



Deciphering the Challenges in Housing for Urban Poor

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ABSTRACT

This paper studies the existing scenario of urban housing and examines the challenges in housing the urban poor in India. It includes a review of housing policies that exist today and learning from interactions with different stakeholders involved in the sector on their roles and the issues they face. In addition, five case studies are conducted in Kochi, Kerala, to understand the demands and views of the urban poor on housing and associated services. The fundamental reasons for the challenges are examined and narrowed down to three major factors. The study concludes with suggestive solutions to improve accessibility to housing for the urban poor in India.

Namita Paul
D Dhanuraj

Centre for Public Policy Research

Executive Summary

Housing has been an important subject of deliberation in national and international forums for a few decades. UN Habitat found that about three billion people or about 40 per cent of the world's population would need proper housing by 2030. In simple terms, housing stands for providing a shelter that would ensure one's safety and support the activities of daily living. The housing market in cities has been unable to cope with the rapid influx of people due to urbanisation. This has, in turn, resulted in a rise in the number of street dwellers, slums, informal settlements and shadow rental market, leading to an increasing number of people living in poor conditions. This means that not all are without a house or a shelter, but the legal documents and living standards of most of the households do not comply with the formal housing system. Hence, the housing issue that India is facing is not just about providing a shelter to the homeless but about how housing policies could enable the development of the households socially and economically. This study aims to seek more clarity on the issues and challenges faced by the urban housing sector by reviewing the various policies and the role of different stakeholders involved.

Following the Partition of India in 1947, the first housing initiative was proposed for the resettlement of millions of homeless refugees. In addition, newly formed government jobs in urban areas and unemployment in rural areas pressured the urban housing market. As the demand for housing increased, the gap between demand and supply widened. Since most of the migrants were the victims of poverty, they could not afford ownership in cities. The housing settlements that eventually took form were informal settlements, which involved slums on encroached public or private land. Inefficient land records and political play protected these informal settlements from eviction, thus ensuring longer tenure period. Registration of these slums for the improvement of their living conditions and basic services led to the mushrooming of more encroachments with the anticipation of future regularisation.

To tackle the issue of homelessness, various stakeholders are involved in the housing sector for the urban poor. Policies and schemes adopted by governments to address the urban housing issue have been on the rise. Housing has been one of the main subjects of discussion since the first Five Year Plan (FYP) in 1951. The consequent FYPs show a gradual transformation in the approach of the government from provider to aider. Recently, it has taken up the role of facilitator. But Detailed Project Reports (DPR) of the schemes reveal that many of the sanctioned projects are either aborted or incomplete. Moreover, many

completed units remain unoccupied. Increased competition in the luxury housing segment has pushed many private players to the affordable housing sector. Huge demand for affordable housing, increased financial aid, high sale velocity and lower risks supported this initiative. But due to the high non-construction cost, private players are unable to provide affordable houses for the urban poor. Another stakeholder in the sector are financial institutions. Emerging banking services like subsidised housing schemes, Micro Finance Institutions (MFI), cooperative banks etc focus on giving financial assistance to the urban poor to ensure easy access to housing. While on the other hand, high repayment risk and low fluidity of funds in MFIs and cooperative banks have reduced the coverage of banking assistance. Rental housing was another a popular option among the urban poor, who could not afford ownership. With the introduction of the Rent Control Act, which was formulated to secure the interests of tenants, the rental market dropped tremendously from 54 per cent in 1961 to 13 per cent in 2011. This, in turn, resulted in the formation of shadow rental market, which serves 80 per cent of Below Poverty Line (BPL) and Lower Income Group (LIG) population in urban India. Hence, in spite of the initiatives taken by various stakeholders, Indian cities suffer a housing shortage of 1.9 crore.

The methodology of analysis involved a detailed study of the progress of the current housing schemes and issues affecting their implementation. The representatives of each group of stakeholders were interviewed to understand the issues affecting the urban housing sector. Case studies of four mass housing projects provided by the government and an informal settlement in Kochi were conducted to comprehend the demands and opinions of the beneficiaries and to examine how a housing unit has supported the household. The issues identified in the process were analysed to find the fundamental reason behind them.

The fundamental reasons identified in the study can be broadly divided into three, issues regarding governance, ignorance of the rental market and inaccessible banking services. Lack of commensurate power and finance with local self governments, non-convergence of different government institutions, lack of cross monitoring, tedious land registration procedures and ambiguous land records are the issues involved in governance. A scrutiny of the government schemes reveals that all of them invariably support ownership. The increasing proportion of circulatory migrants and the flourishing shadow rental market show that there is a huge demand for rentals. While we talk about the lack of housing units, around 2 crore houses lie vacant in India. This is the aftermath of the Rent Control Act that employs rental cap, fixed rate of increase and the protection of tenants from eviction. This has led to lack of

choices available to the urban poor. The major reasons for the challenges faced in the banking sector are lack of repayment capacity and lack of accountability among the urban poor. To ensure repayment, banks demand collaterals and guarantee certificates, thus making housing loans inaccessible to many. The emergence of micro finance in housing had a good start but the non-fluidity of funds due to the large size of housing loans and longer tenure periods has reduced the number of loans released.

The paper suggests different solutions to solve the existing issues. It is not possible to find an immediate solution to the issues regarding governance, due to the magnitude of the issues and their causes. Resolving the issues pertaining to banking services and rental markets would make housing more accessible to the urban poor. Accessibility to housing among the urban poor can be increased by providing a wide range of housing options, which can cater to people in different circumstances. This can be brought in through a balance between ownership and rentals.

1. Introduction

A study by UN Habitat found that by 2030, about three billion people, or about 40 per cent of the world's population, would need proper housing. In simple terms, housing stands for providing a shelter that would ensure one's safety and support the activities of daily living. Various factors lead to homelessness and inappropriate housing, but the predominant factor is that the housing sector is not able to cope up with the rapid urbanisation challenging the cities. There has been a tremendous influx of people into urban areas in search of job opportunities and better living. As the aftermath of rapid urbanisation, there has been an increase in the number of street dwellers, slums, encroachments, illegal settlements, shadow rental market etc, leading to an increasing number of people living in poor conditions, according to the formal housing system. This means that not all are without a house or a shelter, but the legal documents and living standards of most of the households do not comply with the formal housing system. Hence, the housing issue that India is facing is not just about providing a shelter to the homeless but about how housing policies could enable the development of the households both socially and economically. To tackle these issues the policies and schemes adopted by the governments have been on the rise. But the effects of these policies have been a subject of concern, due to their inefficiency in addressing the issues.

India being a developing country is a victim of rapid urbanisation with 285 million people living in urban areas in 2001 to 380 million in 2011. There has been a 20 per cent increase in the number of homeless people in urban India (Dr Kumuda). As per a study conducted by KPMG, the housing shortage in cities is found to be approximately 1.9 crores. According to the census taken in each state, Maharashtra, Uttar Pradesh and Bihar are in dire need of housing facilities. In contrast, Goa, the Seven Sisters and Himachal Pradesh are comparatively on the safer side.

The census data help us divide the category of homeless into three:

- People in the formal housing system but living in substandard houses (2,272,848 urban households)
- Those who do not own land but has a house as in the case in informal settlements (13,749,424 households)

- The third category represents the people with no land or house. They spend their nights on footpaths or under flyovers (2,56,896 urban households)

This study aims to seek more clarity on the issues and challenges faced by the urban housing sector by reviewing the various policies related to it.

Is housing for the urban poor the sole responsibility of the government?

This question has been raised in various countries tackling housing issues. The Indian Government initiated public housing back in 1950. This responsibility has more or less continued to the present day. Majority of the homeless urban poor are dependent on the government for support, which leads us to the following questions.

Is governmental support helpful in improving the lives of the homeless? Who are the other stakeholders and what are their roles? How much can they support in resolving the issue?

The basics of economics say that if there is demand there will be a supply system created to suffice the demand. **If so, then why did the housing market fail to address the increasing demand for housing in Indian cities?** Moreover, a study through the years shows that the participation of the private sector in housing the urban poor has been limited. Recent schemes by the government invite the involvement of private players, but there has not been a significant increase in private participation. **Why does the private sector refrain from getting involved in urban housing projects?**

Kerala has around two lakh homeless people. Over the last decade, there has been a significant rise in the number of migrant labourers, most of them circulatory migrants, in Kerala. The Central and State Governments had taken various initiatives to address the issue but none made a significant difference. Why did these initiatives fail in improving the housing conditions for the urban poor? To understand the problems in housing straight from the beneficiaries and stakeholders, case studies and interviews were conducted in Kochi, Kerala. A few foreign housing models have also been discussed in the paper.

2. Understanding Housing

2.1. Increase in Demand for Housing in India

In the beginning of the 20th century, homelessness was not a matter of concern in India. The demand for housing policies began with the Second World War. Before 1947, there was no sponsored housing programme in India, except for housing for the employees of the provincial government. Following the Partition of India in 1947, the first housing initiative was proposed for the resettlement of millions of homeless refugees through planning colonies and townships in various states in the country.

In addition, jobs in the newly formed Central and State Government bodies invited a large number of people into Indian cities. The government along with various departments brought in schemes to house their employees. Another reason that led to rapid migration was unemployment and lack of job opportunities in rural areas. Hence, lack of employment pressured the urban housing market.

2.2. Settlement Patterns in India

The housing settlements, which eventually took form can be broadly categorised as formal and informal. A formal housing settlement characterised by legal documents and compliance with the building standards is the requirement of all households but in the present scenario, it is limited to the economically sound households of the country. In contrast, informal settlements are on the rise only to absorb the urban poor. The slums in India serve 17.6 per cent of the urban population through ownerships and rentals. These slums are those informal settlements that have more than 300 households, which means that not all informal settlements in India are documented. Hence, the percentage of population they serve is way beyond the figure mentioned.

Informal settlements rose dramatically after 1947 due to the advent of industrialisation in post Independent India. Dense settlements of labourers sprouted around mills and factories. This grew gradually with more migrants joining the settlements. This gives rise to the question as to why the response market failed to address the housing issue.

As the demand for housing increased, the gap between demand and supply widened. This led to an escalation of real estate prices in the cities. Since most of the migrants were victims of extreme poverty, they could not afford ownership in cities. Rental market became the next option for shelter. But the Rent Control Act formulated to ensure the security of tenants from exploitation proved counterproductive. The cap on the rental fee of a property gave very low returns to the property owners. Moreover, the Act also made eviction of tenants a difficult task. Hence, the property owners had no incentive to allot their property for rent or maintain the rented property. This led to locked rental units and the formation of dilapidated structures unfit for living. The tenants in these houses gradually moved out to join informal settlements elsewhere within the city.

Why did the response market fail to address the housing issue?

Informal settlements developed progressively in both private and public land. They were either formed as an extension of labour camps or as a gradual invasion of unoccupied land with makeshift shelters. In most of the cases, we see that informal settlements developed on unoccupied public land. This choice of invasion was by the logic that unless a particular individual was affected, there was no incentive to react (De Soto, 2002). Over time, these settlements established an informal system mimicking some of the processes in the formal system with records of ownership and documents to sell, buy or rent a property.

What led to the flourishing of informal settlements?

In India, the lack of official record of land made eviction impossible ensuring tenure security to the informal settlers, thus encouraging more households to join the settlements. When slums were notified and the provision of basic services was carried out, landlords were encouraged to consolidate and expand, thus creating greater housing and rental supply. This encouraged the formation of many other informal settlements with the anticipation of future regularisation of tenure and services provision. Easy procedures involved in the transfer of informally acquired property rights and renting of informal property, encouraged the poor to join the informal settlements. Many a times, these settlements were retained, as they became vote banks in politics.

In the course of events, the eviction of informal settlements for development and promised rehabilitation became a common scenario. This left several households in a sheer state of homelessness. Many of them joined other slums, while the rest found safety on pavements, under the streetlights.

Several efforts by the government to put them in night shelters, which are usually unwelcoming and badly maintained, only moved the people from the open to shadow areas behind buildings, stations etc. These form another category of victims of homelessness.

While informal settlement has become a popular choice among the urban poor, it is also relatively expensive. It involves bribes to local thugs, politicians and the police. It also involves a huge uncertainty on the future of events, which might lead to a complete loss of their investment in the house.

2.3. Role of Government in Housing Sector: Evolution of Housing Policies

Housing the homeless has been a subject of deliberation since the formulation of the first FYP in 1951.

Table 1: Focus areas in the housing sector in the 12 FYPs

Year	FYP	Focus Areas
1951-56	1 st FYP	Housing for government employees and EWS
1957-62	2 nd FYP	Schemes formulated to address the housing demands of LIG, slum dwellers and industrial workers
1963-68	3 rd FYP	Coordinated effort by all agencies to meet the needs of LIG
1969-74	4 th FYP	Balanced urban growth
1974-79	5 th FYP	Development of smaller townships
1980-85	6 th FYP	Merged shelter with basic services for the poor
1985-90	7 th FYP	Transition of the government's role from a provider to a facilitator
1988	NHP	Mission of eradicating poverty in the country

1992-97	8 th FYP	Role of the urban sector in the national economy
1997-2007	9 th & 10 th FYPs	Fiscal and legislative measures to encourage investments by individuals and corporate Limited free housing to the landless SC/ST and introduced credit-linked subsidy scheme for other BPL households
1998	NHP	Initiation of PPP
2007-12	11 th FYP	Need for improved housing through urban renewal
2007	NHP	Sustainable urban housing
2012-17	12 th FYP	Rapid, sustainable and inclusive development

From the objectives of the FYPs mentioned in Table 1, we can observe the gradual transformation in the role of the government. In the beginning, to meet the sudden increase in the demand for housing, the government took up direct distribution of housing units. Over time, as the demand outgrew the potential of the government, steps were taken to help the housing sector to suffice the demand. In the recent years, the government has taken steps to create a favourable setting for private players to take up housing projects for the urban poor.

Table 2: List of Housing Schemes and their Financial Expenditure

Phase 1 Government as Provider	Year	Scheme		Amount (Central Assistance)
		EWS	SIHS	
	1952	EWS	Economically Weaker Section Housing	Not available
	1952	SIHS	Subsidised Industrial Housing Scheme	Not available

	1954	LIGHS	Low Income Group Housing Scheme	Not available
	1956	SAIC	Slum Area Improvement and Clearance Programme	Not available
	1958	UCD	Urban Community Development	Not available
Phase 2 Government to Aid	1980	MNP	Minimum Needs Programme	Not available
	1980	SS	Sites and Services Scheme	Not available
Phase 3 Government as Facilitator	1986	20PP	20 Point Programme	Not available
	1988	NSS	Night Shelter Scheme (Community Housing)	Not available
	1989	NRY	Nehru Rozgar Yojana	Not available
	1995	PMIPEP	Prime Minister's Integrated Poverty Eradication Programme	Not available
	1996	NSDP	National Slum Development Programme	₹3850 crore
	2001	VAMBAY	Valmiki Ambedkar Malin Basti Awas Yojana	Not Available
	2001	RAY	Rajiv AwasYojana	₹1595.55 crore
	2005	JNNURM-	Jawaharlal Nehru National Urban	₹10,662.16 crore

		BSUP	Renewal Mission - Basic Services for Urban Poor	
2005	JNNURM- IHSDP	Integrated Housing and Slum Development Programme	₹6431.8 crore (Oct 2015)	
2013	NULM-SUH	National Urban Livelihood Mission - Shelter for Urban Homeless	₹5071.44 crore	
2016	PMAY	Pradhan Manthri Awas Yojana	₹1629.11 crore	

2.4. Progress of Recent Housing Schemes

Four recent schemes are analysed to understand their efficiency based on their output and time factor.

Table 3: Progress of Recent Housing Schemes

Schemes	Objective	Time Period	Progress			
			Sanctioned	In Progress	Occupied	Unoccupied
JNNURM - BSUP	Security of tenure at affordable price & improved housing	2005 to 2011 Extended to 2015 Extended again to 2017	7,94,091	1,64,193	1,59,077	4,70,821
JNNURM - IHSDP	Holistic slum development		4,56,938	1,23,679	2,81,721	51,538

RAY	Improving and provisioning of housing, basic civic infrastructure and social amenities in slums	2011-2022 In 2015 it was subsumed to PMAY	Funds for 24,141 units released (Karnataka, Gujarat & Rajasthan)	22,269	741	1131
NULM - SUH(National Policy)	Ensure access of urban homeless to permanent shelters with basic services; for every one lakh people, there should be a permanent shelter that can accommodate around 50 to 100 people, depending on the need of the city	2013-2022	10 (Bangalore- 90 to be constructed)	4	2	8
PMAY	Affordable housing for all Rehabilitation of slum through PPP -CLSS -AHP -Subsidy for beneficiary-led individual house	2015-2022	923	Not available	Not available	Not available

2.5. Housing Models in Other Countries

The following table discusses a few housing models in different countries that have brought about significant increase in the housing stock for urban poor and their accessibility to housing.

Table 4: Foreign Housing Models

Model	Objective	Target	Place
Basic Housing Programme	Complexes or apartments of completed housing units of 42 square metre area Government contracts out building to private firms Units are allotted directly by the government It can also be availed in the form of subsidy	LIG	Chile
Progressive Housing Programme	Fully serviced housing lot and a core house of approximately 14 square metre Subsidies to support expansion Government contracts out building to private firms Units are allotted directly by the government It can also be availed in the form of subsidy	EWS	Chile
Unified Subsidies Programme	Cash vouchers to complement household savings and debt capacity to buy market offered house	Households from various income range	Chile
Special Workers Programme	Direct subsidies to organised groups with either larger savings capacity or with assistance from other sources (firms, NGOs)	LIG	Chile
Joint Housing	Supports organised groups of at least 10	LIG	Chile

Projects	households with the support of a managing organisation like the municipality, NGO or a consulting firm recognised by the government		
Community-led Housing	Government-funded Community Organisations Development Institute (CODI) organises slum communities, extends loans to groups of 100 households to purchase land, create a rational road network, extend services and build housing	Slum dwellers	Thailand
Increasing the Rental Market	Tax incentives to developers, who open their units for rent for five to six years before selling them	Urban poor	Mexico
Household Rental Grant Programme	To support self-help landlords to build rental units and tax relief on the rental To increase the rental market	Urban poor	South Africa

2.6. Role of Private Players in Housing Sector

Though there are several government initiated projects, the housing stock in India is mainly produced by private players in the real estate market. But, when it comes to housing the urban poor, the participation of private players is low. In 2008-09, the private sector had concentrated development on the upper middle class and luxury segments. During this period, heavy competition forced many private developers to enter the field of affordable housing for the poor. The major factor that encouraged the developers to enter the field was the huge demand for affordable housing, leading to high sale velocities and lower risks. In addition, many national and

What are the factors that brought private players into housing for the urban poor?

international NGOs increased their activities in the sector. Emergence of micro-finance institutions to improve the buyers' access to housing finance was a positive influence. Moreover, a few branded players in the low-income segment gave the first movers benefit. In spite of all these positives, the contribution of private players to the lower income housing sector has been limited.

Location of the project is an important factor. Low FSI (The ratio of the building's floor area to the size of the plot upon which it is built) and unplanned development have led to tremendous increase in the value of land within the city. Land accounts to about 30 per cent of the total project cost, due to which private developers take up huge plots of land in the outskirts in order to reduce the non-constructional cost on the units. But unavailability of serviced plots of land only increases the investment of the developer, for example, the development of roads, sanitation facility etc. Transportation planning plays a major role in increasing the availability of residential plots of land. Most of the beneficiaries work in the city, and inefficient connectivity and transportation facility would take a major share off their meagre income. Hence, beneficiaries are reluctant to buy units in the outskirts, leading to numerous vacant and abandoned units.

Census 2011 figures reveal that the housing stock has increased from 24.9 crore in 2001 to 33.1 crore in 2011, indicating a growth of 33 per cent. However, housing shortage is posing a challenge, since there is a mismatch between the people for whom the houses are being built and those who need them.

Pricing of the units includes the constructional cost and a share of the non-constructional cost incurred. Delay in approvals and long procedures increase the construction time, which in turn hike the cost and make the project less remunerative. Around five to 10 per cent of the total cost can be lowered, if the time taken for approvals is reduced by 50 per cent. This can be achieved through single window clearance or online procedures (KPMG). Moreover, 35 per cent of the project cost goes to the government in the form of taxes and stamp duties. This results in a price that cannot be afforded by the target group. Since it is not possible to reduce the non-constructional cost, the developers resort to decreasing the constructional cost by compromising on quality.

Another important factor is 'awareness' that determines efficient distribution and coverage. The target population is often ignorant about upcoming schemes and projects. Many do not have access to finance institutions and this baulks

A successful private housing model in India: The private developer group DBS has partnered with Griha Pravesh, an NGO to create awareness among slum dwellers and help them create documents to access finances. This way the developers ensure that all the units are sold.

people from investing in property. Due to these factors, around 15 lakh affordable houses have no takers despite the increase in the number of homeless.

2.7. Rental Market in India

Table 1 demonstrates that almost all the housing policies in India are ownership oriented. Apart from the housing policies, the Rental Acts in India also play a major role in the decline of the rental market. This has built an inclination towards ownership of houses among the public, while rental housing has reduced substantially over the years. This can be observed from the figures in Census 1961 and 2011. There has been a decrease in the rental market from 54 per cent in 1961 to 13 per cent(rental & others) in 2011. Census 2011 has included a new category called ‘Others’, which represents the households that are given accommodation by the employer and hence do not have to pay the rent. This accommodation is mostly unauthorised and illegal (Decline of Rental Housing in India, 2014).

While there is a housing shortage of 1.9 crore in urban India, around 2 crore houses remain vacant (KPMG). In India, rent control measures were first introduced in 1912 in Bombay and then in Calcutta in 1920, soon after First World War. Due to the inflationary aftermath of First World War, these acts were conceived as purely temporary measures to provide relief to tenants against demand of exorbitant rent and indiscriminate eviction by landlords, due to the scarcity of houses in urban areas. By the end of Second World War, all Indian cities had adopted rent control measures. The Model Rent Control Act was formulated in 1992 by the Central Government. Since it is a State subject, the States get the opportunity to design their Rental Act along the national framework to meet their needs. Although we have different Rental Acts in India, all rent control measures focus on one common factor - the security of tenants against exploitation. The following measures forced landlords to withdraw their units from the rental market.

- Fixed rental cap that has led to low returns for landlords
- Restricted annual increase in rates well below market rates
- Terms for eviction favouring tenants
- Standard specifications of rental units

The Model Rent Control Act, 1992: The standard rent is to be fixed on the basis of 10 per cent or such percentage return, as the state government decides the cost of the property based on (a) the market value of land during the commencement of construction; (b) the construction cost and (c) maintenance or renovation cost (if applicable). The so derived standard rent can be increased by certain specified percentage to arrive at the standard rent for the year. Taking the case of Delhi, the suggested rates of increase are 4 per cent (1950-60), 6 per cent (1960-70) and 8 per cent (1970 onwards), though the inflation rate was much higher (NUJS Law Review).

In 2011, to avoid litigations arising out of landlord-tenant disputes, the Supreme Court passed a judgement that a landlord cannot evict a tenant for at least five years, if the tenant has paid the rent regularly, according to the agreement between the two parties. However, the owner can evict a tenant, if he wants to use the premise himself.

Results of the above measures:

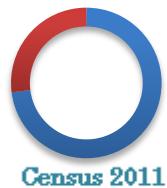
- Withdrawal of existing housing stock from the rental market
- Very low returns resulted in lack of maintenance leading to inhabitable units
- Stagnation of municipal property tax revenue based on rent
- Deterioration in civic services provided
- Increase in disputes between landlords and tenants

Present Practice: The tenant signs a rent agreement with the landlord to occupy the property for a period of 11 months, with an option for periodic renewal. Since the Rent Control Act (which is largely in favour of tenants) only applies to lease agreements of at least 12 months, establishing an 11-month agreement helps landlords to take a pre-emptive measure for eviction.

As a result, there was a relocation of tenants from these units to the slums.

With the increasing demand for housing in India, the present policies that support ownership would increase the prices of housing units in addition to the pertaining issue of land unavailability.

Nearly 27.5 per cent of rental households in urban India



Very low when compared to global cities



Mumbai had 23 per cent of rental households in 1961 and the increase between 1961 and 2011 is -70.83 per cent. Despite a huge influx of people into the city, Mumbai has seen the lowest growth in rental units among all the cities in India. Till 1999, the rental market in the city was regulated by Bombay Rents, Hotel and Lodging House Rates Control Act of 1947. The new rental act formed in 1999 retained the restrictions of the previous act.

Source: Decline of Rental Housing in India, 2014

Since a large proportion of the target group includes migrants, the present ownership oriented policies would make it difficult to meet the rising demand. Also, it is to be understood that not all migrants move to the cities with the idea of settling down. This can be substantiated by the increasing trend of circulatory migration. Migrants tend to move through cities in search of short-term

jobs. While some bring their families along, majority travel alone with their families settled in their native land. On completion of their job in the city, they send their earnings home and start their search for a new job in the same or another city. Hence, it is clear that many migrants look for short-term accommodations, which means there is a huge demand for the rental market. The other demand determinants of this market are proximity to workplace, affordability, easy procedures, flexibility, wide range to choose from and lack of access to ownership.

Table 5: Advantages of Informal Rental Markets over Formal Market

Landlord	Tenant
No registration	Easy procedure
Eviction on non-payment of rent is easy	Flexibility in stay (short term)
No particular standards to be followed	
Rent is decided by the market and no restrictions on its increase	

2.8. Shadow Rental Market -A Popular Housing Option among Urban Poor

To meet the growing demand for housing among poor migrants, a shadow rental market took form. The shortage of units in the formal market led to excess demand, which pushed the rents in the secondary rental market well above the mean market price. Almost 80 per cent of the rental market for LIG and BPL are in informal settlements in the city. Census 2011 points out that 26 per cent of households in slums stay in rentals, which form a part of the informal rental market. In addition, informal rentals are also provided by poor landlords, who are trying to capitalise the small piece of land they own. Rows of single units with basic services behind one's house or on its first floor fetch an extra income. Thus, it is a win-win situation for both the tenants and the landowners. These shadow rental markets are in response to the increasing demand for housing among the poor migrants, despite the ignorance of the policies on rental housing.

2.9. Role of Financial Institutions

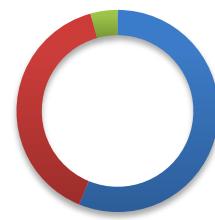
Most often, LIG with an annual income of ₹3 lakh to ₹6 lakh (as per MoHUPA) need just a financial support to build a house on the land they own or to buy a house offered by the market. In India, housing finance was introduced as early as 1970, but they were centralised directed credit schemes for industrial workers, government employees, EWS and slum dwellers. After the formation of the NHB in 1988, the housing finance market in India has grown phenomenally, in terms of the number of players and products to serve different segments as per their needs. Today, commercial banks are the major players in the housing sector owning 67 per cent of the services. But these banks mostly target the middle income group and the high income group. We also have Housing Finance Companies under the NHB, which were formed exclusively to serve the housing finance needs. However, the findings of the NHB in 2014 show that only 20 HFCs account for more than 90 per cent of the housing loans provided. There is a high level of reluctance among cooperative banks in providing housing loans, considering the high risks involved and the illiquidity in giving housing loans from common corpus.

MFIs have begun housing loan services following the concept of progressive housing, where an individual can take small amount of loans and build the house in stages over a period of time. But it is noticed that to play safe, most of these MFIs mainly target salaried individuals. As these housing loans grant large amounts of capital for long periods of time at a low rate of

interest, they are less attractive to lenders when compared to short-term, high-yielding loans.

Of the total number of homeless people in India, 90 per cent belong to the EWS and LIG categories. The report for the 12th FYP states that 94 per cent of the estimated housing shortage (18.78 million) belong to the EWS and LIG categories. Most of them in these income groups are engaged in low salaried jobs, self-employment or daily wage jobs. This means that they are unable to produce an income certificate or collateral, which in turn poses a risk of non-repayment. Housing finance institutions are reluctant to finance low-income housing because it is riskier with greater numbers of defaults, greater potential troubles and greater administrative expenses, and troublesome recovering repayments on so many individual loans.

**Estimated housing shortage
2012-2017, MoHUPA**



■ EWS ■ LIG ■ MIG

3. Identification of Issues in Housing for Urban Poor

3.1. Obstacles in the Implementation of Housing Schemes in India

The process of implementing a scheme can be divided into three stages -inputs, execution and outputs. Obstacles involved in the implementation processes are identified from the National audit, State audit and newspaper reports and tagged to the three stages. The following table analyses the results of each issue and the fundamental reason behind it.

Table 6: Analysis of the Implementation of Housing Schemes

Stage	Issue	Result	Fundamental Reason
INPUTS	Land <ul style="list-style-type: none"> • Inefficient land records • Land disputes 	<ul style="list-style-type: none"> • Delay in commencing a project • Abandoning of projects due to lack of land • Unfulfilled promises to the beneficiaries identified 	<ul style="list-style-type: none"> • Several departments involved in managing land records • Survey is cumbersome, time-consuming and costly • Significant time lag between registration and mutation
	Finance <ul style="list-style-type: none"> • Delayed release of funds • Diversion of funds for purposes other than that envisaged in the DPR 	<ul style="list-style-type: none"> • Extension of completion period beyond the date mentioned in the DPR 	<ul style="list-style-type: none"> • Lack of cross monitoring • Poor repayment capacity of the

	<ul style="list-style-type: none"> Inaccessible housing loans 	<ul style="list-style-type: none"> Increase in project cost Needs of the beneficiaries are not met Lack of financial support leads to incapability of the urban poor to buy property 	beneficiaries
	<p>Technology</p> <ul style="list-style-type: none"> Recommended latest technologies are not used 	<ul style="list-style-type: none"> Long and inefficient construction methods compared to the available technology 	<ul style="list-style-type: none"> Lack of awareness regarding advanced technology
	<p>Master Plan & City Scale Services</p> <ul style="list-style-type: none"> Principle instruments are worked out in isolation Demonstrates no integration with financial plans Lack of detailed and specific proposals Ignorance of informality in the city 	<ul style="list-style-type: none"> Unplanned development in the city Unserviced plots of land Poor city services 	<ul style="list-style-type: none"> Non-convergence of different departments Inefficient decentralisation of power to LSGs
	<p>Approvals</p> <ul style="list-style-type: none"> Long process 20 to 30 approvals 	<ul style="list-style-type: none"> Increase in project cost 	<ul style="list-style-type: none"> Non-convergence of

	required from multiple bodies and departments in the Centre, State and ULBs		different departments
EXECUTION	Identification of Beneficiaries <ul style="list-style-type: none"> • Improper survey • Arbitrary criterion introduced without approval from the authorities 	<ul style="list-style-type: none"> • Benefits availed by non-eligible people • Deserving target group not identified 	<ul style="list-style-type: none"> • Lack of beneficiary participation • Lack of awareness
	Design & Planning <ul style="list-style-type: none"> • Away from the source of livelihood • Uniform size of the unit • Non-convergence of the departments involved • Deficiency in the preparation of DPRs 	<ul style="list-style-type: none"> • No coordination among various stakeholders • Delay in implementation • Units built are often Unsuitable and do not meet the needs of the beneficiaries • Increase in unoccupied units 	<ul style="list-style-type: none"> • Lack of participation of all stakeholders

	Monitoring <ul style="list-style-type: none"> • No efficiency check at each level • Bad quality of construction • Inefficient maintenance and operation 	<ul style="list-style-type: none"> • Lack of transparency in implementation process • Increase in the number of unoccupied units • Units abandoned or in poor conditions 	<ul style="list-style-type: none"> • Lack of cross monitoring • Lack of accountability among beneficiaries • Lack of maintenance
OUTPUTS	<ul style="list-style-type: none"> • Large percentage of sanctioned projects remains unconstructed • Completed units are not put to use • Non completion of houses after getting assistance in beneficiary led housing • Retained ownership documents • Very few PPP initiatives 	<ul style="list-style-type: none"> • Inefficient use of funds released • Without ownership documents households immobilised economically • Lack of private participation, increasing the pressure on the government 	<ul style="list-style-type: none"> • Lack of cross monitoring • Lack of beneficiary participation • Lack of awareness regarding housing schemes • Poor repayment capacity

3.2. Interaction with Stakeholders

The issues stated above were discussed with different stakeholders from the beneficiaries to the representatives of various government departments in the city of Kochi, to understand multiple viewpoints regarding housing for the urban poor. The matter of financial aid was also discussed with representatives from public and cooperative banks.

3.2.1. Methodology

Four mass housing projects directly provided by the government and an informal settlement in Kochi were selected to conduct case studies. The case studies are based on the personal interview method, where five households from four government housing projects and one informal settlement were asked regarding their previous housing conditions, present living conditions and the problems they faced, if any. Representatives of different stakeholders were interviewed regarding their role in the implementation of urban poor housing and the problems they faced in the process.

3.2.2. Findings from Case Studies and Interviews

i. *Unavailability of serviced plots of land*

Poorly maintained land records and unresolved land disputes have led to the under use of potential land in the city. With the increasing demand for housing, the government is finding it difficult to locate land within the city. Most of the land identified lacks basic services like water supply, drainage system etc. Hence, housing projects not only involve the construction of housing units but also extending city services to the plots. This delays the completion of the project, since it involves the participation of various government departments and higher expenditure. Representatives of private development firms working on housing for the urban poor claim subserviced plots as the main reason for their inability to reduce the cost per unit.

ii. *Inefficient identification of beneficiaries*

The policy guidelines demand a detailed survey to be conducted to identify the deserving beneficiaries. The process is often avoided since it is very time consuming and requires a lot of human resource. In addition, lack of monetary resources and technology are other key factors due to which efficient surveys are not conducted. Hence the beneficiary lists are made out of the already existing survey which might be outdated or the lists are made on demand through politicians.

In Thiruvananthapuram, under phase I of the BSUP project to construct 115 units, a site of 2.41 acre of land was identified. When the construction started, the City Corporation received a complaint regarding the ownership of the land. Later, it was confirmed that on the land was a private property. The Corporation stated that the mistake happened as there was no demarcation between Corporation and private land. It cost the Corporation ₹5.01 lakh.

Source: Kerala Local Bodies Report,2015

Elamkulam Colony in Kochi was designed for the employees belonging to SC/ST, who did not own any property, working as waste collectors for the City Corporation. But it is found that many of the beneficiaries already owned land and homes in other parts of the city. On enquiring with the cooperative society working for the households in the colony, it was found that one section of the project, designed for the disabled among SC/ST, was later distributed to Corporation employees.

Another case noticed is the sudden change in beneficiary list. Even though the eligible beneficiaries are identified, it is changed during the allotment due to reluctance of the beneficiaries to move to the units. In most cases, this is because the housing complexes do not comply with their needs and demands. A similar situation also occurs in cases where undeserving candidates are found in the beneficiary list which is the result of inefficient identification of beneficiaries.

iii. Lack of awareness on acquiring title deeds

Poor education and awareness among the beneficiaries have led to their incapability to go through the procedures for repaying loans and obtaining certificates. The beneficiaries have no organisations or agencies that could guide them through the process. They do not know whom to approach for solutions. This has immobilised the households, restricting their social and economic growth.

iv. Lack of title deeds

The possession of title deeds is necessary to avoid the affected households from selling their property and moving back to slums. In such cases, the units just become a dwelling place and are incapable of encouraging the development of the beneficiaries of the households. The lack of title deeds stunts the economic growth of the households.

v. Lack of accountability among beneficiaries

One of the most common issues in the colonies visited for the study was the lack of maintenance of common facilities and services. The beneficiaries refuse to spend on the maintenance of common facilities provided in the colony. This is due to the lack of beneficiary participation in the design, construction and financial contribution (non-repayment of

Even after 30 years of occupancy, a few households in the Mannupatti Parambu LIG colony (Kochi) have not received their title deeds. When enquired, most of them were unaware of the process to acquire the deeds. The lack of title deeds has immobilised these families. This has also led to low maintenance and dilapidated state of the houses. Many do not know how to read and write, which makes it difficult for them to understand the procedures.

The households of Karimadam Colony were slum dwellers, who faced repeated eviction due to the expansion of the railway lines, near which they lived. With the DFID funds, GCDA built two-storey buildings for the evicted households. On enquiry, none of them received the possession certificate nor were they promised any. They did not participate financially or physically in the development of the units, which is evident in the poor accountability among the households.

loans). Lack of maintenance has led to the deterioration of common services over time, creating an unhealthy and unsafe living environment. According to recent housing policies, the maintenance of the housing complex will be partly aided by the government in the first few years as mentioned in the scheme. But this has led to a situation where the beneficiaries expect the government to continue the aid for maintenance. To avoid the sale of property, the ownership documents are retained by the government, which remains with the department for more than 15 years. This discourages the beneficiaries from maintaining or investing in the property.

vi. Poor repayment capacity

Unemployment and irregular job among the beneficiaries make it difficult for them to repay the loans. Earlier, in many such cases, the local government and the city development authority helped the beneficiaries by writing off the loans or by paying them to the banks themselves. This has developed a sense of dependency on the government for repayment over the years. This has brought huge loss to the local development authorities, who had to repay the loans from their own revenue, thus discouraging them to design more projects on similar lines. Representatives from the banks said that non-repayment has been a growing issue in housing loans for the urban poor. It was found that many banks demand a guarantee certificate from the beneficiaries, which is not a compulsory requirement in the banking guidelines. Since many of these beneficiaries lack contacts with government officials or the government officials refuse to sign the guarantee, taking a loan from the bank becomes a tedious process for them. This is because the banks are reluctant to release housing loans to the urban poor for fear of non-repayment. The officials were of the opinion that if the government could assure credit

Shanti Nagar Colony was built to house the encroachers on the PWD land in Kochi. The structure was built with partition walls separating each unit, thus resulting in a lack of privacy. Each unit stood on a plot of 0.75 cent, which cannot even be used as collaterals in cooperative banks. Hence, though they own the land and the house, it does not offer them financial security.

When asked about repayment, they said that they did not have to pay for the units. On enquiry with GCDA, the officials said that since the households refused to repay the loans to HUDCO, GCDA had to settle them, acquiring huge financial losses on the project.

guarantees, then they would help in opening up more housing loans for the urban poor. This is not a valid option, as it can lead to more non-performing loans. Also, how many such loans can be guaranteed by the government?

vii. *Illegal sales of property*

Representatives from the local government and the city development authority stated that despite the measures taken to avoid the resale of the housing units, there have been many such cases. This increase in informal sales must be due to lack of efficient records. The problems come to light only while preparing the title deeds for the households, many years after the completion of the project. Beneficiaries resort to selling and renting due to financial crunch, which would not have been the case had they possessed the title deeds beforehand. These documents could make them eligible to avail loans from banks.

viii. *Bad design and poor construction quality*

Few projects sport flawed designs with common areas becoming negative spaces, introverted design encouraging illegal activities and units lacking ventilation. Due to the unavailability of land and disputed land in the city, the housing complexes are designed to house a large number of households on small plots of land. Vertical housing is not practised for urban poor housing, since the households are reluctant to maintain the common areas. This has resulted in congested designs like row houses of small units and one-storey complexes with dingy corridors. Many of these units lack privacy. The quality of construction is also a major concern, due to corrupt contractors. Poor quality has led to leaky roofs and weak walls, which need constant maintenance. These also restrict the vertical and horizontal expansion of each unit.

When asked about the maintenance, the households replied that they expected the government to take care of it. There has been an instance, when they went on a protest and the government replaced the old tile roofs with sheets.

ix. Lack of beneficiary participation

Lack of beneficiary participation is the major impediment to meeting the needs and demands of the households. This has led to many unoccupied units, which have resulted in huge loss of money and energy. An informal settlement shows how the structures grow from tensile to concrete over a short period. This is because in most of the cases, the beneficiaries have developed a network of resources around their settlement, which can help them in development and they take part in construction themselves. Thus collaborating with the beneficiaries could help in easier and quicker completion of housing complexes at a lower cost.

x. Non flexible unit size

The size of the units of all the housing projects is fixed to the basic minimum, in order to reduce their cost and make them affordable to the urban poor. This is done irrespective of the household size. Overcrowded small units create bad living environments, posing threat to the well-being of the individuals. In informal settlements, it is observed that households expand their units when they have enough savings or when there is an increase in the household size. In the case of housing colonies, the units have no provision for expansion, vertically or horizontally. This forces them to live in a small space, until they have saved enough to buy or build a new house, but most of the households might not be capable of saving enough money. As per the PMAY scheme, the unit size is 300 square feet for a EWS family and 600 square feet for a LIG family. It is to be analysed whether income is a factor on which the housing unit size can be fixed.

All the case studies show that the projects were taken up by the government and allotted to the beneficiaries after completion. These processes did not involve beneficiary participation, except in the case of Mannipattu Parambu. Here, the beneficiaries were asked to repay a part of the total expense, in order to inculcate a sense of accountability among the households.

In Shanti Nagar Colony, units of 250 square feet serve a household size of two to seven. This leads to cramped interiors. Lack of privacy and sufficient space for each individual can have a negative impact on the well-being of individuals. This is the case of most housing colonies.

xii. Illegal construction of rental units and poor living conditions

As discussed in Section 2.8, due to the non-performing formal rental market, the informal rental market is the only option for migrants. The latest reform in the tenancy scheme is the Draft Model Tenancy Act, 2015, which stresses on the agreement between the tenant and the landlord that is to be registered with the rent authority and the formation of a separate rent court to settle disputes between the two parties. According to this draft, issues concerning eviction would be decided as per the tenure period mentioned in the agreement. When the tenant or the landlord submits an application, the rent authority would check the rent and revise it only in case of a dispute. This ensures that the rate of increase is within the range prescribed by the government.

Vaathuruthy is a perfect example for the informal rental market. Here, 45 landlords provide small rental units for over 2000 migrants. The units are built in a row within the land they own. The rent for each unit is between ₹750 to ₹1500 per month. All the units have electric connection but water and sanitary services are common. Toilets are provided in the ratio of 1:20 households. Despite the substandard facilities, all the units are occupied. When one household leaves, another occupies the unit. There is always a huge demand for rental units here. This has encouraged the landlords to build more rental units on government land close by.

It is observed that most of these tenants are circulatory migrants, who do not care for better facilities, since they use the units only to sleep after the day's work. Hence, these units serve their basic needs.

4. Fundamental Problems behind Identified Issues

The major issues in the implementation process are identified and discussed in the literature and case studies. On analysis, it was found that most of these issues could be solved by addressing a few fundamental problems.

4.1. Problem 1: Lack of Commensurate Power and Revenue with Local Governing Bodies

Local Self Governments are responsible for creating the appropriate system that would ensure safe living conditions to people. Hence, the efficient functioning of ULBs is very important in ensuring housing for the urban poor in the cities.

Reason

- Sharing of responsibilities with multiple bodies
- No commensurate fiscal devolution
- Eroding revenue from property tax
- Underused assets of ULBs

The 74th Constitutional Amendment Act incorporated provisions for the devolution of certain powers and functions to ULBs. The 12th Schedule of the Constitution lists the specific functions under economic and social development that are devolved to ULBs. In reality, most of these functions are typically shared by multiple bodies (like PWD, CDA etc), as in the case of roads, bridges, city development plan etc. Water distribution within the city falls under the scope of ULBs, but this also becomes the responsibility of parastatal bodies owned by the state government. ULBs have little control over the parastatal bodies, thus complicating the structure leading to poor outcomes. This multiplicity of authorities and lack of coordination among them make the management and implementation of public infrastructure and services extremely difficult. A few other functions like planning for economic and social development, urban poverty alleviation and slum improvement need a lot of resources and expertise, which ULBs do not possess.

The 74th Amendment also states that a part of the state revenue should be given to the local governing bodies. But Financial Commission reports state that the state fiscal devolution often remains on paper, though this varies from state to state. The sources of revenue for ULBs are limited and skewed. The main source of revenue is the property tax, where significant number of properties are not included in the tax base, while those that are included are often inaccurately assessed, leading to inefficient tax collection. Legal disputes over property ownership result in poor tax assessment and the method of recording property documents in papers have made it difficult to identify the defaulters. This has eroded the

property tax in many Indian cities. Another source of income is through assets, but it is noticed that many of these assets like land and buildings are underused. A World Bank review of municipal budgets points out that income from leasing of land contributes to 50-100 per cent of the municipal urban infrastructure investment, whereas in India it is only 30-40 per cent of the total investment.

Appropriate working of the local governments would help in solving the following issues related to housing:

- Unavailability of serviced plots
- Lack of water connection, sanitary facilities, electricity and access to individual units in housing complexes, due to inefficient city services
- Restriction on the allotment of units and increase in unoccupied units, due to the delay in providing basic services
- Delay in the management and implementation of schemes for city development
- Transfer of additional cost to the price of the unit, due to the development of basic services by private players

4.2. Problem 2: Non-convergence of Different Institutes

Housing is one of the fields that requires coordinated effort from various institutes dealing with different services in the city like the local government, development authorities, parastatal bodies etc. But the unsuccessful development process points out the non-convergence of these institutes. Since most of the institutes work independent of each other, they are not updated with the progress of the projects of their co-institutes. When there are multiple bodies handling the same subject, non-coordination results in inaccurate records and delay in progress. This is one of the main reasons for incomplete mass housing projects and city development plans.

Reason

- Multiplicity of independent authorities
- Individual records
- No common platform

Issues that could be solved:

- Lack of serviced plots of land
- Tedious approval processes
- Delay in construction period
- Inaccurate records of documents, leading to disputes and corruption

- Huge loss of money
 - Numerous unoccupied housing units, due to lack of basic services
-

E-governance

The main thrust for E-governance was provided with the launch of NICNET, a national satellite-based computer network, in 1987. NICNET was transferred via the state capitals to all the districts by 1990. The high cost of implementation, lengthy process involved to transfer the records from papers to the web-based system, disputed cases, resistance to change among the citizens and officials, and ignorance and lack of access to information technology among a large number of people have led to the slow pace of progress. If E-governance is brought into effect, it would bring the entire department on a single platform.

4.3. Problem 3: Lack of Cross Monitoring

The implementation of most of the housing schemes is handled by the government from the initiation to completion. Hence, the government is responsible for the success and failure of the projects. Since the government is not answerable to anyone except itself, the issues often go unattended. This has led to corruption within the system. To tackle this, a TPIMA were appointed to make a report on the implementation of the projects. However, there has been no collaboration between TPIMA and the respective government departments on the matter. Instead, the reports are transferred through the state nodal agency to the local government. Many cases have been reported, where TPIMA reports were not transferred to the respective departments and were ignored. If the work were distributed among various government departments and private sectors with the involvement of beneficiaries in different stages of development, there would be a likely cross monitoring between agencies within the system. With the emergence of E-governance, the details of the projects would be available for public review, thus reducing chances for corruption.

A good monitoring system would question:

- Inefficient use of finance
- Sudden change in the beneficiary list
- Low quality of construction and poor design

4.4. Problem 4: Inefficient Land Records

Land is the most important element in housing, without which housing would be impossible. If the issues pertaining to land resource remain unresolved, there would be no point in framing housing models. The main problem is that land records are inaccurate and ambiguous. The process of registering a land ownership involves three to four departments, namely the Revenue Department for textual records and mutations, Survey & Settlement (or Consolidation) Department for the maps, Registration Department for the verification of encumbrances and registration of transfer and mortgage, the panchayat (in some States, for mutation) and the municipal authorities (for urban land records). Each department maintains a record regarding the land, due to which there is inaccurate data. A change in one record may not be updated by the other departments, thus leading to disputes in land ownership. This also helps fraudsters to engage in corruption. Another reason for inaccurate records is that people delay land registration, due to the tedious procedures involving four different departments.

In India, land has never been surveyed in detail, which has led to erroneous boundaries and unidentified potential land. Restructuring the land records will open up many disputes and encroachment cases, which might be a reason the government has been delaying the process of cleaning the records. Another reason could be that the government departments do not have proper records of the land they own. This, in turn, is the reason for the growing encroachment on government land. Eviction of encroachers cannot be initiated without clear proof, showing that the land is encroached. Hence, the government should have detailed records on land, its area, boundaries, ownership etc. If strict policing on encroachments were brought into effect, the resale of allotted housing units by the urban poor to move back to slums would reduce drastically.

Reason

- Multiple departments involved in registration
- Multiple records
- Tedious registration process
- Lack of proper survey

Issues that could be solved:

- Unavailability of land
- Ambiguous record restricting strict policing of encroachments
- Retention of title deeds due to the fear of resale of units

- Poor planning and designing of units due to small plots of land
 - Eroding property tax revenue for the ULBs due to inaccurately accessed properties
-

Digitisation of Land Records

The efforts of the Department of Land Resources to computerise land records started with two schemes namely, CLR and the SRA & ULR, in 1988-89 and 2008-09 respectively. The two schemes were subsumed to NRLMP. With the inclusion of the scheme into Digital India Initiatives, it was renamed as DILRMP. The main objectives of the scheme are the integration of textual and spatial records, computerisation of registration and inter-connectivity between revenue and registration systems and firming up modern technology options for survey and core GIS. All the districts are to be covered under the programme by the end of 12thFYP (2017). As per a report published in December 2015, the Centre has released a fund of `1,16,741.64 lakh, of which `52,526.28 lakh are utilised and only 457 districts are covered. Most of these 457 districts are yet to have a complete working system.

The main obstacles in its implementation are the delay in release of funds by the state government and lack of skilled human resource. The government might be taking the process slow, as it may bring up many disputes. The government themselves might not have the appropriate records for land.

4.5. Problem 5: Inaccessible Banking Services

The penetration of banking services in India is low (35.5 per cent as per Census 2011), when compared to many other countries. Though many bank accounts have been opened under the PMJDY scheme, 43 per cent of the bank accounts thus opened remain dormant. This implies that a large number of people are unaware of banking services and do not use the facilities efficiently. The penetration of other banking services like loans is in a similar state. Hence, as discussed in Section 2.9, the current financing mechanism prevalent in the country mostly targets middle and high income sections of the society, while the households falling under LIG and EWS find it difficult to secure formal housing finance.

Most of the urban poor require an additional financial support to build or buy a house offered by the market in the city. When compared to the informal financial institutions, it is observed that the formal banking system is very rigid and does not suit the informal workers in the urban poor category, who have no collateral or stable jobs. To ensure repayment, banks ask for guarantee certificates from the beneficiaries, thus making housing loans inaccessible to many. Many of these beneficiaries are illiterate or uneducated, which makes it difficult for them to follow the paperwork required for availing banking services.

Reason

- Lack of collateral among beneficiaries
- Low repayment capacity
- Lack of awareness about banking services
- Difficult banking procedures
- Non-flexibility in banking services

Though informal financial lending involves an exorbitant interest rate, the urban poor still relies on it for the following reasons.

- Requires no collateral or income certificate
- Easy procedures
- Works on mutual guarantees
- Flexibility in repayment

If these advantages could be brought into the formal lending system, it would be easier for the target group to access financial support. Lesser interest rate in the formal market combined with these advantages would serve the target group rightly. To do this, banks could lend loans to cooperative societies or NGOs, which would, in turn, lend loans to the community. Even in cases where a few beneficiaries of the community are unable to pay regularly, as a whole, it would ensure regular repayment. NGOs would be able to guide them through the banking procedure. There are a few NGOs and cooperative societies working on these lines in India. If this could be encouraged through a policy, more people will join to help each other. To ensure repayment, the financing institutions could work with the developers, wherein the unit the beneficiary plans to purchase becomes the collateral to the bank. This would be advantageous for both the private developers and the financing institutions. Moreover, the banks could ensure repayment, if there were a house loan insurance. Currently, the banks cannot associate with an insurance company for home loan covers. This rule is awaiting revision by IRDA.

MFIs providing housing loans face issues like flow of cash, since housing loans involve large amounts of money for a long period. Loans disbursed by the government could be streamed to the target groups through MFIs. Since MFIs work with the target sector, it will be able to cover a large portion of demand. It would also ensure flow of cash to MFIs. MFIs could ensure liquidity, if they could sell the loans to the investors in the secondary market. This would be possible only if the loans are insured.

Innovative banking models should resolve these issues:

- Low buying capacity
 - Low repayment capacity
 - Low penetration of banking services
 - Numerous unoccupied units offered by the market
-

Collective Loan in Philippines

CMP channels subsidised loans (from government fiscal budgets) for land and housing to poor communities, which have organised themselves into homeowner associations and found affordable land to buy and develop their own housing on a self-help basis. NGOs, local governments or community federations act as legal ‘originators’ for these community loans. There is no requirement that the communities have savings groups, and its track record of repayment is mixed.

Collective Loan in Thailand - A Model Promoting Savings

CODI are formed in bulk for community cooperatives with active savings groups, and only when the land is collectively owned or leased, at least for the duration of the loan contract. Besides providing a safeguard against speculation and gentrification, this condition of collective tenure increases the social pressure that the community organisation can exert on its members who default. It also allows the community to set up systems to collectively provide for its most vulnerable neighbours, such as the elderly.

Source: www.acr.net

4.6. Problem 6: Lack of Beneficiary Participation

Being the end users of the projects, the beneficiaries are required to play an important role. They know what they need better than government officials or other agencies. Yet, beneficiary participation is not effectively encouraged in most projects in India. A discussion with a government official revealed that the number of projects sanctioned under beneficiary-led housing scheme is on the rise. This proves that there is an increase in initiatives taken by the beneficiaries to participate in the housing process. The advantages of beneficiary participation are that the quality of construction will be under scrutiny, self-participation will reduce labour cost and most importantly, the beneficiary will have the freedom to design his house to meet his needs and demands. Though there are many projects sanctioned under beneficiary-led housing scheme, the authorities pointed out that most of them remain incomplete. This is because many of these beneficiaries do not have the knowhow to go about the designing and construction process. In addition, many do not have access to the scheme, due to lack of ownership of land and lack of savings.

Along with beneficiary-led housing scheme, the introduction of community-led housing would have a larger coverage. Multiple households that do not own land could form a group and avail the scheme to buy a plot and take up construction under the guidance of an NGO or a registered society. This way, a third party would be able to guide the households through the process. Even if there are a couple of households in the group that do not understand the procedure, they would be able to guide each other and the procedure could be completed promptly, making it faster and easier. Poor capacity of households can be solved by collective savings and collective loans, as discussed in the previous section. The collective ownership of property would eliminate the problem of non-repayment and resale of property by households. The procurement of materials in bulk for multiple units would reduce the cost of construction of each unit. Beneficiary participation in the construction of the housing complex can also be encouraged, thus saving on labour cost. Monitoring the construction could happen in a similar manner through geo-tagged photographs and releasing of funds in stages, as the construction progresses. This would minimise the role of the government from provider to enabler.

However, the success of community-led housing depends on the urban poor group having the capacity and political space to produce representative organisations to work at national and local levels (Miltin, 2008). The lack of mobilisation and awareness regarding building activities

is hindering the potential participation of beneficiaries. There is a need for a policy framework that advocates community participation and creates possibilities for the communities to participate in a productive manner.

Community-led Housing in Mumbai

This project involved the relocation of pavement dwellers by NSDF, MM and SPARC in 2005. The members of the community was part of a cooperative named Mahila Milan, which is a collective group that worked on a daily saving scheme. These daily savings were blended with international donations, private bank loans and government subsidies to finance the project. The project involved participatory design with the help of local academic institutions. In this case, the land was given free of cost and the land titling process was collective. The individual allotment documents will be given after a certain period. The monitoring of the process was done by MM. There are a few drawbacks in the project, especially, the lack of experience of the NGO involved and the lack of coordination with the local development authorities. This could be solved by designing an appropriate institutional framework that supports community-led housing.

Source: *International Journal of Sustainable Built Environment 5*

4.7. Problem 7: Rigid Rent Control Regulations

It is necessary to have a wide range of homes varying in size, cost and facilities, such that the households have the freedom choose the unit that best meets their needs. Since most target households do not have the financial capacity to own a house, they should be provided with a good rental market to choose from. If the advantages of the flourishing informal market were tweaked and formalised, it would cover a huge portion of the homeless. As per the present practice, with the 11-month agreement, the market decides the rent. Then why not let the market decide the rental value of the property? Both the formal and informal markets involve an agreement between the owner and the tenant. The only difference here is that one is registered, while the other is not. Now, many units are not registered because they do not follow the building code. In such cases, since we know that these units are in demand among the tenants, the building requirements could be eased on the size and specification of the

units. On the other hand, there could be specifications introduced for basic services, which could be even common for a few families. If we have an effective Area *Sabha* or Residential Association, rental agreements could be recorded there, instead of approaching the City Corporation every time.

When the number of units in the rental market increases, the rental rates would fall in place, catering to the demands of every income category.

5. Conclusion

In this paper, after looking at various factors concerning housing for the urban poor, we have arrived at seven fundamental issues that jeopardise the sector. These issues are related to governance, banking services and rental markets.

The issues concerning governance are not just with respect to housing but other sectors too. It is not possible to find an immediate solution to them, due to the magnitude of the issues and their causes. It is high time to give executive powers to the city municipal corporations along with building capacity to shoot most of the challenges cited above. Apart from governance, resolving the issues pertaining to banking services and rental markets would make housing more accessible to the urban poor.

The homeless population is broadly divided into three categories, as mentioned earlier. A better banking system would meet the demands of the first category (owns a land but no proper houses) and a part of the second category (encroachments), which requires financial support to buy property. A good rental market would suffice the demands of a large proportion of people belonging to the second and third categories (no land, no house), which represent those who cannot afford to buy a house but could rent a roof, depending on their financial capability.

Since the choice of house among the urban poor is greatly influenced by proximity to work, flexibility and affordability, the demands vary based on the type of work, period of work, income etc. For the urban poor, accessibility to housing can be increased by providing a wide range of tenure options which can cater to people in different circumstances. This can be brought in through a balance in ownership and rentals.

Glossary of the Abbreviations

AHP	Affordable Housing in Partnership
BPL	Below Poverty Line
BSUP	Basic Services for Urban Poor
CLR	Computerisation of Land Records
CLSS	Credit Linked Subsidy Scheme
CMP	Community Mortgage Programme
CODI	Community Organisations Development Institute
DFID	Department for International Development
DILRMP	Digital India Land Record Modernisation Programme
DPR	Detailed Project Report
EWS	Economically Weaker Section
FSI	Floor Space Index
FYP	Five Year Plan
GCDA	Greater Cochin Development Authority
GSI	Geological Survey of India
HFC	Housing Finance Company
HUDCO	Housing and Urban Development Corporation
IHSRP	Integrated Housing Scheme Development Programme
IRDA	Insurance Regulatory and Development Authority

JNNURM	Jawaharlal Nehru National Urban Renewal Mission
LIG	Lower Income Group
LSG	Local Self Government
MFI	Micro Finance Institute
MM	Mahila Milan
MoHUPA	Ministry of Housing and Urban Poverty Alleviation
NGO	Non-Governmental Organisation
NICNET	National Informatics Centre Network
NHB	National Housing Bank
NHP	National Housing Policy
NLRMP	National Land Record Modernisation Programme
NSDF	National Slum Dwellers Federation
NULM-SUH	National Urban Livelihood Mission - Shelter for Urban Homeless
PMAY	Pradhan Mantri Awas Yojana
PMJDY	Pradhan Mantri Jan Dhan Yojana
PPP	Public-Private Participation
PWD	Public Works Department
RAY	Rajiv AwasYojana
RRY	Rajiv Rinn Yojana
SC	Scheduled Caste

SPARC	Society for the Promotion of Area Resource Centres
SRA&ULR	Strengthening of Revenue Administration and Updating of Land Records
ST	Scheduled Tribe
TPIMA	Third Party Inspection and Monitoring Agency
ULB	Urban Local Body
UN	United Nations

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