



## **Affordable Housing for Low Income Group**

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### **ABSTRACT**

A vital component of social, economic, and civil development is housing. By increasing in value, acting as a hedge against inflation, offering safe spaces for businesses to generate revenue, and facilitating door-to-door lending, housing contributes to wealth creation. By increasing in value and acting as a hedge against inflation, housing creates wealth by offering safe spaces for income-generating activities. India's greatest housing need is large, affordable housing.

Keywords: Affordable Housing, India, Low Income group, Housing

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### **1. Introduction**

*1.1.* Housing is a crucial component of economic, social, and civil development. For vulnerable populations, housing comes first, followed by food and medical needs. In prosperous times, housing increases wealth through value appreciation, acting as a hedge against inflation, offering safe spaces for businesses to generate revenue, and facilitating door-to-door lending. One important factor driving economic growth is housing management. Any type of housing that satisfies an affordability criterion—be it family income, dwelling unit size, EMI size, or the ratio of house price to annual income—is referred to as affordable housing. Although the expenditure method is frequently used to define affordability, housing affordability is a multifaceted concept. In India, low-income individuals and those from economically disadvantaged backgrounds who earn significantly less money are able to access affordable housing.

#### *1.2. Affordable Housing*

Affordable housing refers to housing units that are affordable for those with income below the average household income. In India, affordable housing is provided for low-income people, and economically weaker sections who have considerably low levels of income. Affordable housing refers to any housing that meets some form of affordability criterion, which could be income level of the family, size of the dwelling unit or affordability in terms of EMI size or ratio of house price to annual income

#### *1.3. Low Income Group*

Persons who earn less than, or at least not significantly more than, the poverty level. Low-income persons have less disposable income than others and may sometimes struggle to pay their bills. Low-income persons often have low job security and are strongly correlated with low education levels. Lower Income Group (LIG) means households with monthly household income between Rs. 5001/- to Rs. 10000/- per month or as fixed by the Ministry of Housing and Urban Poverty Alleviation, Government of India from time to time.

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### **2. Need for Affordable Housing in India**

As our country is going through an economic transition characterized by demand for better housing facilities, there is a widening gap between the demand for houses and its availability. Both in the urban and rural areas, there is lack of proper housing facilities. As per the Report of the Technical Group on Estimation of Urban Housing Shortage (2012), there is a huge gap in demand and supply of urban housing both in the urban and rural areas. According to the Technical Group Report, two low-income categories – economically weaker sections and low-income group accounted for 96 per cent of the total housing shortage in India. Given the need for houses and increasing trend of urbanization, housing facilities in urban areas must be expanded. With the current progress of urbanization, around 40% of the country's population is expected to live in urban areas by 2030.

### 2.1. Initiative for Affordable Housing

Recognizing the importance of providing housing to the poor sections, government has initiated a group of measures over the last fifteen years. As a beginning, the National Urban Housing and Habitat Policy (NUHHP), 2007 has set the objective of Affordable Housing for All as a key focus. Later, the government has set 2022 as the target year to realize this objective by making specific initiatives for the promotion of housing. Two components under Pradhan Mantri Awas Yojana – the PMAY (Urban) and PMAY (Rural) were launched by the government for achieving housing for all by 2022. For the urban poor, the government target is to construct 20 million houses by March 31, 2022 under Pradhan Mantri Awas Yojana-Urban, that was launched in June 2015. According to the Ministry of Ministry of Housing and Urban Affairs, as on January 2019, nearly 69 lakh houses were approved while 13.59 lakh of these were completed.

### 3. Need for Affordable Housing in Maharashtra

The government of Maharashtra is inviting private real estate developers to partner with its housing agency Maharashtra Housing & Area Development (MHADA) to build affordable residential projects across the state. MHADA will be picking up equity in these projects and facilitate faster approvals apart from additional support to the project. The modalities for these alliances will be finalized soon. According to industry experts, the government and private developers' joint ventures for affordable housing projects will receive a good support both from the developers as well as homebuyers.

Maharashtra has also launched multiple PMAY projects in urban and rural parts of the state. The estimated urban housing shortage of India is 18.78 million houses of which Maharashtra targets to develop 1.94 million housing units by 2022.

Maharashtra Housing Development Corporation has taken up the initiative to construct these dwelling units. To ensure timely completion, new policies have been formulated to encourage private participation and joint ventures. Capital support will be extended from MHADA (Maharashtra Housing and Area Development Authority), SRA (Slum Rehabilitation Authority), CIDCO (City and Industrial Development Corporation) and financial grants from State and Centre will also be granted to complete the planned target. MHADA is expected to setup INR 7,000 Cr shelter fund to support affordable housing. With financial and policy support coming from central and local government, affordable housing projects in the state are looking for private participation to reach its target.

The IT and the automobile sectors have been the growth drivers of Pune. To accommodate the masses of migrant workers from these sectors, the private developers and the government have been continually endeavoring to provide required impetus to the affordable housing segment. Pune has recorded supply of 35,310 affordable housing units in 2015, which is the highest in the last six years. 2017 has witnessed the lowest supply in the last six years due to the aftermath of Demo in 2016 and due to the huge unsold inventory. However, the share of affordable housing in the year accounted for nearly 60% as builders reduced the unit sizes to contain the cost within the desired budget

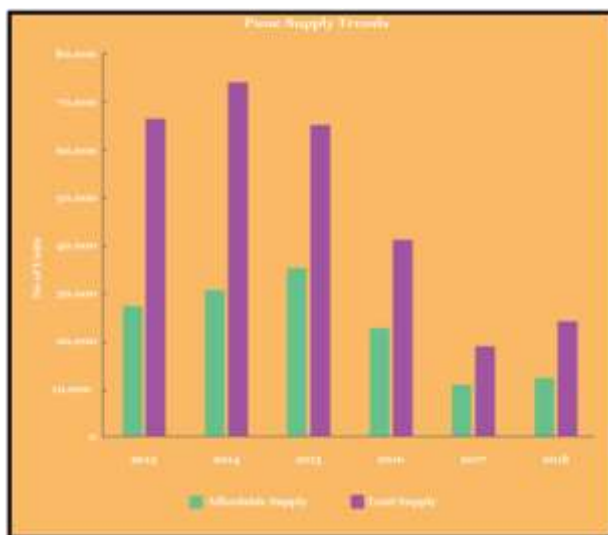


Fig. 1 - (a) Pune Housing Supply

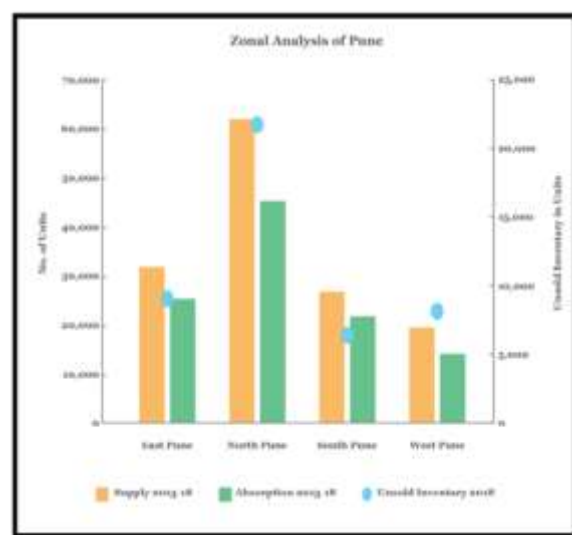


Fig. 2 - (a) Zonal Analysis

### 3.1. Affordable Housing in Pune

North Pune tops in affordable supply and absorption matrices. Total unsold inventory in affordable supply was approx. 44,780 units across the city as of Q4 2018. Out of the total supply in North Pune, 66% of the supply is in the affordable segment from 2013 to 2018. Of the total supply, 73% is already absorbed as this market is dominated by IT and industrial establishments, from which the demand for affordable housing is significant.

Due to the dominant IT segment in West Pune, the prices are on the higher side, which resulted in fewer launches in the affordable segment. This also reflected in less unsold inventory in the zone. West Pune has seen 52% of supply in INR 20-30 lakh bracket of total affordable supply, and the locality has the lowest average unit size of 390 sq. ft for the supply in the same bracket. South Pune accounts for 39% of the total supply in the budget range of INR 30-40 Lakhs owing to its large sizes and measuring 510 sq.ft.

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#### 4. Methodology

The paper is based on both on primary and secondary market data. Secondary data was collected from government policies like, the Pradhan Mantri Awas Yojana, Housing for All by 2022, real estate industry data from research reports of magicbricks.com, etc. Primary research was conducted by asking a set of different questions from both, the developers, and the homebuyers. A different set of questions was prepared for both the parties to understand the precise impact of government policies on each stakeholder. Affordable housing and its trends were illustrated in details through critical review of literature. This study focused on the different criteria for affordable and low-cost housing assessment. The same study arranged these criteria that indirectly impact affordable housing by examining each of their functions. In the first step we have obtained data on Carpet Area Prices (CAP). CAP is provided on per sq.ft. basis for 3 different segments of housing unit whose area fall in the range: 1184 sq.ft. This segmentation was in line with eligibility criteria mentioned in PMAY for various types of beneficiaries. In the second step, we have computed the cost of the housing unit by multiplying CAP with carpet area of the house. In the third step we have calculated the maximum permissible housing loan that a household under each category. In the fourth step, the EMI to be paid by the household is computed assuming the term of the loan to be 20 years, as allowed under PMAY. In the fifth step, monthly income of the household is computed based on eligibility income as given under PMAY.

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#### 5. Conclusion

Affordable housing in India is gaining momentum post the government's vision of providing a roof to all its citizens. Several initiatives have been taken by the government in the past, a few of which have yielded results too, but the housing shortage continues to be humungous. Further, the housing shortage across the country seems to be ever-increasing due to the rapid urbanization and economic growth led by massive investments in infrastructure and industrialization. As per estimates, the housing shortage in urban India is likely to reach 30 million by 2030, growing from 18.78 million in 2012. The primary challenge in developing affordable housing in areas that are remotely located from the economic traverse is its connectivity and the social infrastructure. We have seen affordable housing units being developed by the government under its various plans but are left unoccupied owing to various impediments. Hence, significant consideration and planning are required to build such developments in a location which are habitable and connected to the nearby centres. The cost of construction has a direct impact on the affordability and needs to be contained. While low profitability deters private participation in the affordable housing segment, the use of innovative material and disciplined execution can help contain the costs. This is going to play a crucial factor in the success. That said, the aim of building affordable homes should serve the intent of the government and as such be in proximity to schools, hospitals, markets and accessible through affordable mass transport systems. The locations may have high density but the complimenting infrastructure such as roads, water, power, and sewer management will enable sustainability of affordable housing.

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#### 6. Acknowledgement

Through this research paper I have learnt a lot about the Affordable Housing in India. It has helped me analyze the importance & need of Affordable Housing in Pune city India. I hope that this research paper will help all those People who are Ready to work in this Field.

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