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Housing Policy in India

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Abstract: In this paper we critique the Government of India's programmes for affordable housing in India, namely the Rajiv Awas Yojana and Housing for All 2022. We analyse the efficacy of these policies in being able to provide thee sections of the population who are unable to avail housing from the formal market, both through direct support and most importantly in addressing the many distortions that have made the housing unnecessarily expensive, while taking away much of the value to consumers. We argue that while these programmes and policies are a major advancement over the previous approaches, they do not fully exploit the potential that is there in increased FSI, sensitivity of low cost housing development to exploiting location value appropriately, to use of government land judiciously, to the reform of titles and squatter rights, and to more efficient land use changes. They are also constrained by an inability to distinguish between what the markets can be coaxed to deliver and where state intervention becomes necessary.

INTRODUCTION: Housing for very long in the post-independence period has had low priority. The logic of consumption if restricted would also enhance the supply of savings outflow from the household sector. Hence the state owned development finance institutions (DFIs) and the banks were restricted in lending for house construction. Indeed the HDFC was able to lend finance to households only because of its claim that it was not using public money (taxes or deposits) but was raising capital in the markets2 . The same argument allowed Reliance to bypass the Textile Policy of 1956 which otherwise constrained all organised sector textile industry. It was only in 1980s with HDFCs operations and later with the LICs operations that finance to fund house construction could take place on any meaningful scale. HUDCO's focus was more on urban infrastructure and financing town and government authorities and parastatals to construct real estate other than housing and only marginally in housing. All that is history with the liberalisation brought in by the Narashima Rao government in 1991- 92 /92-93, and thereafter which freed banks and financial institutions (FIs) to make loans to individual households for house construction and purchases, and to builders to finance their construction. Over the dream run of the Indian economy from 2003 to 2008, the very high growth of over 8.5% per annum happened on the back of large investments in housing. The problem of affordable housing was a seemingly a government priority as evident in the rhetoric of many programmes of housing for the poor, the so called LIG housing areas in the master plans of many large and medium sized cities. LIG housing has absorbed significant public resources, but has thus far proved to be quite inadequate to address the problem of affordable housing. A few interesting developments of using private firms to build houses for the poor which the government then allocates have a better record in terms of quality and occupancy such as by the AP Housing Board have not been followed on the scale and quantum required to overcome the problem. Today when many regions hope to revive housing to lift the economy out of the recession, the problem of affordable housing has no ideological or doctrinaire difficulties, nor are there any significant limitations that come from the financing side. In this paper we examine the Government of India's programmes for affordable housing in India, namely the Rajiv Awas Yojana and Housing for All 2022, and bring out the core finding that in ignoring the structural limitations that arise out of the assumptions of urban planning, transport and infrastructure design in towns and cities, severe distortions with regard to land use and allocation in the country, besides the limitations in the design of these specific policies, the effectiveness in enhancing