas Yojana)
 - Beneficiaries of EWS and LIG section seeking housing loans from Banks, Housing Finance Companies and other such institutions would be eligible for an interest subsidy at the rate of 6.5 % for a tenure of 15 years or during tenure of loan whichever is lower. The Net Present Value (NPV) of the interest subsidy will be calculated at a discount rate of 9%.

- Model-7: Rental Housing
 - EWS dwelling units will be given on license basis for occupation and use by a family belonging to EWS category for a particular period and on making an initial deposit and monthly charges to be paid to PDA.
 - PDA may develop new standalone projects for EWS rental housing units.
 - specific percentage of EWS housing units developed under Model-2 as decided by Housing Mission, shall be reserved by PDA for this purpose.
 - In case of any state/central department, industrial unit public/private may finance the development of rental housing projects for their captive use. 50% of total built up area and not less than 50% of total number of units built shall be reserved for the captive use of such sponsor and the balance unit developed will be utilised by PDA for Rental Housing Purpose in general.

- Model-8: Housing Project by Cooperative Society
 - The main objective of the societies is to acquire lands, develop them into plots for allotting the same to its members and provide financial assistance for construction of houses. The Cooperative Housing Societies are mobilizing deposits from members and providing mortgage loan to the members.
 - The government would strive to provide land to such Cooperative Housing Societies.
 - Societies having minimum of 100 members, have been in profit since their inception or three years whichever period is less and having technical expertise within the society.

- Model-9: Development of EWS/LIG Housing on whole of Private Land by private developers
 - In case private developer reserves 100% area for EWS/LIG area.
 - Pvt. Dev. eligible for 100% compensatory FAR on EWS and 50% for LIG housing.
 - TDR permissible in case of non-utilization of compensatory FAR.
 - Pvt. Dev. Allowed to determine sale value of EWS/LIG units beyond 10% mandatory units, subject to maximum price decided at ULB level and notified by government.
 - Fast track approvals, exemption from Change of Land-use (CLU), building plan sanction fee, External Development Charges (EDC) and security deposit by building plan approval agency.

Regulatory Reforms – The proposed reforms are similar to the ones discussed in Odisha Affordable Housing Policy -2015.

Implementation – GoJ has proposed to set-up separate Housing Mission-Directorate for implementation of the objectives under Urban Development & Housing Department.

Unit Norms - Cost and Area - Norms regarding Unit size, Cost of Construction and Cost to the Beneficiary for EWS and LIG dwelling units developed under this policy will be as per the table given below:

Criteria	Unit Size	EWS Dwelling Unit	LIG Dwelling Units
Carpet Area – fixed limit	sqm	30	60
	sqft	452.09	904.18
Cost of Construction (including Internal Infrastructure at 1200/sq.ft.)	INR	5.43	10.85

The cost of construction would vary from year to year and the same will be notified by the State Government from time to time.

The minimum lock-in period for transfer of ownership by the beneficiary will be 10 years from the date of handover of the unit and no leasing/sub-leasing for rental would be permissible.

Policy Implementation –Status

44 cities have been approved for PMAY-(U) and the demand survey has been completed in all 44 cities. As per the survey, there is an urban housing demand of 2.63 lakh dwelling units and the target for HM by 2018-19 was to providing for 84,619 dwelling units.

The following table provided the details of the various activities that have been undertaken till date:

Verticals	House Approved	Tendered	Work Issued	Order	Completed
In-Situ Slum Redevelopment	15,517	-	-	-	-
Affordable Housing Project	44,227	7,850	19,232		240
Beneficiary Led Construction	119,904	-	41,064		53,421
Total	179,648	-	-		53,661
Credit Linked Subsidy Scheme	4,146 loans				

The following table details the sharing of financial allocations by central government, state government and beneficiaries for the above DUs:

Vertical	Central Share	State Share	Beneficiary share	Total
BLC	1.50 Lakh	0.75 Lakh	1.371	3.621 Lakh
AHP	1.50 Lakh	1.00 Lakh	4 -5 Lakh	6.5 – 5.5 Lakh
ISSR	1.00 Lakh	1.00 Lakh	1.5 Lakh	3.5 Lakh

Source: 457th CSMC Meeting – 25 Sept 2019, mohua.gov.ins

The addition to the above, under Rajiv Awas Yojana (RAY) total of 3,931 DUs are under process for slum dwellers (Ranchi- 1,565; Dhanbad - 1,983 & Chas- 383). Another scheme, Basic Services for Urban Poor (BSUP) a total of 2,490 DUs have been allotted in Ranchi and Dhanbad cities, out of that 1825 DUs has been completed till Dec 2015. Additionally, Integrated Housing and Slum Development Programme (IHSDP) programme is going on in ten cities of state i.e. Chaibasa, Chatra, Medninagar, Giridih, Gumla, Hazaribagh, Lohardaga, Mihijam, Phusro and Sariekhela. A total 7,593 DUs have been allotted under IHSDP in these cities, out of that 4,618 DUs have been completed by Dec 2015 and remaining DUs are being constructed. Further, two new projects are now in progress in Deoghar and Dhanbad with 2165 dwelling units proposed.

Despite various development models proposed in the policy, BLC has witnessed the maximum number of beneficiaries. Other models such as rental housing and Relocation and Rehabilitation have witnessed limited progress on account of land availability concerns and consensus for alternate housing provisions. A large part of the state lands is jurisdictioned under CNT and SPT act in Jharkhand which protects the right of tribal people over their land and in turns makes most of the land non-transferable or leasable to non-tribal people. Land availability has been a major issue in the implementation of PMAY in Jharkhand.

10.2.6 Uttar Pradesh Affordable Housing Policy

Uttar Pradesh is one of the most populous state in India, the total population of the state as per census 2011 stands at 19.96 crores of which 4.45 crores is residing in urban areas and remaining 15.51 crores is residing in rural areas.

As per the technical group assessment (2012-17) the total urban housing shortage in is approximately 24 Lakh is in Uttar Pradesh. Approximately 30% of the housing demand is from EWS section and approximately 60% demand is from LIG and MIG groups.

Government of Uttar Pradesh (GoUP) has adopted and implemented the PMAY-(U) policy in true spirit, without any major amendments. For the effective implementation of the policy, the state government has proposed to enhance the funding in the ratio of 60:40 i.e. in addition to the funding provided by by Central Government and an additional 40% would be provided by state government to EWS section.

The definition of target groups of UP Affordable Housing policy are in line with PMAY-(U) and other states such as Odisha, Jharkhand i.e. EWS group is households earning upto INR 300,000 per annum and LIG section is households earning between INR 300,000-600,000 per annum.

Key Policy Highlights:

Implementation Modules - The policy discusses 4 basis modules for implementation of Housing for All objectives as provided in PMAY-(U). These four models include:

- **Credit-Linked Subsidy Scheme** – the provisions of the scheme area exactly same as per PMAY-(U)
 - Preference to Manual Scavengers, Women, Widows, SC/ST/OBCs, Minorities, differently - abled and Transgender subject to them being EWS/LIG.
 - Carpet area limited to 30 sq. m. and 60 sq. m. for EWS and LIG respectively.
- **In-Situ Sum Redevelopment** – The provisions of the scheme are similar to PMAY-(U) guidelines. Projects under ISSR are proposed to be developed in PPP mode. Provisions of TDR and additional FAR have been proposed in the policy. The scheme is divided into two parts:
 - Slum Rehabilitation – redevelopment of housing with basic infrastructure
 - Free Sale – Opportunity for developer sell other housing at market price as part of cross -subsidization.

Preference to physically handicapped persons, senior citizens, SC/ST/OBCs, minorities, single women, transgender and other weaker and vulnerable sections of the society.

In order to promote re-development of slums, the government has suggested for negative premium bidding. Further, the beneficiaries in these schemes would be provided with grant of INR 1 lakh by central government and INR 0.67 lakh by state government.

- **Affordable Housing in Partnership** – GoUP either through its agencies or in partnership with private sector including industries, would develop and provide affordable housing projects. The other parameter for the scheme would include:
 - The state government would define the upper limit of sale price of such units.
 - The scheme is proposed for benefits such as land availability at low cost, stamp duty exemption, additional FAR/TDR, etc.
 - The scheme would only be eligible for consideration under AHP in case minimum 35% of housing stock is created for EWS section and the minimum 250 dwelling units are developed.
 - Central Govt. would provide INR 1.5 Lakh to beneficiary and additional INR 1.0 lakh would be provided by state govt. as per UPAHP 60:40 funding ratio.
- **Beneficiary-led individual house construction or enhancement** - the provisions of the scheme are exactly as stated in PMAY-(U). The EWS section would primary beneficiary in which Central Govt. would provide INR 1.5 to beneficiary and additional INR 1.0 lakh would be provided by state govt. as per UPAHP 60:40 funding ratio.

Regulatory Reforms - The proposed reforms are exactly the same as per the guidelines of PMAY-(U). Most of the proposed reforms have been undertaken. Two reforms as below are being discussed and amended:

- Prepare/amend their Master Plans earmarking land for Affordable Housing
- Amend or legislate existing rent laws on the lines of the Model Tenancy Act.

Implementation - GoUP has appointed UP State Urban Development Authority (SUDA) as the primary agency responsible for implementation of the scheme.

Unit Norms - Cost and Area - Norms regarding Unit size for EWS and LIG dwelling units developed under this policy will be as per the table given below:

Criteria	Unit Size	EWS Unit	Dwelling LIG Units	Dwelling
Carpet Area – fixed limit	sqm	30	60	
	sqft	452.09	904.18	

The cost of construction would be decided by state government and notified accordingly.

Policy Implementation –Status

652 cities have been approved for PMAY-(U) and the demand survey has been completed in 635 ULBs. As per the survey, there is an urban housing demand of 2.63 lakh dwelling units and the target for HM by 2018-19 was to provide for 84,619 dwelling units.

The following table provided the details of the various activities that have been undertaken till date:

Verticals	House Approved	Work Issued	Order	Under Construction	Completed
In-Situ Slum Redevelopment	-	-	-	-	-
Affordable Housing Project	132,415	36,311		28,428	116
Beneficiary Led Construction	1,164,797	643,207		478,549	263,654
Total	1106,906	511,706		221,259	266,844
Credit Linked Subsidy Scheme	45,157 beneficiaries	Till 28.08.2019, upfront subsidy of Rs 984.06 Cr. released			

Source: 46th CSMC 29 Aug 2018, mohua.gov.in

In accordance with the UPAHP, certain specific schemes have been launched. Some of the key schemes include:

Swabhimaan Awas Yojana promoted under PMAY-(U) by private developers is devised for those who don't have regular income proof or those lacking complete documentation for obtaining loan. As per the scheme, households earning INR 15,000 per month, even in cash, are eligible to apply

for the loan. The banks have been asked to be flexible for considering documents such as Income Tax Proof, Bank Statement, etc. The beneficiaries are eligible for CLSS as per the provision of PMAY-(U) policy.

Projects under Swabhimaan Awas are have the flexibility to developed projects offering 1/2/3/4 BHK configurations apartments. The sale price of dwelling units starts from INR 9.9 for 1 BHK, INR 13.9 for 2 BHK, INR 19.9 for 3 BHK and INR 32 for 4 BHK. For the purpose of funding Swabhimaan Housing Scheme has tied up with banking partners such as HDFC Bank, Indiabulls, ICICI Bank, DHFL and Shubham Housing Finance and funding upto 90% of property value can be availed. Multiple projects across cities are being developed by private developers under this scheme.

Asra Yojana Uttar Pradesh - Asra Yojana was launched by UP state government to address the housing needs for urban poor i.e. households categorized as BPL/EWS in 2013. The scheme was focused at providing housing to eligible candidates residing at slums & minority dominated colonies of urban areas at a cost of INR 2.5 Lakh. Before, the implementation of PMAY-(U), the dwelling unit area allocated under Asra Yojana was only 18 sqm which was revised to 22 sqm carpet area to make it eligible for CLSS and BLC. In 2019, the scheme has been revised to 'Pandit Deen Dayal Yojana 2019', under which houses to BPL segment are provided free of cost.

10.2.7 Chhattisgarh Affordable Housing Policy

Chhattisgarh state is the ninth largest state in India in terms of area and 16th most populated state as per Census of India – 2011. The economy of the state is primarily driven by natural resources such as iron ore, aluminium and electricity generation. As per one of the government reports, 15% of the total steel is produced from Chhattigarh.

Of the total population of state of 2.55 crore, approximately 0.58 crore reside in urban areas. The state has 168 urban local bodies (ULBs) governing various urban centres and for the purpose of PMAY(U) all 168 ULBs have been considered. Presently, there is only one urban centre with million plus population, 8 urban centres population more than 1 lakh and less than 1 million. Remaining 159 urban centres are of population less than 1 lakh.

As per the demand assessment surveys conducted under PMAY(U) the state has demand for 532,563 DUs of which approximately 57,000 DUs are in slum colonies. The target was revised to 366,159 DUs after finalization of the survey beneficiaries.

Government of Chhattisgarh (GoC) in 2016 formulated their affordable housing policy in line with PMAY-(U). In the policy, GoC has proposed to develop 300,000 dwelling units under various strategies such as Affordable housing (AR), In-situ Slum Re-development (ISSR) and Beneficiary Led Construction (BLC) for EWS and LIG sections over the next 7 years.

Key Policy Highlights:

Implementation Modules - The state has adopted the PMAY(U) mission in totality as formulated by the central government. The provision of the policy are similar to that of the mission that

discusses 4 basis modules for implementation of Housing for All objectives as provided in PMAY-(U). These four models include:

- **Credit-Linked Subsidy Scheme** – the provisions of the scheme are exactly same as per PMAY-(U)
 - Carpet area limited to 30 sq. m. and 60 sq. m. for EWS and LIG respectively.
- **In-Situ Sum Redevelopment** – The provisions of the scheme are similar to PMAY-(U) guidelines. Projects under ISSR are proposed to be developed in PPP mode. Provisions of TDR and additional FAR have been proposed in the policy. The scheme is divided into two parts:
 - Slum Rehabilitation – redevelopment of housing with basic infrastructure
 - Free Sale – Opportunity for developer sell other housing at market price as part of cross -subsidization.

Preference to physically handicapped persons, senior citizens, SC/ST/OBCs, minorities, single women, transgender and other weaker and vulnerable sections of the society.

In order to promote re-development of slums, the government has suggested for negative premium bidding. Further, the beneficiaries in these schemes would be provided with grant of INR 1 lakh by central government and INR 3.75 lakh by private developer.

- **Affordable Housing in Partnership** – GoC either through its agencies or in partnership with private sector including industries, would develop and provide affordable housing projects. The other parameter for the scheme would include:
 - The state government would define the upper limit of sale price of such units.
 - The scheme is proposed for benefits such as land availability at low cost, stamp duty exemption, additional FAR/TDR, etc.
 - The scheme would only be eligible for consideration under AHP in case minimum 35% of housing stock is created for EWS section and the minimum 250 dwelling units are developed.
 - Central Govt. would provide INR 1.5 Lakh to beneficiary and additional INR 2.5 lakh would be provided by state govt.
- **Beneficiary-led individual house construction or enhancement** - the provisions of the scheme are exactly as stated in PMAY-(U). The EWS section would primary beneficiary in which Central Govt. would provide INR 0.85 Lakh to beneficiary and additional INR 1.0 lakh would be provided by state govt.

Regulatory Reforms - The proposed reforms are exactly the same as per the guidelines of PMAY-(U). Most of the proposed reforms have been undertaken. Two reforms as below are being discussed and amended:

- Prepare/amend their Master Plans earmarking land for Affordable Housing
- Amend or legislate existing rent laws on the lines of the Model Tenancy Act.

Implementation - GoC has appointed Chhattisgarh Housing Board as the primary agency responsible for implementation of the scheme.

Unit Norms - Cost and Area - Norms regarding Unit size for EWS and LIG dwelling units developed under this policy will be as per the table given below:

Criteria	Unit Size	EWS Dwelling Unit	LIG Dwelling Units
Carpet Area – fixed limit	sqm	30	60
	sqft	452.09	904.18

The cost of construction would be decided by state government and notified accordingly.

Policy Implementation –Status

168 cities have been approved for PMAY-(U) and the demand survey has been completed in all these 168ULBs. As per the survey, there is an urban housing demand of 3.00 lakh dwelling units in ISSR, AHP and BLC.

Verticals	House Approved	Work started	not Under Construction	Completed
In-Situ Slum Redevelopment	5,946	5,946	-	-
Affordable Housing Project	75,442	36,959	38,483	6,363
Beneficiary Led Construction	151,910	51,172	100,198	30,104
Total	233,298	94,617	138,681	36,467
Credit Linked Subsidy Scheme	-			

Source: 457th CSMC Meeting – 25 Sept 2019, mohua.gov.ins

The following table details the sharing of financial allocations by central government, state government and beneficiaries for the above DUs:

Vertical	Central Share	State Share	Beneficiary share	PPP Share	Total
BLC	1.50 Lakh	0.85 Lakh	0.86 Lakh	-	3.21 Lakh
AHP	1.50 Lakh	2.50 Lakh	0.75 Lakh	-	4.75 Lakh
ISSR	1.00 Lakh	0.00	0.75 Lakh	3.75	5.50 Lakh

Source: 457th CSMC Meeting – 25 Sept 2019, mohua.gov.ins

In addition, the state has been completing the housing project that have been initiated under RAY, BSUP and IHSDP. The following table details the progress undertaken under BSUP, IHSDP and RAY schemes till September 25, 2019:

Scheme	Approved DU	Completed DU	Occupied DUs	Under-construction DU
BSUP	12,860	12,612	10,940	248
IHSDP	15,782	14,914	13,612	-
RAY	300	300	300	868
Total	28,942	27,826	24,852	1,116

Source: MOHUA.gov.in

The maximum success of the various mission including the current PMAY(U) has been witnessed in BLC, followed by AHP. Schemes such as ISSR have witnessed limited success on account of reasons of slum notifications, identification of beneficiaries and primarily getting private sector participation in the redevelopment scheme. Till date only 6 slums have been redeveloped under RAY in Chhattisgarh, implying the concerns with slum redevelopment scheme.

10.2.8 Pan-India Affordable Housing Policy Update

Pradhan Mantri Awas Yojana (Urban) - State wise Progress (since 2014), as on 15th July, 2019

Sl. No.	Name of the State/ UT	Project Proposal Considered	Financial Progress (Rs in Crore)			Physical Progress (Nos)			
			Investment in Projects	Central Assistance Sanctioned	Central Assistance Released	Houses Sanctioned	Houses grounded* for construction	Houses Completed*	Houses Occupied*
1	Andhra Pradesh	570	69,907.87	18,831.51	6,817.11	12,47,988	6,85,198	3,10,361	1,56,634
2	Bihar	391	13,902.89	4,196.14	1,376.45	2,68,939	1,38,602	57,602	61,026
3	Chhattisgarh	1,253	9,647.82	3,441.62	1,134.62	2,29,201	1,54,528	57,482	58,890
4	Goa	10	122.11	14.64	14.10	658	599	598	598
5	Gujarat	818	46,205.05	9,194.89	6,011.91	5,27,669	4,46,258	3,16,220	2,79,131
6	Haryana	516	25,118.66	4,139.61	671.08	2,60,548	38,095	16,290	16,550

7	Himachal Pradesh	101	455.72	154.82	64.79	8,639	6,549	2,598	2,590	
8	Jammu & Kashmir	209	1,859.16	531.28	106.96	34,657	22,356	5,218	6,385	
9	Jharkhand	370	11,651.48	2,798.44	1,415.41	1,87,581	1,13,588	66,548	66,502	
10	Karnataka	1,792	34,477.14	9,222.62	3,129.38	5,82,469	2,85,555	1,50,726	1,51,520	
11	Kerala	437	4,736.72	1,942.49	1,043.87	1,23,836	88,182	52,315	52,956	
12	Madhya Pradesh	1,282	34,992.56	10,701.90	5,951.32	6,89,732	5,09,979	2,84,227	2,91,031	
13	Maharashtra	848	87,503.06	15,070.23	4,577.52	9,86,933	3,76,120	2,23,164	2,44,480	
14	Orissa	533	5,217.61	2,226.01	837.21	1,42,033	86,146	54,124	51,994	
15	Punjab	548	2,634.05	877.68	379.11	56,786	36,058	15,886	16,036	
16	Rajasthan	345	11,047.20	2,999.86	1,031.52	1,82,417	1,02,897	64,931	65,807	
17	Tamil Nadu	2,563	33,380.11	9,968.26	3,531.79	6,48,855	5,35,002	2,49,093	2,27,876	
18	Telangana	246	18,097.30	3,327.33	1,672.53	2,10,988	1,77,662	71,922	48,814	
19	Uttar Pradesh	3,279	55,905.27	19,893.93	6,592.32	12,95,895	6,62,429	3,39,109	3,41,770	
20	Uttarakhand	145	2,353.96	635.82	326.59	34,653	17,348	10,654	10,847	
21	West Bengal	361	16,245.00	5,413.85	2,703.33	3,51,405	2,43,573	1,53,565	1,54,927	
Sub- total (States) :-		16,617	4,85,460.72	1,25,582.90	49,388.93	80,71,882	47,26,724	25,02,633	23,06,364	
22	North-East States	Arunachal Pradesh	31	357.87	148.64	105.24	6,285	6,867	1,644	1,744
23		Assam	210	2,212.35	1,076.90	506.48	71,527	49,655	15,295	16,976

24	Manipur	27	1,094.95	642.67	194.93	42,821	22,064	3,204	3,913	
25	Meghalaya	36	177.35	70.22	6.32	4,658	1,556	1,038	931	
26	Mizoram	32	630.83	459.02	110.72	30,027	6,675	1,436	1,865	
27	Nagaland	50	799.73	457.33	151.90	28,760	19,228	3,846	4,656	
28	Sikkim	11	14.79	8.04	3.18	529	501	236	288	
29	Tripura	63	2,236.33	1,240.98	629.82	80,347	49,568	36,342	36,342	
Sub- total (NE States) :-		460	7,524.21	4,103.80	1,708.59	2,64,954	1,56,114	63,041	66,715	
30	Union Territories	A&N Island (UT)	3	54.13	9.18	0.28	612	36	20	20
31		Chandigarh (UT)	-	57.72	5.41	5.41	249	5,209	5,209	3,121
32		D&N Haveli (UT)	3	278.03	81.28	52.80	4,604	3,692	1,880	1,880
33		Daman & Diu (UT)	6	51.63	16.31	10.92	942	538	401	401
34		Delhi (UT)	-	2,728.22	319.08	319.08	14,111	54,691	38,091	15,727
35		Lakshadweep (UT)	-	-	-	-	-	-	-	-
36		Puducherry (UT)	24	528.07	175.07	64.05	11,507	7,353	2,524	2,555
Sub- total (UT):-		36	3,697.80	606.32	452.54	32,025	71,519	48,125	23,704	
Grand Total:-		17,113	4,96,682.7	1,30,293.0	51,550.1	83,68,861	49,54,357	26,13,799	23,96,783	

11 * Including incomplete houses of earlier NURM.

Source: DRMC - MoHUA

11.1.1 Key Concerns Issues: Affordable Housing Policy

Till date PMAY-(U) has been the most comprehensive affordable housing policy, as it intends to target households across income segments. The policy has been formulated to address the housing shortage assessed through technical group (2012-17) across states. And in order to cover larger segment of households across income segments, various intervention models have been

devised. Yet the beneficiaries are limited to certain models only, which can be attributed to the basic concerns observed during stakeholder interactions and literature research.

- **Affordable Housing in Partnership**

Though the scheme discusses and encourages usage of extra land parcels available with ULBs and other development agencies for EWS/LIG housing, the focus on such developments has been limited and primarily restricted to peripheral locations of the cities. These locations have issues w.r.t. accessibility and connectivity to work-place, social infrastructure and at times physical infrastructure.

The scheme has witnessed limited PPP developments which is attributed to some critical factors by stakeholders, that are discussed below:

- **Location of land parcel** – some of the land parcels offered have limited market development potential from the perspective of cross-subsidization.
- **Share of EWS/LIG housing** – The eligibility criteria for a project to be considered under AHP, requires development of minimum 35%-50% of total residential potential as EWS/LIG housing that limits financial viability of project.
- **Pre-defined Sale Value** – In case private developer creates more than mandated inventory of EWS/LIG housing, the sale value of the dwelling units is fixed, impacting on investment for the project.
- **Approvals** – the states discuss about the creation of single window clearance or fast track approvals, however, the concerns w.r.t. to statutory approvals beyond development authorities still is a concern. In case of delay in approvals, the negative impact has to be borne by the developer and not the PDA.
- **Initial construction funding** – the initial construction of the project has to be undertaken through internal accruals and private developer led financing. Lending to real estate sector is attributed higher risk weightage by financing agencies, thus, increasing construction finance costs.
- **Delay in money release** – a major concern for the beneficiaries is the delay in release of funds by government agencies, limiting participation from certain sections of society.

- **In-situ Slum Redevelopment**

This model of affordable housing has witnessed the least participation from PDAs and private developers. The primary issue with regards to slum re-development has been from the perspective of identification of beneficiaries' basis cut-off dates, concerns w.r.t. non-qualifying persons/households.

Land title clearance for re-development has been a major challenge for PDAs. Limited participation from private developers is on account of upfront loaded re-development charges, transit location identification and financial burden of the same, does not justify the investment returns in tier II & tier III cities.

Subsidy provided by the state and centre is limited in case of slum redevelopment from beneficiary perspective.

The cost of rehabilitation and resettlement during the course of redevelopment scheme is another challenge from private developer perspective. As per the design of the scheme the private developer is expected to rehabilitate the slum dwellers pocket-wise and invest in the development of the project from his own equity. There is limited provision to raise debt on the project as there are no mortgage rights. The private developer cash flows only start post completion of EWS units, resulting in locking of valuable capital in redevelopment scheme.

- **Credit Linked Subsidy Scheme**

Limited households in LIG segment have been able to avail this benefit. The primary beneficiaries of this scheme have been MIG-I & MIG-II segment households, as they are able to access easy finance from various financial institutions. Further, most of the AHP from private developer perspective is focussed on this segment.

Financial institutions have tried to offer financial services under CLSS to EWS/LIG sections, however, the same has resulted in higher NPA as the issues of beneficiary accountability is a major concern and repatriation of loan in this segment is a major regulatory challenge.

Additionally, the reach of cooperative house finance agencies is restricted geographically. The tightening lending norms in recent years has been another challenges in financing both developers and beneficiaries.

In addition to the above, there are administrative concerns such as incomplete documentation, verification of actual beneficiaries, duplication of entries by households, lack of manpower for identification, verification and implementation.

Low cost construction technology which is both time effective and structurally stable as per National Building Codes has been an underlying issue. With the increase in focus on AHP through PDA interventions, the construction efficiency would be under pressure. As presently, the policy has provided for scheduled delivery timelines and any delay in material, man-power, machinery or financing would severely impact the product delivery.

The other challenges faced by beneficiaries for accessing and availing the benefits of the PMAY (Urban) scheme is as follows:

- **Economically Weaker Section**

As majority of the envisaged beneficiaries work in informal sector or micro / small enterprises with limited formal documentation, access to finance from scheduled banks, NBFCs and other financial institutions is a major challenge. Due to the migratory nature of the EWS population, documentation for consideration under PMAY (U) becomes a concern for identification as beneficiary.

Lack of connectivity and social infrastructure in the newly developed locations under AHP becomes a concern from liveability perspective, as LIG and EWS population is largely dependent upon public transport for travel to work place.

- **Private Sector/Developers**

The primary concern with EWS/LIG housing segment from private sector participation has been risk versus the investment return in such housing projects.

For affordable housing project to be considered as infrastructure project, minimum 50% of the developable FAR/FSI has to comprise of residential units offering carpet area not more than 60 sq.m. and per PMAY(U), minimum 35% of the project needs to offer project with unit sizes not more than 60 sq.m. The guidelines need to be standardized across board to avoid any confusion.

In-Situ Slum Redevelopment (ISSR) has witnessed limited takers beyond key cities like Mumbai, Chennai, etc. The land is allotted to private sector/developer post development & handover of the EWS/LIG units to beneficiary / concerned authorities. The entire process is capital intensive and in light of high-risk allocation to real estate, raising debt for such projects becomes limitation.

There is no special debt financing interest rate for ISSR projects and the duration of funding for such projects is similar to real estate project, which impacts the overall project revenues and investment returns.

- **Financial Institutions**

Most of the beneficiaries in PMAY(U) segment are working in informal sector and are not able meet the lending norms of the banks & NBFCs.

Land titles and existing litigations in case of encroachment have been a concern for funding such projects. Further, illegal/unauthorized residential areas are typically black-listed from funding perspective, impacting project implementation.

The micro-finance institutes and NBFCs have witnessed an increase in NPAs in retail lending to EWS/LIG sector on account of irregular income stream, issues in verification of person and documents, migratory nature of population segment, etc.

Additionally, the disbursals from government (central & state) are delayed in case of BLC or CLSS impacting the beneficiary and lending agency.

12 Innovations in Affordable Housing sector in India

Innovations in Construction Material used

Industrialized 3-S (Strength, speed and Safety) System using Cellular Light Weight Concrete Slabs & Precast Columns

Precast dense concrete hollow column shell of appropriate sizes is used in combination with precast dense concrete rectangular / 'T' shape / 'L' Shape beams with light weight reinforced autoclaved cellular concrete slabs for floors and roofs. The hollow columns are grouted with appropriate grade of in situ concrete. All the components and jointing of various structures are accomplished through on-site concreting along with secured embedded reinforcement of appropriate size, length and configuration to ensure monolithic continuous resilient, ductile and durable behavior. There is an advantage of ease of fixing services with preplanning, electricity and plumbing services can easily be placed. Precast technology in Indian affordable housing can facilitate both speed and quality also at the same time gives the advantage of largescale projects offer in terms of volume turnover and less construction time.

Key projects undertaken with this technology:

- Residential LIG and MIG housing project at Matulya Mills Ltd., Lower Parel, Mumbai
- Residential mass housing project of MSCADA, Powai, Mumbai
- Multi storied Residential Building at Chennai for True Value Homes Pvt. Ltd.
- Mass Housing Project at Delhi for DDA.
- S+30 multi storeyed building for National Peroxide Ltd, Wadala

Monolithic Reinforced Concrete

Another technology that needs to be discussed is the monolithic reinforced concrete construction system. This system is a popular and widely recognized as a practical and low-cost solution to effective housing on a mass scale. This system allows the contractor to cast foundations, walls, ceilings according to a pre-defined cycle. This would ensure less manual intervention and elimination of entire plastering. Currently, this technology is being used in EWS housing projects in Karnataka, Andhra Pradesh, Odisha and Maharashtra.

In this system, in place of conventional RCC framed construction of columns and beams; all walls, floors, slabs, columns, beams, stairs, together with door and window openings are cast in place monolithically using appropriate grade of concrete in one operation on site by using specially designed, easy to handle (with minimum labour and without use of any equipment) modular formwork made up of Aluminium/Plastic/Aluminium-Plastic Composite. Using the formwork system, rapid construction of multiple units of repetitive type can be achieved.

Features:

- Pre-designed formwork acts as assembly line production and enables rapid construction of multiple units of repetitive type.
- It is flexible in design and can form any architectural or structural configuration, such as stairs, windows, etc.

Key Projects:

- 5008 No. of houses at Kanjhawala Narela, Delhi for DSIIIDC.
- 512 No. of houses in Bawana, Delhi for DSIIIDC.



Figure: EWS housing societies in Karnataka

Light Gauge steel framed structures (LGSF):

Light Gauge Steel Framed Structures (LGSF) is based on factory made galvanized light gauge steel components, designed as per requirements, produced by cold forming method and assembled as panels at site forming structural steel framework of a building of varying sizes of wall and floor. The basic building elements of light gauge steel framing are cold formed sections which can be prefabricated on site using various methods of connection. The assembly is done using special types of screws and bolts. Cold formed sections are widely used in construction including residential floors, industrial buildings, commercial buildings, hotels and are gaining greater acceptance in the residential sector. LGSF is already well established in residential construction in North America, Australia and Japan and is gaining ground in India. LGSF is typically ideal for one to three storey high buildings, especially in residential homes, apartments and commercial buildings.

Advantage:

- **High Precision:** Fully integrated computerised system with CNC machine provides very high accuracy upto 1 mm.
- **Structural:** High strength to weight ratio. Earthquake force generation is less due to light weight. Chance of progressive collapse are marginal due to highly ductile and load carrying nature of closely spaced studs/joists.
- **Speed in Construction:** Construction speed is very high. A typical four storeyed building can be constructed within one month.

- **Saving in foundation:** Structure being light, does not require heavy foundation.
- **Mobility:** Structural element can be transported any place including hilly places to remote places easily and structure can be erected fast. Structure can be shifted from one location to other without wastage of materials.
- **Environment friendly:** Steel used can be recycled when required.

GFRG (Glass Fibre Reinforced Gypsum) Panels

The GFRG panels (124 mm thick), made from recycled industrial waste gypsum (from the fertilizer industry), are prefabricated in 3 m × 12 m sizes with cellular cavities inside, which can be filled with reinforced concrete wherever required and can be used as walls as well as floor slabs. A two-storeyed four-apartment demonstration building has also been successfully constructed in the IIT Madras campus and presently a mass housing scheme (40 apartment units) using this technology is being demonstrated at Nellore. A structural design code has also been approved by the Bureau of Indian Standards, based on the extensive studies carried out on GFRG building systems.

GFRG Demo Building Inside IIT Madras Campus

With the idea of demonstrating this building system using the technology developed, a two-storey GFRG demonstration building was constructed at the IIT Madras campus, on a built-up area of 184 m². It is a model housing apartment, combining four flats (two for the economically weaker section and two for the lower income group), which can be replicated for mass housing, vertically and horizon-tally. The entire superstructure was completed and rendered it fit for occupation within 29 days after the laying of the foundation. Use of GFRG panels facilitated not only fast construction but also reduced labour requirements. A comparison of the cost of this building with a conventional building of the same plan showed that the demo building was 25% cheaper when compared to the latter. The thermal performance of this GFRG demo building was analysed through field measurements. In situ thermal measurements showed that GFRG demo building was around 2 degree Celsius Cooler when compared to a just adjacent conventional building during the harsh summer.

This panel is eco-friendly, prefabricated and can be cut to desired sizes for walls, roofs with openings for doors and windows. In Tamil Nadu, Karnataka and Kerala, projects have already started by various developers with this technology to build houses, hospitals and schools.



Figure: GFRG technology-based schools and houses in Tamil Nadu

13 International Case Studies

Introduction

As per UN Habitat report⁶ dated 26.4.2018 few facts regarding global housing challenge is stated below:

- 1.6 billion is inadequate housing conditions worldwide
- 2.4 billion people live without improved sanitation
- 23 million people are rendered homeless by natural disasters in the past 10 years
- 15 million people is forcefully evicted every year
- Lack of planning has led to 65-70% of city surface usage for residential purpose but still not meeting the demand of adequate housing

All the facts stated above combined with increasing demand for affordable housing in rapidly growing global cities has resulted into demand of **440 million affordable houses needed by 2025**.

In the current context of global housing scenario countries all over the world has adopted different measures to find the solution of the affordable housing puzzle. Apart from the other aspects financing and allocating funds for affordable housing has always been a challenging issue for both public and private institutions. In this regard few case studies have been studied across the world to understand possibilities and challenges in financing affordable homes faced in different situations and contexts.

International Affordable Housing Case Studies discussed in this chapter are:

- Housing Microfinance Mechanism in Peru, Tajikistan, Bulgaria, Brazil and Philippines by Habitat for Humanity (Center for Innovation in Shelter and Finance).
- Housing Microfinance for the self-employed in Ghana: The case of three lenders by Center for Affordable Housing Finance in Africa.

⁶ Housing in the new urban agenda: A Global Perspective – UN Habitat.

Sustainable and Innovating Affordable Housing featuring 5 countries from Three regions: Latin America, Asia and Europe: *Habitat for Humanity (Center for Innovation in Shelter and Finance) partnered with local microfinance organizations*⁷

Introduction:

Housing microfinance is the microfinance industry's well-tailored response to the vast and largely untapped housing market serving people with low or very low incomes, who are often referred to as "the base of the pyramid." Whether housing microfinance is pursued for business or social objectives, growing evidence suggests that applying it successfully is more complex and nuanced than initially perceived by many practitioners.

Since 2005, Habitat for Humanity has engaged in partnerships with microfinance institutions to increase access to affordable housing, supporting the development of housing microfinance coupled with nonfinancial services that contribute to durable, cost-effective construction. These efforts have resulted in more than 47 partnerships around the world, whereby Habitat has provided one or a combination of the following: institutional advising and training services to financial institutions, direct housing support services to families, and access to capital. Building on these experiences, Habitat launched the Center for Innovation in Shelter and Finance, or CISF, in 2011 to facilitate collaboration among public, private and third-sector actors in the market to develop sustainable and innovative housing solutions for lower-income populations. As part of its mandate, the center offers advisory services, engages in research and knowledge development, and promotes peer learning opportunities.

Implementation

As operational procedure for microfinance lending is very much contextual and location specific, implementation methodology and consequent result for 4 countries spread across four continents viz. Asia, Africa, South America and Europe were very different from each other. It is further explained below in the following section

Peru (Latin America)

i) **Parties Involved:** Habitat for Humanity in partnership with Financiera EDYFICAR

ii) **Opportunity:**

- Existence of a high demand for housing solutions by the low-income population in Peru, especially in the big cities, where rural people have migrated in search of jobs and better living conditions

⁷ Housing Microfinance case studies of 11 Habitat partnerships from around the globe – Habitat for Humanity (Center for Innovation in Shelter and Finance) & Citi Foundation

- The housing deficit in Peru amounts to 1,860,692 homes. Of these, 389,745 (21%) correspond to housing shortages (the quantitative deficit) and 1,470,947 (79%) to existing homes that are inadequate because of their physical characteristics and overcrowding (the qualitative deficit).

iii)Challenges:

- Over indebtedness of clients resulting from the wide range of products and level of competition
- Regulated microfinance institutions have chosen to include parameters in their credit policies that limit the provision of loans to customers with four or more outstanding loans with similar financial institutions. They also contract monitoring systems that provide warning signals regarding larger debts
- Instability and limited income of majority population in lower income category discourages microfinance institutions from providing a housing product.
- The presence of the state, through its various subsidy programs for home improvement and construction, puts initiatives to develop housing microcredit programs at risk.

iii)Product Development:

- Institutional assessment and preparation of the project
- A preliminary market study was carried out to identify the general characteristics of the target population, the existing offer of housing microfinance products and services, and the role of other actors in the housing sector: local government, builders, building materials suppliers, technical institutions, etc.
- After the information was analysed, a qualitative study of the market was carried out. According to the market study in these communities, the main elements of a value-added housing product offered by EDYFICAR would be differential pricing of building materials for clients; advice to clients on how to implement the home improvements; and the possibility of creating partnerships with the government in order to facilitate access to water and sanitation facilities, specifically for vulnerable families in the rural and peri-urban Santa Maria de Huachipa area.
- Pilot project 'Edyvivienda Paso a Paso' was launched with a planned duration of 12 months, and received support from the CISF with bimonthly monitoring

iv)Product Offered

Product	<ul style="list-style-type: none"> • Individual loans to clients and nonclients. • Loan range between 500 soles (US\$150) and 5,000 soles (US\$1,500) • Maximum payment period of 24 months, with an average period of nine months. Monthly payment frequency. • Includes nonfinancial services such as construction technical assistance.
Price	Monthly interest rate of 3.85 percent
Plaza	One office in the pilot area.
Personnel	<ul style="list-style-type: none"> • Loan officers for the housing microfinance product, who will also provide construction technical assistance services for minor repairs and improvements. • Consultation with an engineer will be offered in cases involving structural improvements and extensions.
Requirements	Document stating tenure, identification, source of income and promissory note.

v)Success Factor

- The Alliance between organizations
- Product Design supported by clear methodology and defined roles of the personnel's involved in the project along with strong relationship
- Housing is a family project. Taking into account the income of all working family members facilitates access to financing alternatives.
- Housing-related loans are a priority for families in terms of payment, and the construction technical assistance brought an added value that was evidenced in the decrease in EDYFICAR's portfolio in risk for the housing product.

Tajikistan (Asia)

i)**Parties Involved:** Habitat for Humanity in partnership with IMON International LLC

ii)**Opportunity:**

- Overwhelming demand for improvement of the national housing stock
- 70 percent of the population lives in substandard conditions, especially in rural areas
- The ever-increasing cost of building
- Land availability due to Govt. initiative has created a high demand for financing completion of new buildings

iii)Challenges:

- In Tajikistan, the national incidence of men working away from home (primarily in Russia), women are most often left in charge of managing the household, including repairs and renovations. Because women often have not been taught the skills needed to manage and undertake home improvement, any housing finance product would need to include a technical assistance component in order to be successful. This implies a higher cost to the institution, the client or both. Given the high cost of capital in Tajikistan, any increase in costs has the potential to limit the scale reached by a housing microfinance product.

iii)Product Development:

- Project involved clear and agreed-upon roles and responsibilities for the collaborators
- Individuals were appointed to key roles such as product management or coordination, and a project monitoring and reporting system was developed with tasks, forms, due dates and responsible people named.
- Each institution also drew on its internal strengths to achieve the project aims. Habitat Tajikistan provided advice on product design, while IMON drew on its strengths to develop, test and market a new product, and brought a strong institutional commitment to providing housing microfinance

iv)Product Offered

Microfinance Loan based on prominent technical assistance Policy providing access to expert advice on needs assessment, prioritization, budgeting, scheduling, materials, contractors and quality control

Purpose	Capital and small repairs; reconstruction, extensions of existing houses; finishing new construction and half-builds.
Amount	\$100-5,000
Term	Two to 18 months (three-month grace period)
Interest rate	32-38 percent (varies by branch)
Collateral requirements:	Pledge on movable assets and guarantors.

v)Success Factor

- The Alliance between organizations
- The value created by combining the technical assistance with the micro credit
- Moving from general to tailored housing products enables a microfinance institution to tailor its construction technical assistance to
 - different types of implementation
 - The housing loan was offered widely, and limited targeting was applied

Bulgaria (Europe)

i)**Parties Involved:** Habitat for Humanity in partnership with Mikrofond EAD

ii)Opportunity:

- Majority of people spend 40 percent of their disposable incomes for housing. These people are considered “overburdened” by housing costs
- Lacking basic facilities such as a bath or shower, hot running water and central heating.
- About 15 percent of the population — most of whom are living below the poverty threshold — lives in overcrowded dwellings
- Housing finance supply and features of available products Bulgaria ranks second in the EU in terms of most expensive housing loans for households. But even with the higher interest rates, the demand for housing loans is increasing in the country

iii)Challenges:

- Many low-income households do not qualify for bank loans because of a lack of regular income or necessary documentation. Others use loans from consumer lenders for housing improvement and renovation purposes
- Some of the consumer lending companies in Bulgaria have an APR⁸ as high as 1,000 percent, but clients still approach these lenders because they value their extremely speedy service (some lenders provide loans in just a couple of hours). Often, consumers are not even aware of the total price they pay for the loan, which indicates financial illiteracy

iii)Product Development:

- Mikrofond and Habitat Bulgaria cooperated to develop the housing loan product. No formal market research or product development process was launched, but the product

⁸ Annual percentage rate, usually reflected as annual effective percentage rate, which considers the nominal interest rate and all kinds of commissions and fees paid by the client to the financial institution.

Usually, the nominal interest rate is smaller than the effective interest rate, because the latter reflects all costs of the loan.

prototype was based on secondary data from other research, along with existing knowledge of the market and clients’ preferences

- Mikrofond and Habitat jointly developed and agreed on the criteria for the review and approval of loan applications. Initially, the requirements for clients to qualify for the housing loan included having incomes of 20 to 65 percent of the per capita gross national income, having severe home improvement needs, applying for a loan with maximum loan payment-to-income ratio of 25 percent, and having appropriate repayment capacities and good credit histories. This strictly limited the clientele to a niche group, and later the criteria were revised. The ratio of family income to average salaries in the region was taken as a basic filter, with specific thresholds for each region.
- Later, the criteria were revised again, and currently families who have incomes up to 100 percent of the average salaries in their region can qualify for the housing loan. These changes widened the potential clientele while maintaining the focus on the low-income population. Pricing was also adjusted to reflect the market situation

iv)Product Offered

Habitat for Humanity and Mikrofond housing products options	
Loan amount	€500 minimum, €5,000 maximum.
Loan term and repayment schedule	Minimum 12 months, maximum 60 months (housing improvement) and 120 months (energy efficiency). Monthly repayment.
Target segment	Low-moderate income.
Interest rate (APR)	13.39 percent.
Collateral/security	Promissory note, guarantors or asset pledge.

Along with micro credit technical assistance and financial literacy regarding lending process was also provided by CISF.

v)Success – Failure Factor

- Partnership around common interest
- Affordable interest rate and monthly repayment
- clients do not express significant interest for such services and instead use construction advice from their close relatives (for free) or pay full market price for specific construction and renovation services delivered by relevant workers
- Housing loan demand was overestimated; in practice, some of the implied demand was from over-indebted clients who would use the housing loans to repay their existing debts with banks and consumer lenders

- The failure factors can be attributed to the lack of market research during product development

Brazil (Latin America)

i) **Parties Involved:** Habitat for Humanity in partnership with Banco Santander

ii) **Opportunity:**

- Brazil has a population of 196.5 million. To date, 6% of the Brazilian population lives in favelas⁹ concentrated primarily in Río de Janeiro and Sao Paulo. It is estimated that in 2020, 25% of the country's population (approximately 55 million people) will be living in favelas
- It is estimated that at least 83 percent of this shortage is among families with an income below two minimum monthly wages (US\$775).

iii) **Challenges:**

- Many low-income households do not qualify for bank loans because of a lack of regular income or necessary documentation. Others use loans from consumer lenders for housing improvement and renovation purposes
- In Brazil, housing finance for low-income families is dominated by the state (Caixa Economica Federal, or FGTS), which primarily addresses the quantitative deficit with, for example, new housing. Access to housing improvement programs is very limited for the low-income population in the informal sector.
- Cooperatives provide loans only for their members; private banks do not serve this population
- Microfinance institutions complying with existing regulations may provide loans only for productive activities. The microfinance institutions estimate that a portion of the loans granted for productive loans are diverted to housing.

iii) **Product Development:**

- Product development was based on the hypotheses each institution proposed about the partnership.
- For Santander, the hypothesis stated that offering a housing finance product with a construction technical assistance component would be a distinguishing factor over the competition, would give families access to tangible changes in their living conditions, and would promote customer loyalty.

⁹ Favelas are settlements that lack property rights and are made up of below-average housing. They lack basic infrastructure, urban services and social facilities and are located in areas that are geologically inadequate or environmentally sensitive. In their search for affordable housing, the city's poor are faced with a balance between location and property rights. The favelas offer proximity to jobs, commerce and urban facilities. ("Favela-Barrio Program, Río de Janeiro (Brazil)", study sponsored by Rio de Janeiro City Hall, 1996. habitat.aq.upm.es/Dubai/96/bp028.html.)

- For Habitat Brazil, who was already in Heliopolis, partnering with a well-known bank the size of Santander would provide a way to reach more families in need of home improvements
- Both the parties together developed a housing microfinance product with construction technical assistance that is affordable for current Santander clients
- Jointly they implemented a pilot product in Heliopolis, placing 300 housing microloans with construction technical assistance within the first six months of the pilot.
- The development of this product was atypical and did not follow the methodological guidelines suggested by the CISF for the design and refinement of housing microfinance products
- The partners decided to redesign an existing product loan that Santander already had, adding some suggestions made by Habitat Brazil in terms of payment periods, amounts and interest rates, and they agreed to work with a target group having an average monthly income of one to six minimum wages (US\$390 to US\$2,340).

iv)Product Offered

Habitat for Humanity and Santander housing products options	
Population	Current Santander clients, those with good credit histories, independent workers with the ability to pay the loan according to the assessment made by the loan officers
Product & Service	Improvement with construction technical assistance for housing, retail and rental locations, with contracts exceeding the credit period. Payment period: Four to 24 months, with monthly payments between US\$2,500 and \$7,500. Guarantee: Trust.
Price	Interest rate: 2 percent monthly. Value of construction technical assistance: 10 percent of the value of the loan (a separate charge).
Promotion	Conference, community radio, community cafes, pamphlets, grass roots community organizations
Site	Heliopolis (clients only).

	South Sao Paulo Branch: 2,500 clients total (portfolio of US\$2.5 million to \$3 million), 900 active clients in Heliopolis (portfolio of \$1 million to \$1.5 million).
Personnel	Santander: Two loan officers, also serving other areas. Habitat Brazil: One construction technician and one architect

The pilot was launched Aug. 15, 2011, with the goal of providing 300 solutions over the first six months. By February 2012, six months after the launch of the pilot project, only four loans had been placed

v) Failure Factor

- Challenges related to internal bank policies were not identified from the start These include:
 - Not allowing different placement goals between products.
 - The lack of personnel dedicated exclusively to a product.
 - The lack of specific incentives for loan officers for placing the product.
 - Failing to identify the regulatory limitations on Brazilian finances that limited the scope and, in turn, the success of the new product
- Because the bank would consider only its 900 existing clients in Heliopolis — where at least 20,000 families are constantly making improvements to their homes — this limited the access to the potential market in the area.
- There was no qualitative market study identifying the needs, preferences and capacity of the target population
- There was a lack of coordination among the various aspects that need to be considered during the design stage of a housing microfinance product such as:
 - The limited training of loan officers.
 - The lack of an office within the favela.
 - The lack of distinct goals and specific incentives for the loan officers to promote the new product.
 - The fact that the construction technical assistance component was not perceived as an added value among the families, which made it difficult to charge for the services.
 - The lack of product ownership and clarity regarding the partner relationship.

Philippines (Asia)

i) **Parties Involved:** Habitat for Humanity in partnership with Tulay sa Pag-unlad Inc.

ii) **Opportunity:**

- Several million Filipinos live in substandard housing conditions, and continued migration into the urban areas is aggravating shelter deprivation
- There are more than 500,000 informal settlers in metro Manila and 5.8 million throughout the Philippines, yet there is a housing backlog of 3.75 million families
- The poor in the Philippines can access some of the government's social housing projects, but the supply of such projects continues to be insufficient to address the demand.

iii) Challenges:

- Despite high demand for housing improvements, renovations and repairs, the market is underserved by the housing finance sector.
- The primary sources of funds for home repair for those with low or very low incomes (known as “the base of the pyramid”) are government subsidies and personal savings
- Despite regulatory changes¹⁰ allowing microfinance institutions to lend for housing in the Philippines, the microfinance climate is such that institutions are not moving into this space, mostly because of the focus on reducing overindebtedness and bringing down the PAR of their clients

iii) Product Development:

- Senior management identified a product champion who oversaw the product development process. This person managed the internal process of bringing all the branch staff and management on board and ensuring the systems, policies and procedures facilitated the rollout of the new product.
- Staff at all levels were closely consulted throughout the process — not just selling the idea of housing but walking alongside — otherwise there would not have been internal buy-in.
- From the beginning of the pilot, TSPI understood there was tremendous potential for the product. The test at four branches in metro Manila revealed that the product was well-received, and the demand would outpace the availability of funds.
- TSPI’s product development team developed a profiling tool to help interested branches determine whether offering the housing product was financially viable
- The branch profiling tool is a simple market study to project demand, develop a client profile and determine if a minimum of 500 clients in the area are interested in the housing product.
- The construction technical assistance component of TSPI’s housing products is designed to provide the technical advice its high-performing clients need to improve their homes, whether through house repair, renovation, extension or through adding water, sanitation or electrical facilities
- TSPI institutionalized the role of the construction technical assistance personnel by focusing on two key construction technical assistance staff members: a project officer and a project-based foreman. This team is integrated within the microfinance institution staff and plays an integral role in the delivery of the housing products by managing the overall process
- The project officer is responsible for running the housing loan process and ensuring customer satisfaction. In some cases, one project officer may service multiple branches in the same province, depending on the population, geography, demand and distance
- This is a service many clients would not avail on their own, but in a group setting, it becomes affordable. Follow-up surveys reveal satisfaction with the service and support

¹⁰ Housing microfinance is regulated by Bangko Sentral ng Pilipinas, which issued Circular 678 on Jan. 6, 2010, recognizing loans for housing to microfinance clients as part of a wide range of financial services to the microfinance institution sector.

provided. TSPI uses a batching system for housing loan clients, organizing them into groups of 10 applicants. Similar to the group lending methodology, batching the loans reduces costs to the microfinance institution in terms of loan release

iv) Product Offered

Product feature	Housing loan (includes improvement, repairs, extension).	Sanitation, water and electrical connection loan.
Clients become eligible to apply	2 years	1 year
Amount	US\$360-US\$2,401	US\$120-US\$480
Term	< US\$480 for 12 months, weekly. < US\$2,401 for 36 months, weekly.	US\$120- US\$480 for 18 months, weekly.
Interest rate	1.5 percent per month add-on or 18 percent per year with 20 percent discount on interest for prompt payment.	
Collateral	Loans less than US\$480 require notarized housing loan agreement, two co-signers, and proof of lot ownership. Loans greater than US\$480 require a mortgage contract, housing loan agreement, proof of lot ownership, and one to two co-signers.	Two co-signers; notarized housing loan; contract of usufruct if proof of lot submitted is not under the name of the borrower or spouse.
Administrative fee	5 percent of the total materials and labour.	

v) Success Factor

- Institutional Commitment
- Clearly defined roles between partners
- Dedicated Project Officers for Housing
- Extensive market research and understanding target clients
- Continuous survey and monitoring system
- Technical assistance provided in group format

Adaptability to Indian Scenario

Microfinance with technical assistance value-added service can be proven significantly beneficial in case of Indian scenario as there is a huge demand for affordable housing in both urban and rural India alongwith challenges like issues in property title, low income, over indebtedness, financial illiteracy etc. This model can be adopted successfully here given the following criteria are met:

- Co-ordination between micro finance institution and technical service provider
- Detailed market survey and research identifying the target population and further future clients
- Pilot project before product launch
- Flexible product design catering different need and strata of people
- Constant Monitoring of the programme
- Involving local people as aid to the loan officers
- Involving group in case of technical service like Phillipines

Housing Microfinance for the Self-Employed in Ghana: *Center for Affordable Housing Finance in Africa*¹¹

Introduction

Against the backdrop of an economic slowdown over the past few years, Ghana's housing microfinance (HMF) sector stagnated. Persistent increases in consumer prices, an extensive energy crisis affecting the operations of small and medium sized enterprises (SMEs) and the depreciation of the Ghanaian Cedi (GHc) had detrimental effects on the viability and scalability of housing loans. The objective of financial sustainability proved difficult to combine with the social goal of providing finance for affordable and adequate dwellings for the low-income segment. Apart from the economic pressure, the complex Ghanaian land security system (Customary lands, State Lands & Vested Lands) and the inherent challenges of incremental building practices, such as poor construction quality, also affected the HMF sector in Ghana. Despite the challenging environment, a number of financial institutions currently offer HMF loans in Ghana viz. Global Access, HFC Bofo and Sinapi Aba, three selected microfinance institutions (MFIs) that provide housing finance to self-employed clients.

Implementation

Among the three MFIs, Sinapi Aba, former Sinapi Aba Trust (SAT), is the oldest financial institution. SAT started operations in 1994 as a financial non-governmental organisation (NGO), providing microloans to low-income households. In 2013, the institution transformed into a fully-fledged licensed and supervised savings and loans company. In 2010, Sinapi Aba received donor funding from USAID to implement the "Housing Finance and Land Title for Ghana's Poor" project. This was the beginning of Sinapi Aba's involvement in the HMF sector and funds were used for product development, capacity building and on-lending during the pilot testing of the product. In 2012, with support of the Habitat for Humanity International's Center for Innovation in Shelter and Finance (CISF), Sinapi Aba reviewed their HMF product, followed by technical assistance to enhance the product features, which mainly consisted of capacity building within Sinapi Aba and developing sustainable strategic partnerships for housing support services (HSS)²⁷. The support from CISF ended in 2014.

The second institution that formed part of this enquiry, HFC Bofo, is a subsidiary of HFC Bank, as a result of a partnership between HFC Bank, a commercial bank known for their strong mortgages and housing finance focus, and Global Communities. HFC Bofo was the first microfinance institution to implement HMF products in Ghana in 2007. The development of the HI-5 loan (a housing loan that finances five stages of the incremental building process) was a result of the cooperation between the two institutions and available funding from donor agencies, such as USAID. HFC Bofo's mandate was to offer housing finance to those clients that were not served by the HFC Bank, due to low income levels and self-employment. However, once HFC Bofo

¹¹ Housing Microfinance for the self-employed in Ghana: The case of three lenders: Center for affordable Housing Finance in Africa

introduced enterprise finance, its loan portfolio quickly shifted towards SME and micro-enterprise loans, away from housing finance.

Due to the engagement of international sector stakeholders, such as Opportunity International and Habitat for Humanity International's CISF, HFC Bofo and Sinapi Aba benefitted from capacity building and institutional technical assistance for the development and implementation of their HMF loans. Until 2014, Sinapi Aba was able to offer support for land title applications in the form of surveyors, paid by the MFI. To date, both MFIs offer referrals for building material suppliers. The referrals however seem to be biased in favour of their SME clients operating in the construction industry and not based on quality of artisanal skills or costs. Both institutions remain connected to international organisations to benefit from potential capacity building or funding programmes. HFC Bofo is currently implementing sanitation loans as part of their home improvement loan range in partnership with Global Communities.

In contrast, the third institution in this research, Global Access, received little technical assistance and no donor funding in the process of developing and implementing its HMF product. The only consultation and coaching Global Access benefitted from was in 2011, when Habitat for Humanity (HfH) Ghana changed its organisational focus from mortgage finance to the HMF sector. As part of this initiative, HfH Ghana identified Global Access as eligible partner for the development and disbursement of HMF loans. Global Access committed its own funds to the implementation of the housing microfinance product.

Currently, all three MFIs focus on enterprise lending as their core business. In volume, Sinapi Aba's HMF portfolio makes up a mere 2.45 percent of the total portfolio, while HFC Bofo's HMF portfolio contributed 11 percent to the portfolio of the institution in 2015.

➤ Product Offered

Feature	HFC Bafo: HI-5	Global Access Savings and Loans: Housing Micro Loan	Sinapi Aba: EFIPA (Micro Housing) Loan
Clientele	<ul style="list-style-type: none"> Existing and new clients Self-employed, informal or semi-formal businesses Salaried workers with side-businesses 	<ul style="list-style-type: none"> Existing and new clients Self-employed, informal or semi-formal businesses 	<ul style="list-style-type: none"> Existing and new clients Self-employed, informal or semi-formal businesses Salaried workers with side-businesses

Maximum Loan Size	Ghc 100 000 (US\$ 25 316)	Ghc 50 000 (US\$ 12 658)	Ghc 20 000 (US\$ 5 063)
All three MFIs have increased their maximum loan amounts in the past years			
Term	12-36 months	12-24 months	12-36 months
Purpose	<ul style="list-style-type: none"> Home improvement Incremental housing finance in structure five steps: <ol style="list-style-type: none"> Land purchase Structure construction Roofing Fittings and fixtures Finishing 	<ul style="list-style-type: none"> Home improvement Incremental housing finance 	<ul style="list-style-type: none"> Home improvement, Incremental housing finance
Housing Technical Support Services	<ul style="list-style-type: none"> Check land purchase with Ghana Land Commission through HFC bank's mortgage finance structures before loan granted 	<ul style="list-style-type: none"> Referrals to building material/artisans that are SME clients of the institution 	<ul style="list-style-type: none"> Property folio development: assistance in land title application Surveyors Trainings
Interest	36% p.a. (flat rate)	42% p.a. (flat rate) Changed to 60% p.a. in March, 2016	42% p.a. (flat rate) 32% p.a. in 2013
Fee Structure	<ul style="list-style-type: none"> Processing: 2% Insurance: 1% Application: Ghc 10 (US\$ 2.5) 	<ul style="list-style-type: none"> Processing: 3% Insurance: 1% Application: Ghc 20 (US\$ 5) 	<ul style="list-style-type: none"> Processing: 3.5% Insurance: 1% Application: Ghc 5 (US\$ 1.5)

Collateral	<ul style="list-style-type: none"> • 15% cash collateral³³, but dependent on credit history, savings patterns and strength of guarantors • Guarantors: 2 	<ul style="list-style-type: none"> • 10% cash collateral, but dependent on credit history, savings patterns and strength of guarantors • Guarantors: 1-2 	<ul style="list-style-type: none"> • 10% cash collateral, but dependent on credit history, savings patterns and strength of guarantors • Guarantors: 1-2
Requirements	<ul style="list-style-type: none"> • Land security: Indenture/ Lease Agreement • Savings account with HFC bank 	<ul style="list-style-type: none"> • Land security: Indenture/ Lease Agreement • Savings account and history 	<ul style="list-style-type: none"> • Land security: Indenture/Lease Agreement for Land • Savings account
Services	<p>Financial education Consultation</p> <ul style="list-style-type: none"> • Business skills development 	<ul style="list-style-type: none"> • Financial education 	<p>Financial education</p> <p>Strong focus on training for clients</p> <ul style="list-style-type: none"> • Business skills development for specific businesses, e.g. micro-schools

Success-Failure Factor

- Shift from the construction of private dwellings to income-generating assets. Construction entrepreneurs use housing microfinance loans to invest in productive assets, such as rental units, schools, churches, shop fronts and public sanitation facilities, often built on their own residential property. This trend is suggested to be a consequence of the current economic pressure on low and middle-income households, but is generally welcomed by the three MFIs, due to its positive effect on portfolio diversification and mitigation of concentration risk
- HMF loans is still not affordable in Ghana, as it is strongly affected by limited access to long-term capital. Two of the three selected MFIs rely on short-term commercial funding to extend HMF loans, which is offered at interest rates between 30 and 38 percent an annum. Moreover, opportunity costs for HMF lending are high, due to a yet unsatisfied demand for SME loans, which offer a faster turn-over and higher interest revenues. The

lower profitability of HMF loans, as well as their burden on the liquidity of the MFIs, currently limit the number of available housing loans in the market.

- It was seen that the shift of loan utilisation to the construction of productive assets requires MFIs to develop a new loan offering to account for larger loan amounts and longer terms, as well as to ensure safety and quality of the buildings. Construction quality, especially for commercially used buildings, need to be addressed and enforced by policy makers and sector stakeholders.
- There is a concern regarding competitiveness of MFIs offering HMF products in Ghana. The high- touch business model, intensive loan appraisal and monitoring procedures and the need for non-financial services, such as housing support services (HSS) and business development skills training drive costs of operations of the MFIs. Reducing related expenses through adequate use of technology and a better integration of HMF loans into the core business could increase the competitiveness of the institutions. Technical advisory services focused on cost based and risk related pricing of HMF loans, as well as a client- centric approaches to product and process design could promote the growth of the sector

Adaptability to Indian Scenario

In comparison to Ghana as inflation risk is not to high India and also though there are issue present regarding clear land title in India, but it is not as complicated as tribal land ownership (80% land) in Ghana. So, there are fair chances of the microfinance model to build affordable homes in India given

- Loan size offered capable to serve different requirement across different class of people; also, regional characteristics need to be taken into consideration
- Interest rates need to be affordable and competitive
- As Indian land title scenario is quite different than that of Ghana it needs to be revised as per Indian context
- Whole loan cycle needs to be monitored closely to keep a check on if the money is being used for designated purpose
- Loans can be offered for income generating assets in case of India also as it would interest more people in the product but that totally depends on the goal of the financing organization
- Technical service needs to have client centric approach

14 Recommendations

Affordable Housing Finance Companies need long term capital with lower interest rate

Newly established housing finance companies get low ratings primarily on account of small book leading to high cost of funds. Due to lack of funding from Scheduled Commercial Banks, HFCs look towards Private Equity funds. Private Equity funds have 4-5 years investment horizon and consequent return expectations are high. High cost of funds force housing finance companies to charge high rate of interest to ultimate beneficiaries. At the same time due to inherent challenges in lending to informal income segment, it is difficult for funding institutions to scale up business quickly & profitably. High operating costs especially during initial phases of business further compound the cost of funds.

Under such circumstances housing finance companies need patient capital /impact funds which can inject money on long term basis.

DFID can play a very important role here to mitigate this challenge faced by the housing finance companies. For creating greater impact, it should make portfolio for long term lending with reduced interest rate. Boundary conditions against such lending to housing finance companies may be imposed and these conditions should focus on the followings.

- Funds must be used for extending loans to informal income people only.
- Buyer profile which should include background of beneficiaries, their minimum level of income, flow of income (weekly/monthly/ fortnightly etc), number of dependents, credential of employer (if employed) etc.
- Maximum interest rate that can be levied against housing loan to informal income people.

Affordable Housing Projects require Early Stage Capital

Affordable housing projects struggle to get funds for smooth execution. Even if they manage to get funds from Banks/ Financial Institutions, investments usually start flowing once all necessary approvals for commencing constructions have been obtained. Real estate projects have significant initial funding requirements to cover stages of land use conversions, zoning, construction approvals, design, construction equipment, shuttering etc. Generally capital requirement at this juncture for an affordable housing project is 4-5% of the total cost.

DFID can play very important role by creating a fund for providing Early Stage Capital to developers through affordable housing companies. Affordable Housing Companies can take over the loan once receive requisite approvals and construction activities start.

Formulation of Risk Cover Fund

Housing Finance companies lending money to informal income segment many a time categorise beneficiaries with high risk score. The perceived risks include difficulty in collecting money from them and related higher cost of operations. Therefore, they often hesitate to sanction loans to low income beneficiaries.

At the same time informal properties also are not touched by the Funding agencies for variety of reasons as well as legal bindings. However, there are many affordable housing properties with formal titles, which do not get funds from affordable housing finance companies because of some shortfall in documentations. Beneficiaries do not get loans from affordable housing companies for such projects.

In order to address these problem DFID can make intervention by providing a Risk Cover Fund to housing finance companies. The fund can be initially capitalized by DFID, post which can receive risk premium being charged on individual house loans. A part of net credit loss suffered by HFCs in funding informal segment beneficiary or informal properties could be made good out of the fund. Boundary conditions of beneficiary property and credit underwriting rules can be predefined to protect DFID interest.

Technical support programme for formulation SOP

Cost of operation for affordable housing finance companies are quite high, especially for smaller companies and estimated to be around 4%-5%. This is due to the following reasons:

- Cost of new customer acquisition is very high because assessment methods are complex and process lengthy.
- Legal cost is high and remains same irrespective of the loan size. It is around 1% for affordable housing.
- Technology savviness is less in this segment because customers are not exposed/less skilled to take part in digital technology driven processes. Therefore, companies rely on manual processes.
- High Cost of collection and Debt servicing.
- Salary cost for employees deployed in this segment is more because of lack of availability of skillsets in the marketplace

However, to run business profitably & efficiently, these affordable housing companies must optimize their cost of operations. DFID can play very important role for development of Standard Operating Procedures (SOP). The SOP development can be facilitated by DFID by studying best practices with efficiency/productivity benchmarks which will help affordable housing finance companies in reducing their costs and run business efficiently.

Support to NGOs for Capacity Building

NGOs play very important role in terms of creating awareness among beneficiaries about the affordable housing projects and help them in accessing funds. Sometimes, NGOs also provide funds to beneficiaries albeit for smaller amount. However, many of the NGOs operate at a particular location/zone and face difficulty in accessing new markets. Often, they find it difficult (a) in connecting with local Governments (b) demonstrating Governments their work experience in the region (c) don't have familiarity to new market. NGOs do not have capability in expanding the existing market too as existing staff do not have administrative capability/technical capability in expanding business.

DFID can be of great help to such NGOs by providing technical support /training for their capacity building efforts. The capacity building efforts should target the followings:

- **Develop a training module for staff of NGOs to enhance their administrative & technical capabilities**
- **Help NGOs in identifying new markets and Engage with N in providing enough knowledge about new markets**

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