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The Changing role of Housing Policy in India: Challenges and Reform

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Abstract

Housing is an important sector of the economy and the provision of it is largely determined by state policy and interventions. The economic importance of housing calls for cautious policy framework, so that it does not hamper the growth. After continuing with a housing policy dominated by the State's housing provision through various policies and programmes, it moved towards enabling the provision of housing with the advent of new economic policy unveiled in the early Nineties. Although, private sector has a larger role to play, the State has to play the role of provider of social housing for the poor and ensure that the regulatory environment enables and ensures the appropriate levels of housing. In this context, the current paper analyses the changes in the housing policy in India in the light of its changing economic, institutional and regulatory environment. It argues that while continuing with the reforms already laid down on demand side, it is necessary to focus on supply side reforms, particularly in land and housing regulations at local level. Moreover, housing the poor needs to be addressed through well-targeted and subsidized programmes, in partnership with other stakeholders. The paper discusses the experience of housing policy and programmes and then identifies the reform agenda that surrounds the outdated legislations, incompatible planning standards and regulatory policies contributing to the exacerbation of the housing problems in cities. It notes, however, that the recent initiatives do spell out such intent and particularly with the programmes of overall renewal of cities.

Key Words: Housing Policy, Urban Housing, Housing Programmes and Policy Reform

1. Introduction

Housing is an important economic good in the consumption basket of a household. As it relates to the living of human beings, it is tied to their security. Therefore, an improvement in housing status leads to the development of household in true sense - both economic and social. Moreover, housing activity is tied with many other sectors of economy, as well as the life stages of individual and his/her social network. Improvement in housing, on both qualitative and quantitative parameters, leads to an increased welfare of individual and the society not only by providing the vital shelter but also by offering room for improved health, education and nutrition. These characteristics of housing have prompted several governments to undertake the responsibility of housing provision, which India has also undertaken for almost 40 years after its independence. However, it has been severely criticised and shown as one of the root causes of poor housing status in several low-income countries (Mayo and Angel 1993). With changing political and economic structure of nations and changing priorities of development policy, the focus and interventions of governments in the provision of housing have also been changing – primarily shifting away from greater public provision to greater market provision. This role shift was in fact suggested by the World Bank more than two decades ago but stronger emphasis on policy changes and enabling environment came forth only a decade ago. This framework provided by Mayo and Angel (1993) argued for adopting policies that enable housing markets to work and suggested the following broad instruments as a part of housing policy:

Enabling Environment for Housing Development	
<i>Demand side instruments</i>	<ul style="list-style-type: none"> • <i>Developing property rights:</i> ensuring that rights to own and freely exchange housing are established by law and enforced, and administering programs of land house registration and regularisation of insecure tenure • <i>Developing house registration and regularisation of insecure tenure:</i> creating healthy and competitive mortgage lending institutions, and fostering innovative arrangements for providing greater access to housing finance by the poor • <i>Rationalising subsidies:</i> ensuring that subsidy programs are of an appropriate and affordable scale, well-targeted, measurable, transparent and avoid distorting housing markets
<i>Supply-side instruments</i>	<ul style="list-style-type: none"> • <i>Providing infrastructure for residential land development:</i> coordinating the agencies responsible for residential infrastructure to focus on servicing existing and undeveloped urban land for efficient residential development • <i>Regulating land and housing development:</i> balancing the costs and the benefits of regulations that influence urban land and housing markets, especially land use and building, and removing regulations which unnecessarily hinder housing supply • <i>Organising the building industry:</i> creating greater competition in the building industry, removing constraints to the development and use of local building materials, and reducing trade barriers that apply to housing inputs
<i>Management instrument</i>	<ul style="list-style-type: none"> • <i>Development institutional framework for managing the housing sector:</i> strengthening institutions which can oversee and manage the performance of the sector as a whole, bringing together all the major public agencies, private sector, and representatives of non-governmental organisations (NGOs) and community based organisations, and ensuring policies and programmes benefit the

India has been witnessing several macro-economic changes that affect all sections of its economy after the adoption of liberalisation policies in the early 1990s. The macro policies paved way for increasing role of markets in housing provision and targeting of public housing to the poor (those meeting with the official criteria of below poverty line). There have also been attempts to strengthen the existing financial institutions – both apex and retail – so that the finance flow takes place with little difficulty. Although changes on the demand side have been quickly undertaken, supply side changes have not taken place to the extent desired by the above ‘template’ of enabling environment. Somehow, these changes did not receive much attention of literature in the Indian context. Except the work of Pugh (1990), much of the Indian literature¹ concerned with housing programs and issues concerning with a specific region/area (e.g., Mehta and Mehta 1989, Prabhavathi 1992) or they were too generic (e.g., Mohanty 2003) and confined to few areas (e.g., MoEF 2002). This paper attempts to fill the gap through an overall review of changes in housing policy changes in India, and that of urban housing in particular, and attempts to identify the key impediments, issues and reform agenda². We will also attempt to see, wherever possible, how the changes correspond with the ‘template’ above. Before that, we will discuss the challenges faced by housing at the dawn of urbanisation.

1.1 Urbanisation and Housing

It is important to note that housing needs are largely driven by population and demographic changes. India underwent a rapid population rise after independence, which somewhat stabilised in the recent decades. The number of households has been largely growing due to increase in family size and nucleation of families and important phenomenon accompanying it is urbanisation (Rakeshmohan 1996a). The share of urban population in total population has been increasing from 20 per cent in 1950s to touch almost 30 per cent by now (MoEF 2002). Figure 1 presents a picture of urbanisation and urban population growth in India. Yet, in comparison with the urbanisation levels of 60-70 per cent in Africa and 70-80% in the Europe, India is yet to transform in to a predominantly urban society³.

Among all classes of cities, metropolitan cities, which already have a large population and a major share of total urban population, are experiencing faster growth. Mega cities i.e., cities with more than ten million population, share almost 40 per cent of urban population and another 30 per cent is shared by other Class I cities i.e., cities with more than one million population (Rakeshmohan 1992, Kundu 2006). The polarisation of growth towards metro cities and mega cities poses a greater challenge to provide housing in urban areas, which are rapidly becoming areas of crowded habitations without basic amenities. This gets reflected in an increasing proportion of slum population which constituted 28 per cent of the urban population. In fact, the proportion of slum population in Mumbai, Delhi and Kolkata is rapidly reaching the levels of 40%; in Mumbai, it has reached almost 60% of total population according to latest census (Dadich 2002). The slum population faces challenges ranging from insecure tenure and poor shelter conditions to the lack of access to basic infrastructure facilities like water supply, sanitation and solid waste disposal.

¹ Some literature provides a good discussion of the subject but somewhat placed behind in time e.g., Gupta (1985) Wadhwa (1988), Rakeshmohan (1992), and Rao and Seguchi (1997), and this paper only adds to it.

² Here, we avoid discussing housing status which can be found in the occasional surveys of NSSO and NBO and it has been discussed at length by some other authors e.g., Mohanty (2003), Rajan and Seguchi (1997)

³ There are several institutional impediments in attaining those levels in India, which still has agriculture sector providing employment to a large section of population. However, these issues are beyond the scope of current paper.

The report of National Commission on Urbanisation (1985) eloquently pointed out the reality of comparatively rapid growth of population as well as the scale and intensity of urbanisation, the critical deficiencies in the items of infrastructure, the concentration of vast number poor and deprived people, the acute disparities in shelter and basic services, deteriorating environment quality and the impact of poor governance on the income and productivity of enterprises. However, only recently, the economic importance of urban areas in terms of their contribution to the national income has been recognized and so do their potential in absorbing large 'surplus labour' of the rural hinterlands. Cities began to contribute to more than 50% of the GDP from less than a quarter in the post-independence era. Given the rising importance of urban areas and increasing challenges of urban housing, the problems and issues of urban housing assume significance and so do the reform agenda towards improving it.

The structure of the paper is as follows: First, the economic importance of housing to Indian economy is explained; Second, the focus and changes of housing policy are explained; Third, the shifts in housing policy are analysed; Last, various interventions made by government in housing sector, particularly in urban housing, are explained. Towards the end of the paper, we shall discuss recent policy changes and the way forward to a reform driven growth of housing sector in general and urban housing in particular.

2. Economic Importance of Housing

Housing constitutes an important element of human life which many aspire to achieve in their lifetime. It has the potential to contribute to a rise in national income, because of the linkages with various other sectors providing goods and support services. It also has the potential to add value over a longer duration even after house construction and because of this advantage it also contributes to the employment to a good extent (Gupta 1985). Housing production is labour intensive process in India, since the cost of labour is low and the relative cost of capital is high. Different components of a house demand a variety of products supplied by other sectors and skilled persons, creating demand for a variety of goods and services, thereby generate greater employment (Tiwari and Parikh 1999). Given such economic importance, housing policy needs to be carefully designed to ensure that its growth is not hampered by macro –economic policies and plans.

The economic importance of housing In India is reflected in its contribution to income and employment generation, and to capital formation. The income accruing from housing sector is of the order of 3.5 per cent of national income (at constant prices) (NBO, 1987). The share of Gross Capital Formation in Residential dwellings (GCFR) is around 12-13 per cent of capital formation and the GCFR/GDP ratio has been stable at around 2.5 per cent. The GCFR in Urban areas (GCFRU) at around 50 per cent reflects the importance of dwellings in urban areas (Gupta 1985). In terms of employment, construction sector accounted for 5.4 mn workers (1.9 per cent of total employment), up from 3.7mn (1.7 per cent of total employment) in 1981 (Mukhopadhyay 2002), an estimated 60-70 per cent of it would have come from house construction. The indirect employment generation that takes place from backward linkages to the economy will be very high.

Housing and Urban Development sector has been a thrust area of economic planning in India. It received attention and priority in most of the five-year plans, in which investments were stepped up regularly but the share in plan outlay remained more or less constant at

2.5 per cent⁴. Yet, the relative priority to housing in comparison to urban development appears to be declining, as allocations made to housing alone as a proportion of total plan investments have been reportedly declined (NBO 1987). This is a manifest of a shift in central government policy to curtail public expenditure. It is also in consonant with the macro economic policy change of state's role from a 'provider' of private goods to 'enabler' of their provision. Housing, given its characteristics of durable consumption good, is viewed outside the area of public provision. Such policy departure would have resulted in crowding out of public investment to expenditure on other welfare areas, but it would have led to the production of social housing option for the poor, especially in the urban areas. Given that the crowding in of private investment to the production of housing would take longer time, there is an acute pressure on housing of low income population in many cities, particularly large metropolitan cities⁵. Though public spending on targeted programmes of housing and/or infrastructure provision to urban / rural poor either by central government or through state governments has stepped up at the same time (Rao 2003), it is less than adequate and the resource transfers are plagued by leakages in the system.

3. Housing Policy Focus and Changes in India

The current and past state of housing can be better understood when the various approaches taken towards it are understood, which is reflected in the policy stance. Until 1990s, no comprehensive assessment of housing sector was made and policy was largely driven by government programmes (or, budgets) and interventions (or, regulations). The National Commission in Urbanisation (1985) called for reorganising government policies and programmes to meet the challenges of urbanisation in the coming decade. In 1988, the Union government came out with draft 'National Housing policy', modified in 1992, explaining the approach towards the sector and the policy objectives. This document was revised later in 1998, and brought forth as 'National Habitat and Human Settlements Policy'. The Key features of these policies are presented in Annexure I and II respectively. This section, however, attempts to review housing policy, in terms of (a) the strategic focus laid down in economic plans and (b) the policy focus laid down in various programmes.

3.1 Strategic focus of Economic Planning

In the era of mixed economic planning in India i.e., during 1950-1990, housing sector policy was largely driven by the approach to address housing 'needs' in the government's role of 'provider' (Pugh 1990). In this era, housing needs were estimated from population projections, and public as well as private sector targets were laid down alongwith the investment outlays for achieving it. Thus, housing needs assessment was more of a technical exercise, and then each plan identified as how much they can achieve through setting-up targets; but, each plan envisaged housing development in a different way while balancing the needs of housing with those of other sectors of the economy. Housing made through this channel primarily catered to middle and low income groups in urban areas and low income groups in rural areas respectively (Pugh 1990). However, in the process it has not enabled the development of a capable and efficient private housing supply. The planned housing provision has replaced housing demand with needs, without knowing that the targets would not be able to meet the 'needs' in a rapidly growing country, like India, endowed with few public sector resources.

⁴ See India Core (2006) for further details of respective plan focus and investment areas.

⁵ In fact, the shortage of flow of housing to low-income people has prompted some of the NGOs demanding for a more decentralized and enabling local government and a credible low income housing policy (Ramanathan 2006)

Housing delivery process was designed primarily in the form of 'Housing Boards' of the State Governments, which was later extended to housing boards of the cities. These boards were assigned the task of land mobilisation, clearance, layout preparation, design and development and they were provided funding through the State Governments. The State Governments, in turn, were provided funds for the purpose of housing by the Central Government through plan grants. The grants flow was linked to the implementation of targets under the programmes undertaken within the five-year economic plans. Apex financial institutions were created specifically for the purpose of housing finance and creation, which include Housing and Urban Development Corporation (HUDCO), National Housing Bank (NHB) and, lately, National Buildings Organisation (NBO).

As India pursued the path of economic reforms and liberalised various sectors of the economy in 1991, the hitherto thrust given to public sector housing was withdrawn, and market forces were given greater opportunity to participate in country's development. While there were very few incentives provided for supporting housing production in private sector (e.g., central bank's direction to reduce risk weightage to loans to home builders), the policy measures attempted to break the inaccess to housing finance and, thereby, raise demand to a great extent. This was achieved through incentives in the form of tax advantages for home buyers that make it attractive to go for home ownership (see boxes for the recent policy incentives). This stance has resulted in the increase in ownership of housing in urban areas and reduced acute housing shortage (Census 2001). Housing Finance activity has also been released to private sector banks and financial institutions to facilitate the process of lending and expand service sector of the economy⁶. This stance had percolated all sectors, to which housing is not an exception. As a result, the role of government took a shift from 'provider' of housing to 'enabler' or 'facilitator' of housing provision (Rao 2003). This shift is apparent from policy document (GoI 1992):

'The government has to create a facilitating environment for growth of housing activity rather than itself taking on the task of building. However, this shift in the role has not yet taken place with the result that the government is still called upon to act as a provider. The other partners, like private and co-operative sectors, have not stepped-in to fill the void' (National Housing Policy 1992)

Fiscal Policy Incentives

The Union Budget provided certain tax incentives to the housing sector such as:

- The deduction for interest payable on housing loans for self occupied houses will be allowed even if the house is constructed or acquired after March 31, 2003, provided such acquisition or construction is completed within three years from the end of the financial year in which the loan was taken. The interest rate concession under Section 24(b) of the Income Tax Act, 1961 was introduced with the specific purpose of enhancing consumer interest in the housing sector, and so far this concession has proved to be a major facilitating factor towards the growth in the sector during the last few years.
- The capital gains exemption provided under Section 54EC of the Income Tax Act, 1961 has been extended to bonds issued by the National Housing Bank. The proposed measure is expected to help NHB in mobilizing low cost funds from the public, thereby leading to a lower rate of interest on refinance offered by NHB. This could further reduce the overall interest rate in the housing finance market, leading to its expansion.

⁶ Here, we do not extend the discussion on housing finance beyond this and the provisions in the policy changes in the boxes. More detailed treatment of the subject can be found in Subbulaxmi (2004)

- The customs duty on cement has been lowered from 25% to 20%. Cement accounts for around 18% of the cost of construction of a house. This measure is expected to bring down the prices of imported cement, thereby lowering the overall cost of construction of a house. This would go a long way towards increasing affordability and thus promoting the growth of the sector.
- The provisions of Chapter XX-C, which require a clearance to be obtained from the Appropriate Authority before registering the transfer of an immovable property, have been abolished. Chapter XX-C of the Income Tax Act, 1961, comprising Section 269U, required that any person selling or purchasing any immovable property above a specified value should obtain clearance from the income tax authorities for sale or purchase before registering the transfer of the property. The abolition of these provisions is aimed at creating a taxpayer friendly regime. This step is expected to expedite the procedure of transfer of immovable properties thereby leading to greater volumes and thus providing an impetus to the growth of the housing sector.

Source: Annual Report 2000-01, National Housing Bank

Monetary Policy Measures

Recognising the contribution of the banking sector in the housing finance sector in the country, the Reserve Bank of India (RBI) in the Credit and Monetary Policy in April, 2002, announced certain other measures for housing finance by Banks. Until now, banks' loans and advances secured by mortgage on residential property and also commercial property were assigned a risk weight of 100 per cent for capital adequacy purposes. However, no explicit risk weights had been prescribed for banks' investment in securitised papers. The Basel Capital Accord of 1988 and also the New Capital Adequacy Framework, which is at the consultative stage, envisage risk weight of 50 per cent and 100 per cent for claims secured by residential property and commercial real estate, respectively.

Accordingly, in order to improve the flow of credit to the housing sector, the prudential requirements for housing finance by banks have been liberalised as under:

- Banks extending loans against residential housing properties would be required to assign risk weight of 50 per cent, instead of present 100 per cent. Loans against the security of commercial real estate would continue to attract 100 per cent risk weight as hitherto.
- Investments made by banks in Mortgage Backed Securities (MBS) of residential assets by HFCs, which are recognised and supervised by NHB, would also be assigned a risk weight of 50 per cent for the purpose of capital adequacy. However, investment by banks in MBS of housing assets, which include commercial properties would attract 100 per cent risk weight.
- Investments by banks in MBS issued by HFCs supervised by NHB will be reckoned for inclusion in the prescribed housing finance allocation of 3.0 per cent.
- Besides, it is proposed to set up a Working Group to suggest modalities for widening the investor base in MBS, improving the quality of assets, creating liquidity for trading in such assets and other related issues.

Source: Annual Report 2000-01, National Housing Bank

Although the Government and the Central Bank (RBI) have been providing the necessary impetus to the sector and it is now for the housing sector to respond to these initiatives. In particular, the enabling policy of making housing mostly a private sector activity has thus far focused on facilitating housing consumption process by providing fiscal and monetary

policy incentives, but the technical delivery of housing has to improve, which largely remains in the organization of the industry on one hand and the prevalent legal, regulatory and institutional environment on the other. While housing sector itself has to become more professional and efficient like manufacturing sector, with the removal of impediments to investment flow⁷, housing supply has to become stable, predictable and responsive to the needs of hour. As most of the housing supply is local, it is highly dependent upon institutional, legal and regulatory environment at that level, which requires reforms at the level of local bodies, which we will discuss later. It is also important, as noted earlier, that there are lags in the supply of private sector housing and that the supply may not reach urban poor, which calls for making provisions for housing of low income people either directly by the public institutes (to the extent possible, well-targeted with some element of cost-recovery) or in partnership with private sector, non-governmental organization and community based organizations. This approach becomes essential when the investment needs are gigantic, such as to the tune of Rs 526,000 crores in the case of urban housing according to Ninth Five Year Plan (India Core 2006). Foreign Direct Investment (FDI) inflows could potentially offset the investment but only if the returns are attractive and no impediments are perceived; housing industry is yet to reach such heights (Rao 2002).

While the demand side instruments have dominated the policy changes in the era marked by increasing private sector role, there were few supply side instruments that have been used so far (see the earlier 'template'). Home building industry is still poorly organised and home builders respond in tune with the economic needs of housing i.e., property, rather than to the physical needs, in the absence of information about the housing requirements and the abilities of supply of other players. The competitiveness of the industry is poor when compared to other industries, primarily because of the immobility and durability of housing good and complex production process. The regulations that were aimed to ensure better habitat conditions themselves become major hurdles to housing supply in the urban context, if they are rigid and without any oversight of the intent of macro policies and, thereby, affect its price, which we will discuss later. The policy shift from 'provider' of housing has been somewhat legitimate, given private good characteristics of it, but the crowded out investment should be used to create better urban infrastructure – roads, water supply, sewerage, energy and solid waste disposal - on existing and undeveloped land. The India Infrastructure Report has estimated that infrastructure investment requirements of core urban services itself is Rs 28,035 crores (Rakeshmohan 1996b). Infrastructural bottlenecks, however, plague several cities, in spite of the repeated emphasis of reports on addressing it. Infrastructure is also a public good and considered as an essential ingredient of economic growth of cities. Only, recently, the focus has come on this subject, which we will discuss in the final section.

3.2 Policy focus of Housing Programmes

Whereas the shift in policy in terms of plan investments of public and private sector was a turning point, the programmatic focus was taking different directions providing scope for understanding how meso-level operations were changing over time with changes in macro-environment. It may be noted that most of the public housing programmes targeted low and middle income groups. The programmatic focus on housing urban poor was consistent with the prevalent focus made elsewhere with intervention of multilateral agencies like the World Bank⁸. Here, it has to be mentioned that after more than two decades of advocacy of the programmatic shift and policy reforms, Buckley and Karaickal (2005) claim that there has been an improvement in housing condition in general but with

⁷ Even the FDI inflows have been facilitated now through guidelines on FDI in real estate (Rao 2002)

⁸ A good review of such experience elsewhere is provided in Tebbal & Ray (1999).

the learning of increasing need for addressing integrating informal housing into formal housing; the understanding of regulatory environment has also been well understood now.

In the early years after independence i.e., in 1950s and 1960s, the government focussed on house building for people, with a preference to disadvantaged socio-economic groups, using its own machinery. The central plan targets were divided between various states, which were supposed to oversee house construction by their department in the provinces. It placed emphasis on building medium rise apartments, social housing for poor and providing rent subsidies (Pugh 1990). In this era, model towns were built near large cities and town planning schemes were adopted for providing housing in urban areas (Rao 2003). The system was delivering, but at a pace not sufficient to meet the needs of both existing and growing population. Moreover, it was marked by failures like bureaucratic red tape and delays, caught in the frails of favouritism and corruption and the beneficiary selection based on socio-political position was ensuring that only limited amount of housing would reach the poor and needy people (Rao 2003).

Recognising the inadequacies of the program and its limitations, the government sought the help of the World Bank, focusing more on improving habitability conditions. Understandably, the housing policy of 1970s therefore emphasised on increasing the life-span of house and/or improving habitat conditions through 'Slum Improvement Programmes' undertaken in select cities (Pugh 1990). The programme achieved limited success over limited time. Since improvements made from this programme were temporary and the identification of beneficiaries was difficult (Wadhwa 1988), a new thrust was laid on 'Sites and Services' programme, again with the support of the World Bank (Pugh 1990). However, this also paved the way for playing an enabling role by creating infrastructure for development in general and that of poor in particular.

In the 1980s, the World Bank took an active interest in implementing this programme, which enabled the people living in slums and squatter settlements to have basic infrastructure provided with and secure tenancy rights were established (Gupta 1985). States like Andhra Pradesh and Tamil Nadu took major interest in the programme and had successfully given the land titles to slum dwellers for improving their houses and living condition (Banerjee 2000). The policy stance undertaken in this programme has empowered slum dwellers with secure tenancy and infrastructure services, and provided them an opportunity to design and construct a house of their choice (Banerjee 2000). This programme achieved good success in those cities that had good amount of land available for transfer and regularisation, but it suffered from defects in design and implementation (Gupta 1985). However, this programme faced difficulty in cities like Mumbai, where such settlements were along the public transport lines and land was not easily available for development (Banerjee 2000).

In the 1990s, the policy stance focused on provision of affordable housing to the urban poor (Rao 2003, Gol 1992). Complete redevelopment of slums was actively pursued. As laid down in the new economic policy, the emphasis was on providing incentives to private homebuilders to redevelop slum areas. This was done through incentive development rights and partnership based development approaches, which were initially looked at with a lot of suspicion. Although it achieved good success during early 1990s when real estate boom was prevalent due to its innovative design, this programme exposed limitations in the event of real estate market burst in mid-1990s and the redevelopment was no longer profitable to private builders (Banerjee 2000). This has also led to the emergence of 'self-help groups' and micro-level innovations in the mobilisation of resources for the development of housing and the non-profit/voluntary sector has risen with it.

The emphasis laid in the late 1990s as well as early 2000 was on developing efficient housing markets, particularly in urban areas, which were for the first time considered as engines of economic growth. This is somewhat consistent with such policy changes elsewhere. Apex financial bodies like National Housing Bank (NHB) and Housing and Urban Development Corporation (HUDCO) were given the mandate to provide loans to homebuilders in order to reduce the high capital costs borne by the industry. Likewise, homebuyers were provided tax incentives to purchase their own house and retail home financing was given encouragement in order to reach the common man (Sivakumar 1989). This is not a simple strategy of providing incentives for owner-occupied housing; it also made use of favourable macro-economic conditions that led to the downfall of interest rates and inflation and encouraged the citizens to invest in buying house (Anon 2003). However, the major criticism of this policy is that it benefited middle income groups, but was not able to address the needs of the poor, particularly in cities. In cities like Mumbai, land and construction costs together are several times the annual income of poor households (Nallathiga 2003). The lack of mechanisms that ensure the provision of housing for the poor and the adverse effects of protective legislation e.g., rent controls, have led to the strong prevalence of 'housing poverty' in the cities.

4. Public Interventions in Housing

Housing is not only a durable economic good but it has several other characteristics. For example, good housing conditions leads to increased welfare of household by providing the vital shelter thereby offering room for improved health, education and nutrition. Good housing conditions can also result in social benefits like low public health costs and law and order problems. Given these merit good characteristics of housing, governments often intervene its provision so as to maximise the inherent benefits and welfare improvement of housed population, and they attempt to either provide or facilitate the process of its delivery. However, such welfare arguments for provision of housing fail to meet with complete success due to inherent limitations of governments, particularly in developing countries like India, wherein the resource limitations are high and government failures are more. India has also followed the interventionist path for quite some time with limited success and therefore moved to the role of enabler of the provision in the wake of pursuit of public sector reforms under new economic policy. It began laying down emphasis on providing infrastructure amenities in cities and rural areas and uses fiscal and monetary policy to influence the credit flow to house construction on one hand and to provide tax incentives for house purchase on the other. However, it is caught with limitations of incomplete land and housing sector reforms and the lack of institutional mechanisms for achieving housing for low income sections in cities. The experience of such interventions, in the form of plan strategies and programmes as well as regulations, is explained below.

4.1 Direct intervention

India has undertaken, from time to time, various programmes aiming at the provision of housing, as a part of both the strategy laid down in the five-year plans as well as the designated independent programmes. Besides the programmes of Union government, the state governments have also announced, at times, their own housing programmes, which were funded through their own budgets. Furthermore, several central and state government enterprises had the policy of housing provision to their employees from their own outlay, which also contributed, to some extent, housing from public sector. A list of the various programmes undertaken by the government is given in the table 3.⁹

⁹ We do not undertake a detailed review of the programmes, which can be found in Rajan and Seguchi (1997)

Although numerous such programmes were launched, their success was limited and inadequate. However, a good evaluation of these programmes and their impact assessment is missing, except for few such programmes which reflect a major change in the approach. As a result, the precise effects of such direct intervention, in terms of how and which target groups received benefits, and to what extent, are unknown. Yet, some general conclusions can be drawn about the success of intervention and reasons for their failure. Some of the reasons for failure are laid down below:

- First, the difficulty in ensuring that the funds would reach target groups. There was a difference between the beneficiaries of programmes and target groups. Beneficiaries were those who could become eligible through political, social and bureaucratic contacts, which played crucial role in selection of beneficiaries.
- Second, the poor percolation of benefits and poor translation of housing on ground resulting from it. The programmes laid physical and fiscal targets, but the monitoring of housing units construction was neglected, which led to serious 'moral hazard' problems. Bureaucrats, contractors and politicians reaped benefits in some schemes, leaving little left for translation into housing units.
- Third, housing supply was not efficient and responsive to the needs. The production costs were high, construction periods were long and 'rationing' was resorted to in the provision of houses.
- Fourth, the lack of participation of beneficiaries in the home building process. Beneficiaries did neither contribute to capital nor labour and, indeed, lacked the sense of ownership of house built. Uniform house layouts were not reflective of the needs of people and beneficiary participation in their design was missing.

4.2 Regulation

Indian government, like several other governments, intervened in the provision of housing through regulation, in the form of enactments of model acts of Central Government, which were followed by similar enactments of State Governments, and Planning and Development Control Regulations of various states and cities. The major enactments of Government are the Urban Land Ceiling (Regulation) Act (ULCA) and Rent Control Act (RCA), which were enacted by various states and cities, the experiences with which are explained below. Besides, Land Acquisition Act of 1894, authorising the government to acquire land for public purposes is still followed in land acquisition for housing; but some State governments have amended this act to constitute their own model land acquisition acts. Likewise, Transfer of Property Act, 1908 has had a legacy of regulating property transfers for a long time. We will examine the regulatory and institutional interventions of the government that became impediments to housing growth¹⁰.

4.2.1 Urban Land Ceiling (Regulation) Act

This act was passed in 1972 with the purpose of consolidating the provisions of land acquisition act and providing some distributional benefits of providing land for housing urban poor. The basic features of the act were (Phatak 2005): (a) imposition of ceiling on the vacant land holdings of individuals and companies (b) limiting the size of dwelling units (area) to be built on lots in future through sub-division, and (c) regulating the transfer of land. However, the law was at least ineffective and at most ill effective in its operation¹¹. It created disincentives for land release and led to supply rigidity in land market of several cities. Because of the lack of established boundaries of plots, the extent of surplus land

¹⁰ A good summary of the factors that ail the housing sector are discussed in India Properties (2006).

¹¹ Phatak (2005) also show how ULCRA has failed to meet all stated objectives in Mumbai and Maharashtra.

could not be made out. The land that was collected for redistribution to the poor was not distributed but retained with government for a long time, and in some cities public authorities were large land owners which did not release land (Phatak 2006). This along with the land supply withdrawal of owners has resulted in supply dead lock, as a result land prices have increased steeply beyond the reach of low income population. It has also been purported that the Act has vitiated the process of land release by promoting vested (political) interests in land by land owners, politicians and bureaucrats, who collectively defeated the objectives laid down by it (Narayanan 1996). As the legislation failed in its objectives and adversely affected land markets, the Union government has repealed the act through a parliamentary act in 1996, and the suit has been followed by some states, but yet to be followed by few others (Rao 2003).

4.2.2 Rent Control Act

Like several other governments, the Indian government also followed the suit of enacting rent control act during Second World War period in some cities to offer protection from steep rent rise to the sitting tenants. Subsequently, it was extended to various cities by the States that have adopted this enactment. The adverse effects of this act are still evident in various cities across India e.g., Wadhwa (1983). It has dissuaded the supply of new rental housing and has been adversely affecting the property tax revenues of local governments, where the property taxes are tied with annual rental value (Karnik 2003). Moreover, maintenance of rent control buildings was neglected, which resulted in their reaching dangerous levels of dilapidation. The rent control act adversely affected the housing options of urban poor (Kumar 2000). The immigrants to cities hardly find suitable rented accommodation and are forced to occupy public land to dwell in inhabitable houses in cramped conditions (*ibid*). Moreover, over time, rent controls have created such a strong vested interest that no political party is in a position to take a hard decision to repeal the act (Wadhwa 2003). Even the moderate decisions come through long legal and tenant consultation processes. It was under the directive of the Supreme Court of India that the Union government prepared a Model Rent Act, prescribing norms for fixing and revising rents, the levels of which are far from the expectations of land lords for the upkeep of building. However, several state governments are yet to follow the suit and repeal the act.

4.2.3 Planning and Development Control Regulations

Planning and development of cities is an important area for promoting well-planned, organised and sustainable urban areas, but it also has to be responsive to the development needs rather than act like another rigid institution. Urban Planning is largely governed by State Governments through Town and Country Planning legislations and few large cities have devised town and country planning institutions. There is yet to be a model Town and Country Planning Act enacted by Union government; a model act, however, has been passed instead. In the absence of institutions for carrying out town planning, most of the states carry out this function using their departments, which are ill-equipped and inadequately trained to carry out them, leading to enormous delays in plan development on one hand and corruption in planning bodies on the other.

However, even those cities wherein Town and Country Planning institutions were set-up, they largely confine to zoning, layout preparation, subdivision and development control regulations, which are outdated to meet the challenges of urban development (Wadhwa 1996). Planning institutions are ill-equipped to be responsive to the requirements and, many times, the rigid legislative and operational framework under which they operate would not resulting in better housing, rather act against the principle of providing affordable housing (UNCHS 1992). Moreover, development control regulations in various cities prevent housing in line with the needs of poor people, and together with legislations like ULCRA and RCA, they restricted land supply to housing (Nallathiga 2005). These basic

issues at local level have to be dealt with in order to achieve 'affordable housing' in cities. Development control regulations, such as density regulations, plot sub-division and set back rules, are resulting in high land and property prices and encouraging luxury housing suitable to the needs of affluent, rather than catering to the needs of the poor (Nallathiga 2001, 2005). Although the 74th Constitutional Amendment delegated several powers, directions towards reforms in urban planning and local government are not coming, and innovative instruments for managing housing supply e.g., betterment tax, planning agreements and transfer of development rights, are yet to be adopted¹². Urban environmental policy document also emphasizes on achieving sustainable urbanisation by means of affordable housing with minimum acceptable habitability standards, low planning standards for urban poor, secure tenure, innovative financing mechanisms and assistance to urban poor (MoEF 2002). Unfortunately, the need for reforms, in this context, has largely missed the attention of policy makers.

4.2.4 Title Registration and Records Management

In many States, both urban and rural areas of the country, the absence of reliable land records and their management makes it impossible for the financial institutions to verify the title of the property. In fact, poor title records management is considered as an important source of risk in the provision finance for housing finance institutions; it also poses several challenges to mortgage refinance and frauds of raising finance from the financiers view point. All of them in turn affect the housing credit supply and the quality of credit market. However, apart from this risk, it also renders the owner with difficulty to sell, mortgage and license the property. Even though banks have been advised not to insist on mortgage of property as security and to accept any other form of security, the availability of alternate security is a constraint in rural areas. As a result of these factors, many potential households have been left out of the fold of the formal financial system. Further, title registration is largely done in a manner that is not devoid of promoting vested interests. The registration process has to be improved with changes in transaction design.

4.2.5 Stamp duty and registration/transaction charges

Another area in which State Governments can take a major initiative is in stamp duty and registration charges. As has been pointed out in the earlier reports also, in some parts of the country, the stamp duty and registration charges are high – about 8-12 per cent of the property value. As a result, there is a tendency to under value the property or avoid formal registration. The State Governments are reluctant to reduce stamp duty to a rational level of 2-3 per cent by stating that it would lead to reduction in their revenue. On the contrary, a reduction in stamp duty would lead to better compliance with the statutory requirements and the tendency to under value the property would also diminish leading to improved revenue collection. This measure coupled with creation of land records would lead to increased registration of properties, which in turn would also lead to improvement in collection of revenue. In this regard, the State Governments have a much larger role to play by creation of such land records and institution of the processes that lead to efficient and cost-effective transactions. It is hoped that the State Governments would reduce the stamp duty for the purpose of registration of mortgages and would facilitate increased flow of institutional finance in the rural areas.

7. Summary and Way Forward

Housing is an important economic activity in India. It provides good amount of income and employment and has strong linkages with other sectors. Therefore, policy changes in this sector shall have implications for overall growth of economy and macro-policies can

¹² See Keare (1996).for example

influence housing activity to a good extent. As India has transformed from mixed economy to market economy, housing witnessed many changes - for example, plan investments in housing were declining and so also the public provision of it. The programmatic focus of housing, in general, and that of urban poor, in particular, has also shifted from time to time reflecting the needs of time and people; but they achieved limited but not lasting success. This led to a conclusion that government has its own limitations in providing housing for all. Given the limited success with planning and programmatic approach and the surging need of housing in the dawn of urbanisation, it required a paradigmatic shift in the approach.

Therefore, the policy focus shifted from delivery of housing unit to facilitating its provision in line with changes in macro-economic policy. Here, the government provides primarily focused on demand side interventions in the form of incentives to various actors e.g., liberalising home financing, providing tax incentives, which encourage housing becoming a private activity. To what extent the new policy stance has affected housing at large is more of a guess work, but it improved urban housing to some extent. It has, however, not been able to address housing for poor and low income groups, which needs to come through local government innovations and State government support. Also, the policy has not addressed some supply side issues e.g., regulatory impediments like land ceilings, rent controls, high transaction prices and secure property rights in the form of titles. Further, planning norms have not been effective in achieving their goals but have been hindering housing development in some cities with the rigid standards, procedures and practices.

The institutional and regulatory reforms caught attention recently, and the Union government has created Urban Reforms Incentive Fund (URIF) in the Union Budget 2003 as a means for tapping resources by the States so that they can undertake reforms that address the key issues plaguing development including the housing sector. However, the response has not been very encouraging. The Draft National Housing Policy 2005 has widened the objectives laid down in the earlier draft emphasizing on strong far-reaching changes¹³. It laid down the role that could be played all tiers of government and public agencies and laid down the agenda for changes in land, finance, and institutions (legal and regulatory). These measures are comprehensive and their implementation in spirit can percolate benefits to the sector. Further, recognising the need to widen the scope of reform, the Union Government came out recently with the Jawaharlal Nehru Urban Renewal Mission, which seeks the cities to bid for financial support to infrastructure and overall development through city development strategies and plans. It also provided for mandatory reforms (including repeal / modification of land ceilings, rent controls etc.). It is hoped that this will usher in a new era wherein the cities will strive towards well organised development of their infrastructure while enhancing housing options and habitability conditions of their citizens. The boom in house prices and housing supply observed in the recent past has to be seen from this perspective, when urban housing is changing the economic outlook of cities and the nation.

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¹³ In fact, this policy document has been termed as urban biased. Reflecting these views, an independent group has prepared a 'National Rural Housing and Habitat Policy' and submitted to the Government of India (Basin SA 2006)

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Table 1: Plan Investments in Housing and Urban Development Sector

Plan and Plan period	Total Outlay (INR million)	Housing and Urban Development (HUD) Outlay (INR million)	Percentage share of HUD in the total outlay
First Plan (1951-56)	20 688	488	2.1
Second Plan (1956-61)	48 000	1 200	2.5
Third Plan (1961-66)	85 765	1 276	1.5
Annual Plan (1966-69)	66 254	733	1.1
Fourth Plan (1969-74)	157 788	2 702	1.7
Fifth Plan (1974-79)	394 262	11 500	2.9
Annual Plan (1977-80)	121 765	3 688	3.0
Sixth Plan (1980-85)	975 000	24 884	2.6
Seventh Plan (1985-90)	1 800 000	42 295	2.3
Annual Plan (1990-92)	1 338 350	30 001	2.2
Eighth Plan (1992-1997)	4 341 000	105 000	2.4

Source: Gol (1992)

Table 2: Trends in the share of various Classes of Cities in urban population in India

Category (population size)	1971	1981	1991	2001
Class I (> 100 000)	57.2	60.4	65.2	73.7
Class II (50 000 - 100 000)	10.9	11.6	11.0	9.4
Class III (20 000 - 50 000)	18.0	14.4	13.2	11.0
Class IV (10 000 - 20 000)	10.9	9.5	7.8	4.2
Class V (5 000 - 10 000)	4.5	3.6	2.6	1.3
Class IV (< 5 000)	0.4	0.5	0.3	0.2

Source: Rakeshmohan (1996)

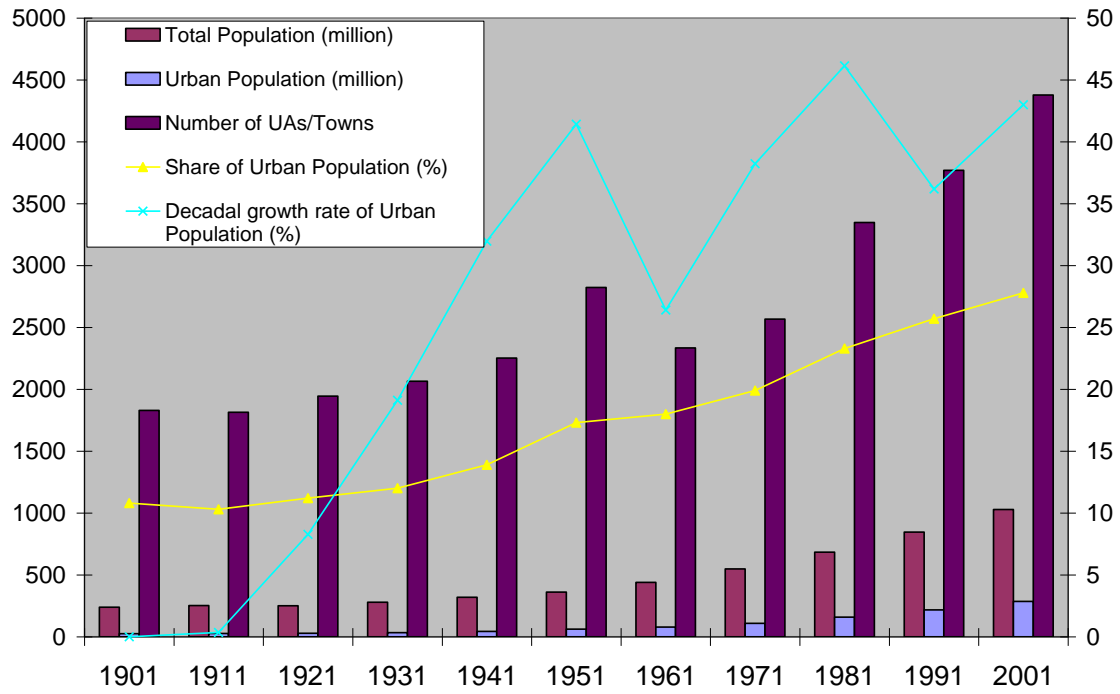
Table 3: Housing Programmes in India

Name of the Programme	Year of launch
Integrated Subsidised Housing Schemes for Industrial Workers and EWS	1952
Low Income Group Housing Scheme	1954
Subsidised Housing Scheme for Plantation Workers	1956
Middle Income Group Housing Scheme	1959
Rental Housing Scheme for State Government Employees	1959
Slum Clearance and Improvement Schemes	1956
Village Housing Projects Scheme	1959
Land Acquisition and Development Scheme	1959
Provision of House Sites of Houseless Workers in Rural Areas	1971
Environment Improvement of Urban Slums	1972
Sites and Services Scheme	1980
Indira Awas Yojana	1985
Night Shelter Scheme for Pavement Dwellers	1990
National Slum Development Programme	1996
Two million Housing Programme	1998
Credit-cum-Subsidy Scheme for Rural Housing	1999
Samagra Awaas Yojana	1999
Prime Minister Gramodaya Yojana	2000
Valmiki Ambedkar Aawas Yojana	2001

Source: Rao (2003)

Figure 1:

Urbanisation and Urban Population Growth in India



HOUSING AND URBAN POLICY IN INDIA

The policies of urban development and housing in India have come a long way since 1950s. The pressure of urban population and lack of housing and basic services were very much evident in the early 1950s. In some cities this was compounded by migration of people from Pakistan. However, the general perception of the policy makers was that India is pre-dominantly an agricultural and rural economy and that there are potent dangers of over urbanisation which will lead to the drain of resources from the countryside to feed the cities. The positive aspects of cities as engines of economic growth in the context of national economic policies were not much appreciated and, therefore, the problems of urban areas were treated more as welfare problems and sectors of residual investment rather than as issues of national economic importance.

In the **First Five Year Plan** (1951-56), the emphasis was given on institution building and on construction of houses for Government employees and weaker sections. The Ministry of Works & Housing was constituted and National Building Organisation and Town & Country Planning Organisation were set up. A sizeable part of the plan outlay was spent for rehabilitation of the refugees from Pakistan and on building the new city of Chandigarh. An Industrial Housing Scheme was also initiated. The Centre subsidised Scheme to the extent of 50% towards the cost of land and construction.

The scope of housing programme for the poor was expanded in the **Second Plan** (1956-61). The Industrial Housing Scheme was widened to cover all workers. Three new schemes were introduced, namely, Rural Housing, Slum Clearance and Sweepers Housing. Town & Country Planning Legislations were enacted in many States and necessary organisations were also set up for preparation of Master Plans for important towns.

The general directions for housing programmes in the **Third Plan** (1961-66) were co-ordination of efforts of all agencies and orienting the programmes to the needs of the Low Income Groups. A Scheme was introduced in 1959 to give loans to State Govts. for a period of 10 years for acquisition and development of land in order to make available building sites in sufficient numbers. Master Plans for major cities were prepared and the State capitals of Gandhi Nagar and Bhubaneswar were developed.

The balanced urban growth was accorded high priority in the **Fourth Plan** (1969-74). The Plan stressed the need to prevent further growth of population in large cities and need for decongestion or dispersal of population. This was envisaged to be achieved by creation of smaller towns and by planning the spatial location of economic activity. Housing & Urban Development Corporation (HUDCO) was established to fund the remunerative housing and urban development programmes, promising a quick turnover. A Scheme for Environmental Improvement or Urban Slums was undertaken in the Central Sector from 1972-73 with a view to provide a minimum level of services, like, water supply, sewerage, drainage, street pavements in 11 cities with a population of 8 lakhs and above. The scheme was later extended to 9 more cities.

The **Fifth Plan** (1974-79) reiterated the policies of the preceding Plans to promote smaller towns in new urban centres, in order to ease the increasing pressure on urbanisation. This was to be supplemented by efforts to augment civic services in urban areas with particular emphasis on a comprehensive and regional approach to problems in metropolitan cities. A Task Force was set up for development of small and medium towns. The Urban Land (Ceiling & Regulation) Act was enacted to prevent concentration of land holding in urban areas and to make available urban land for construction of houses for the middle and low income groups.

The thrust of the planning in the **Sixth Plan** (1980-85) was on integrated provision of services along with shelter, particularly for the poor. The Integrated Development of Small and Medium Towns (IDSMT) was launched in towns with population below one lakh for provision of roads, pavements, minor civic works, bus stands, markets, shopping complex etc. Positive inducements were proposed for setting up new industries and commercial and professional establishments in small, medium and intermediate towns.

The **Seventh Plan** (1985-90) stressed on the need to entrust major responsibility of housing construction on the private sector. A three-fold role was assigned to the public sector, namely, mobilisation for resources for housing, provision for subsidised housing for the poor and acquisition and development of land. The National Housing Bank was set up to expand the base of housing finance. NBO was reconstituted and a new organisation called Building Material Technology Promotion Council (BMTPC) was set up for promoting commercial production of innovative building materials. A network of Building Centres was also set up during this Plan period. The Seventh Plan explicitly recognised the problems of the urban poor and for the first time an Urban Poverty Alleviation Scheme known as Urban Basic Services for the Poor (UBSP) was launched.

As a follow-up of the Global Shelter Strategy (GSS), National Housing Policy (NHP) was announced in 1988. The long term goal of the NHP was to eradicate houselessness, improve the housing conditions of the inadequately housed and provide a minimum level of basic services and amenities to all. The role of Government was conceived, as a provider for the poorest and vulnerable sections and as a facilitator for other income groups and private sector by the removal of constraints and the increased supply of land and services.

The National Commission of Urbanisation submitted its report. The Report eloquently pointed out the reality of continuing and rapid growth of the urban population as well as the scale and intensity of urbanisation, the critical deficiencies in the various items of infrastructure, the concentration of vast number of poor and deprived people, the acute disparities in the access of shelter and basic services, deteriorating environmental quality and the impact of poor governance on the income and the productivity of enterprises.

In the backdrop of this report the **Eighth Plan** (1992-97) for the first time explicitly recognised the role and importance of urban sector for the national economy. While growth rate of employment in the urban areas averaged around 3.8% per annum, it dropped to about 1.6% in the rural areas. Therefore, the urban areas have to be enabled to absorb larger increments to the labour force. The Plan identified the key issues in the emerging urban scenario:

- the widening gap between demand and supply of infrastructural services badly hitting the poor, whose access to the basic services like drinking water, sanitation, education and basic health services is shrinking
- unabated growth of urban population aggravating the accumulated backlog of housing shortages, resulting in proliferation of slums and squatter settlement and decay of city environment
- high incidence of marginal employment and urban poverty as reflected in NSS 43rd round that 41.8 million urban people lived below the poverty line.

The response of the Plan to this scenario was the launching of Urban Poverty and Alleviation Programme of Nehru Rojgar Yojana (NRY)

According to the policy thrust for the **Ninth Plan** (1997-2002), state and local governments were expected to act as manager of the whole housing and urban development process and establish efficient linkages between the different components of this process so as to optimize the efforts of various intermediaries, such as public agencies, corporations, cooperatives, non-government organizations, community groups and individuals. In addition, legal, institutional and fiscal reform initiatives were needed to promote market-based approaches to housing and urban development.

Source: Government of India, Ministry of Urban Development

Housing for All: National Housing and Habitat Policy

Housing for All has invariably been proclaimed as national priority by all major political parties from time to time. Indeed, National Housing and Habitat Policy unveiled in 1998 called for nothing less than "A HOUSING REVOLUTION". Among other things, it contained significant specific action areas to improve the housing scenario in the country. It may be worthwhile to recall some of its important policy propositions as follows:

- Land is the most critical input for housing. Public agencies would continue to undertake land acquisition proceedings for housing and urban services. Other more feasible alternatives like land sharing and pooling arrangements, particularly in the urban fringes, would be considered through public and private initiatives with appropriate statutory support. Land assembly and development by the private sector would be encouraged.
- The repeal of the Urban Land (Ceiling & Regulation) Act, 1976 is expected to ease the availability of land.
- Town and country planning regulations would be modified to provide a portion of land at affordable rates for housing those who provide essential services. This would also help in checking the growth of slums.
- Land in the rural context is a matter of granting homestead rights. States need to provide this right to the landless category with special emphasis on persons belonging to the SC and ST community.
- Urban Land use needs to be optimised. Town and country planning regulations would be amended to provide for higher density use.
- Designation of no-development zones in high population areas of cities and towns have led to the growth of slums. Planning authorities should re-plan these zones to meet the need of a growing population after taking adequate care for provision of green areas.

Apart from covering the whole canvass of issues relating to finance, sustainability concerns, employment issues, technology support, etc. This policy stressed on series of legal and regulatory reforms.

- Legal and regulatory reforms would form the backbone of housing activity as government becomes more enabler and creates a suitable environment for the private sector and others to shoulder more responsibility in the sector. The reform agenda, which had been set in motion, would not only be speeded up, but also widened.
- It has been decided to repeal the Urban Land Ceiling Act to correct the distortions in the land market. States, other than those who have agreed to repeal the Act, would be persuaded to adopt the repealing Act when it is passed by the Parliament.
- The Procedure of sanctioning building plans has, in the past, been vitiated by corruption and unconscionable delays causing frustration and anger, leading in some cases to abandonment of useful housing projects. This, in turn, compels the needy to turn to unauthorised construction and the growth of ugly slums, which today totally disfigure the national landscape. Chartered Registered Architects would be allowed to sanction building plans. They would be made responsible for enforcement of the norms. Professional responsibility will be vigorously enforced and heavy punishment imposed for false certification.
- Rent Control Legislations in the States would need to be amended to stimulate investment in rental housing which is the viable shelter option for the low-income groups in large and medium cities. New constructions should be specifically excluded from Rent Control in order to encourage investment in Rental Housing. Some states have taken steps to reform their Rent Control Acts. However most of the states have yet to bring in the reforms. In case these States face difficulties, the Union Government could consider framing a National Rent Control Legislation to apply to these states.

- Considering the specific requirements of housing and urban infrastructure projects, both in public and private infrastructure, a land acquisition legislation would be drawn up for the urban areas. Alternatively, the existing Land Acquisition Act would be suitably amended.
- The concerned Town Planning laws and land-use regulations would be amended to provide statutory support for land assembly, land pooling and sharing arrangements.
- With an increased role of the private sector in land assembly, housing and infrastructure sectors, appropriate legislation would be framed to guide and regulate the activities of promoters/builders in the interests of the people.
- The Acts relating to the insurance sector would be amended to facilitate Mortgage Insurance in the country.
- States would be strongly advised to bring down and rationalise the scale of stamp duty to eliminate large-scale evasion, the growth of the power of attorney regime, and avoidable and time-consuming litigation in courts. While maintaining some difference between the residential and non-residential properties, states would be strongly advised to bring down stamp duty on the former to about 2-3%. They would also be advised to reduce the stamp duty on asset securitisation to help in setting up the secondary mortgage market.
- States must update and modernise the system of maintenance of land records. They may also adopt the Torren System for Land Records and title investigation. This would go a long way in providing information and facilitating transactions in land.
- Urban renewal of inner cities is becoming imperative. The Municipal laws/bye-laws and planning regulations need to be amended to take care of upgradation.
- Clean environment and quality of life in the settlements depend on various legislations and coordination among the regulatory authorities. There is a need to integrate policies regarding air and water pollution, solid waste disposal, use of solar energy, energy recovery from wastes and electricity supply in the planning process.

"The ultimate goal of this policy is to ensure that the basic need of 'Shelter to all' is fulfilled and a better quality of life provided to all citizens by harnessing the unused potential in the public, private and the household sectors. The policy may be reviewed from time to time taking into account advancements in sciences and technology and the economic situation."

Source: Government of India, Ministry of Urban Development