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A RETROSPECT OF 'AFFORDABLE HOUSING FOR ALL BY 2022' IN INDIA

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Abstract

Background*: Even though 'Affordable Housing for All by 2022' was the national goal of India, the target could not be attained by 31st March 2022, the end of last Financial Year. It is not likely to be attained even by 31st Dec. 2022, the end of the Calendar Year. As per the latest information available, the Govt. of India is planning to extend the date till 31st Dec. 2024 to attain the national dream of attaining 'Affordable Housing for All'. Having missed the target might not be a big issue right now, but not attaining the same in the near future, say, by 2024 or so will not be good for the faster and sustainable growth of this developing economy. In this context, this paper makes a detailed analysis of the need and relevance as well as the policy options for attaining India's national housing goal in the immediate future. The vital need for embracing ICT and other technological advances in the housing sector has been discussed in the paper, considering the 'Digital India' priority of the Govt. of India and also the ICT imperative at the global level. Besides, in the current scenario, ICT is a powerful weapon that can empower the poor through facilitating financial inclusion as ICT-based gadgets are becoming more and more affordable and user friendly, and models like housing micro finance (HMF) are fast emerging globally. There is enough scope for replicating such models in India too for attaining the national housing goal in a time-bound manner.*

Method*: This paper follows a descriptive-analytical and also an exploratory methodology, relying primarily on the latest secondary data from authentic sources, like, those of the Govt. of India (GOI), Reserve Bank of India (RBI), major international and national regulatory institutions and research organizations. The international success stories and experiences that can be replicated in India, especially those on financial inclusion, affordable housing etc. have been duly studied for the purpose of this study. The fast advances in ICT and allied fields like AI and their implications on the housing sector in India have also been studied in this study, ICT being an imperative rather than an option. Common statistical tools have been used for analysis and interpretation for the purpose of this study*

Conclusion*: The findings of this study suggests that specialized and highly focused policy initiatives at the national as well as State levels need to be chalked out so as to attain the national housing goal of 'Affordable Housing for All' in its true letter and spirit. The active participation by CSOs like Kudumbashree are very much required in order to attain such goals. Schemes like PMAY (Pradhan Mantri Awas Yojana), both urban and rural (gramin) parts, need to be meticulously monitored so as to ensure their progress as per their original targets. Besides, so as to ensure better quality, transparency and operational efficiency, the ICT advances, including AI and allied ones, should be properly leveraged in all housing development activities.*

Keywords: Housing shortage, Affordable housing, HMF, Inclusive growth, PMAY, ICT, AI.

1. Introduction

India's financial system has been reasonably resilient during the global pandemic of Covid-19. In this regard, India's banking sector which dominates the financial system in the country could exhibit high level of maturity. The housing finance segment of India's banking sector, which in turn is the most prominent sub-group within the 'Retail Credit' (Personal Loans) portfolio has been exceptionally stable during the post-pandemic scenario. It could facilitate an early and 'V' shaped recovery of banking system from the Covid-induced slump that was prevalent across the globe, including India. Despite these facts, it may be noted that the Bank credit to GDP Ratio (BGR) in India as well as the Mortgage to GDP Ratio (MGR) are very low. Thus, even though Indian banking system is strong enough today, there is the need for making it stronger by extending its reach to the masses. So also, housing finance from commercial banks and other formal sector financial institutions, like, housing finance companies (HFCs) should also be scaled up so that the housing dreams of the poor and other socially disadvantaged groups could be materialized. It may be pointed out here that India's national goal of '*Affordable Housing for All by 2022*' could not be achieved as on the last financial year-end viz. 31st March 2022. As on the calendar year viz. 31st Dec. 2022 also, India's national housing goal as above is unlikely to be attained and hence the last two terms '*by 2022*' has become irrelevant now.

2. Significance of the Study

In the context of unattained national housing goal retrospect is very meaningful. More importantly, some concrete action plans for attaining this goal in the immediate future is also required. Not attaining India's '2022 housing dream' might not be a sin nor a major drawback, given the ground realities faced by India including the global pandemic of Covid-19. Yet, not attaining it at least in the immediate future, say by 2024, will definitely pose a serious road block in the fast growth trajectory hitherto traversed by India. This is because, to create healthy citizens a nation needs to provide healthy living conditions to its citizens, especially housingfacilities that can nurture the physical, mental and emotional wellbeing of all of them. The utmost need for attaining the 'Affordable Housing for All' dream of India, at least belatedly (if not in 2022, per se) assumes significance in the above backdrop. As per the latest information available, the Govt. of India (GOI) has now extended the deadline for attaining the above target till 31st Dec. 2024 – the end of the calendar year 2024.

3. Previous Studies

An international study done in the Philippines context by Pickens (2009) has noted as to how a simple ICT gadget like mobile phone could be instrumental for financial inclusion and hence rural development and empowerment of the masses, given the growing affordability of mobile phones on the one side and vast share unbanked masses on the other. An Indian study done in the Kerala context by James, N., &Manoj, P. K. (2014), Relevance of E-Banking Services in Rural Area–An Empirical Investigation in *Journal of Management and Science* has underscored the vital need for expanding the banking services in rural areas by promotion of onlinebanking for faster rural development and women empowerment. A study by Vasntha, S.,Manoj, P.K. & Jacob Joju (2015), 'E-CRM: A Perspective of Urban and Rural Banks in Kerala' in *International Journal of Recent Advances in Multidisciplinary Research* has noted the vital need for E-CRM in urban and rural banks in Kerala. A paper by Manoj P.K. (2016), 'Bank Marketing in India in the Current ICT Era: Strategies for Effective Promotion of Bank Products' in *International Journal of Advance Research in Computer Science and Management Studies,* has pointed out the utmost need for ICT-integrated bank marketing in the ongoing ICT era in India. A study by J Joju, S Vasantha, PK Manoj (2017), 'Electronic CRM & ICT-based banking services: An empirical study of the attitude of customers in Kerala, India' in *International Journal of Economic Research* has pointed out the need for promotion of e-CRM and other technology-based banking services for superior customer service and better business growth.

Systematic studies that look into the pattern of credit growth in India, especially the pattern in respect of the credit growth into the housing finance segment of the credit disbursements are virtually nil. This is particularly true in respect of a critical review of the progress attained in respect of the national housing goal of 'Affordable Housing for All by 2022'. Only overall reviews on the sectoral deployment of credit growth are available, mostly in the periodical reports of the RBI; and not research studies that focus on the pattern of credit and its implications on the society. So, this study seeks to make a critical analysis of the housing credit growth pattern in the Indian context and its implications with a view to suggest meaningful remedial strategies, from a macro perspective.

4. Objectives of the Study

(i) To assess the progress in housing development in India, especially in attaining the national housing goal of 'Affordable Housing for All by 2022' by way of the schemes like PMAY;

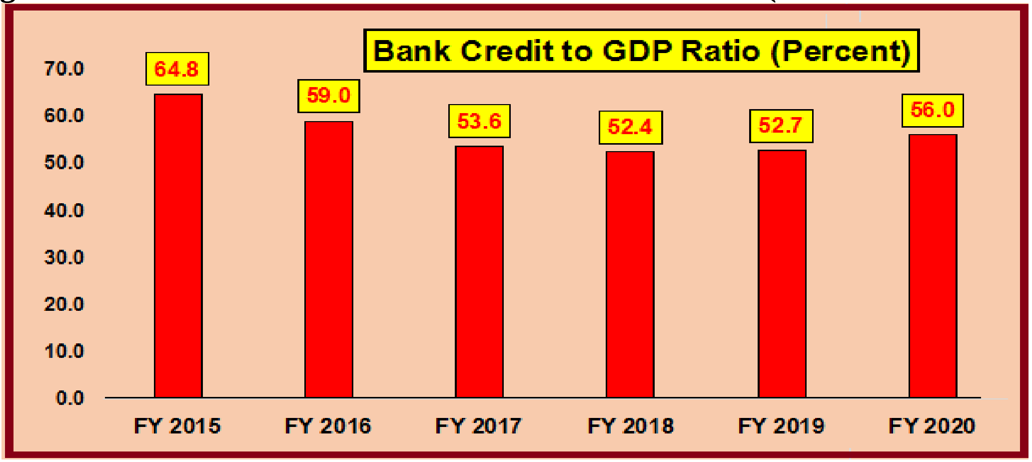
(ii) To make a macro level analysis of the factors that adversely affect the housing development and also to suggest strategies for the time-bound attainment of housing development in India.

5. **Methodology of the Study:**The study is descriptive-analytical and exploratory and is primarily based on the analysis of authentic secondary data from sources like RBI, NHB, Govt. of India (GOI) Ministries and Departments etc.

6. Progress in Bank Credit in India and the Credit to the Housing Sector.

As noted earlier, there is good scope (and solid grounds also) for further broadening bank credit in India. India's bank credit in FY 2020 was 1.56 Trillion USD and the country's Bank credit to GDP (BGR) was 56 percent in FY 2020, which was the second lowest among the Asian nations, and just half of the average BGR of G-20 nations. The BGR of Emerging Market nations being 135.5 percent and that of advanced nations being 88.7 percent as of FY 2020, India's position BGR was very low. Also, even though India's BGR of 56 percent as of FY 2020 was relatively high, the same was quite lower than the BGR of 64.8 percent as of FY 2015. The incremental credit growth in FY 2020 was at the level of 5.56 percent and this was the lowest growth in 59 years, the credit growth in FY 1962 being 5.38 percent. Coming to FY 2021, India's credit growth was only 5.56 percent in FY 2021, despite the massive drive by the GOI to scale up bank credit in the aftermath of Covid-19. (Figure I).

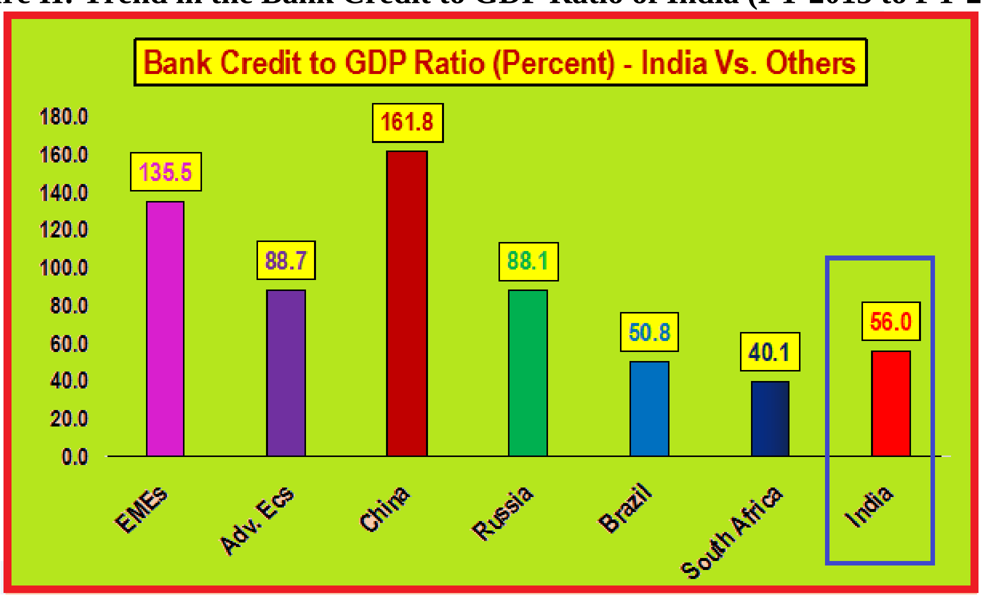
Figure I: Trend in the Bank Credit to GDP Ratio of India (FY 2015 to FY 2020)



Source: Based on *BIS Estimates* (2021 June)

Since FY 2020, India's credit growth was only 5.56 percent in FY 2021 (6.14 percent, FY 2020) despite the massive drive by the GOI to scale up the bank credit in the context of Covid-19 pandemic. India's BGR of 56 percent (FY 2020) is relatively low vis-à-vis peers (BRICS), emerging nations, and advanced nations; the same needs to improve further, an ideal BGR being 10 percent.(Figure II).

Figure II: Trend in the Bank Credit to GDP Ratio of India (FY 2015 to FY 2020)



Source: Based on *BIS Estimates* (2021 June)

In India, banking credit is triggered by the retail credit, and within retail credit too it is the housing credit. Or, in other words, housing finance segment within the total bank credit drives the banking business. This is particularly true in respect of an economic slump when the credit disbursement in general is poor, particularly to the industrial sector. Conversely, to kick-start a recession-hit economy also, housing credit is the best option because of the vast forward and backward linkages of the housing sector with as many as 300 or more other sectors. This in turn translates into creation of huge employment opportunities across a large number of industries, like, construction, steel, cement etc. So, since housing can act as a growth engine for the whole economy, housing investments are often preferred during economic recession. The GOI's policy towards recovering the economy during the Covid-hit India too had adequate thrust on boosting the housing sector. Above all, as already noted, *Affordable Housing for All by 2022*has been India's national goal, a dream target. Though it was supposed to be attained by the end of the financial year viz. FY 2022, it could not be attained. There is a wide gap in attaining this target. This aspect is covered in detail in the subsequent paragraphs.

7. Progress in Housing Development and Housing Credit in India: An Analysis

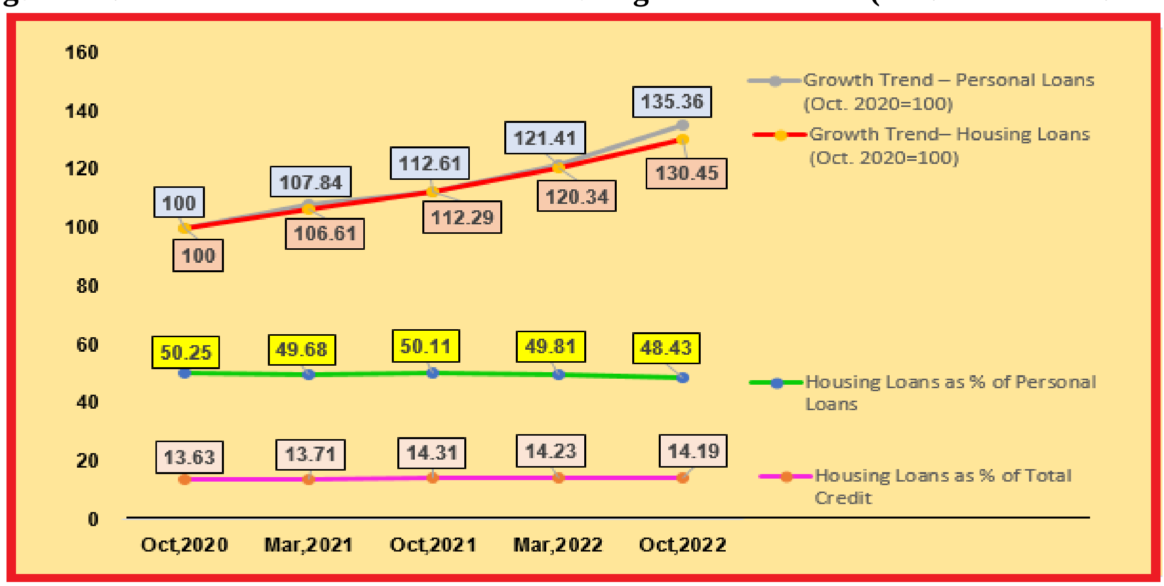
The lukewarm progress in bank credit growth is very much reflected in housing credit growth also, the latter being often the main driver of the former, as noted earlier.

Table I: Growth Pattern in Personal Loans and Housing Credit vis-à-vis Total Credit by Banks

	Oct,2020	Mar,2021	Oct,2021	Mar,2022	Oct,2022
Total Non-Food Credit by Banks	10272209	10888255	10980922	11836304	12863462
Personal Loans	2785397	3003636	3136729	3381699	3770285
Share of Personal Loans in Total Credit (%)	27.12%	27.59%	28.57%	28.57%	29.31%
Housing (Including Priority Sector Housing)	1399737	1492303	1571738	1684424	1825900
Share of Housing Loans in Personal Loans (%)	50.25%	49.68%	50.11%	49.81%	48.43%
Share of Housing Loans in Total Credit (%)	13.63%	13.71%	14.31%	14.23%	14.19%
Growth Index– Personal Loans (Oct. 2020=100)	100.00	107.84	112.61	121.41	135.36
Growth Index– Housing Loans (Oct. 2020=100)	100.00	106.61	112.29	120.34	130.45

Source: Computed from RBI data, *Sectoral Deployment of Bank Credit.* (Oct. 2022)(www,rbi.org.in)

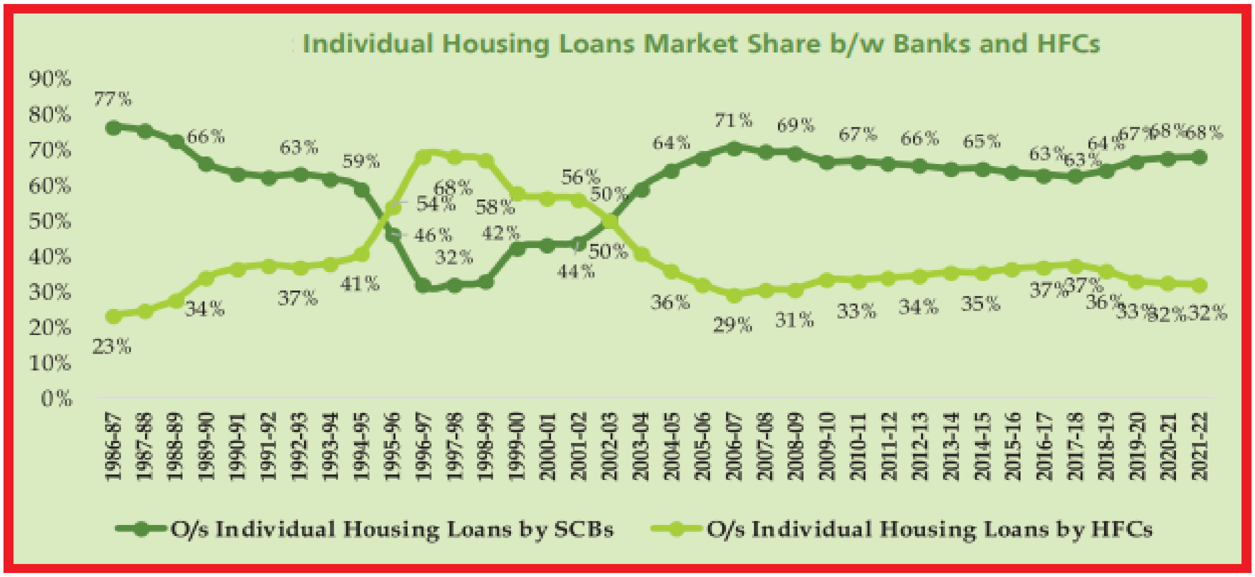
Figure III: Trend in Personal Loans and Housing Credit in India (Oct. 2020 to Oct. 2022)



Source: Based on RBI data, *Sectoral Deployment of Bank Credit.* (Oct. 2022) (Table I)

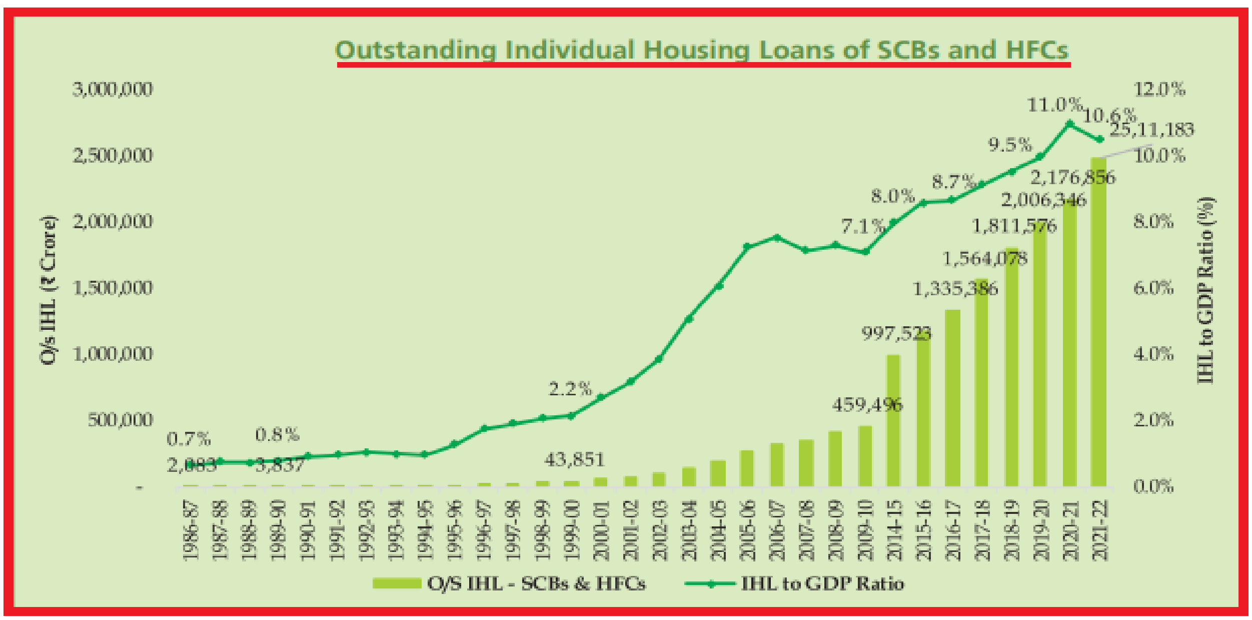
From Table I and Figure III, it may be noted that housing credit accounts for roughly 14 percent of the total (non-food) credit of commercial banks (CBs) over the last few years. Housing loans account for roughly half (50 percent) of the total Personal (Retail) loans. Glaringly, there is extremely high level of consistency in the growth rates of Personal (Retail) loans and the Housing Credit segment within it; each one is almost like a proxy of the other in respect of their growth pattern. (Figure III).It may be pointed out here that besides CBs, housing finance companies (HFCs) too are providing housing finance. HFCs denotes roughly one-third of the total housing credit market in India and the rest two-third is represented by CBs. Figure IV shows the relative shares of CBs and HFCs.

Figure IV: Relative Shares of CBs and HFCs in the Housing Finance Market in India



NHB (2022), *Trend and Progress of Housing in India.*

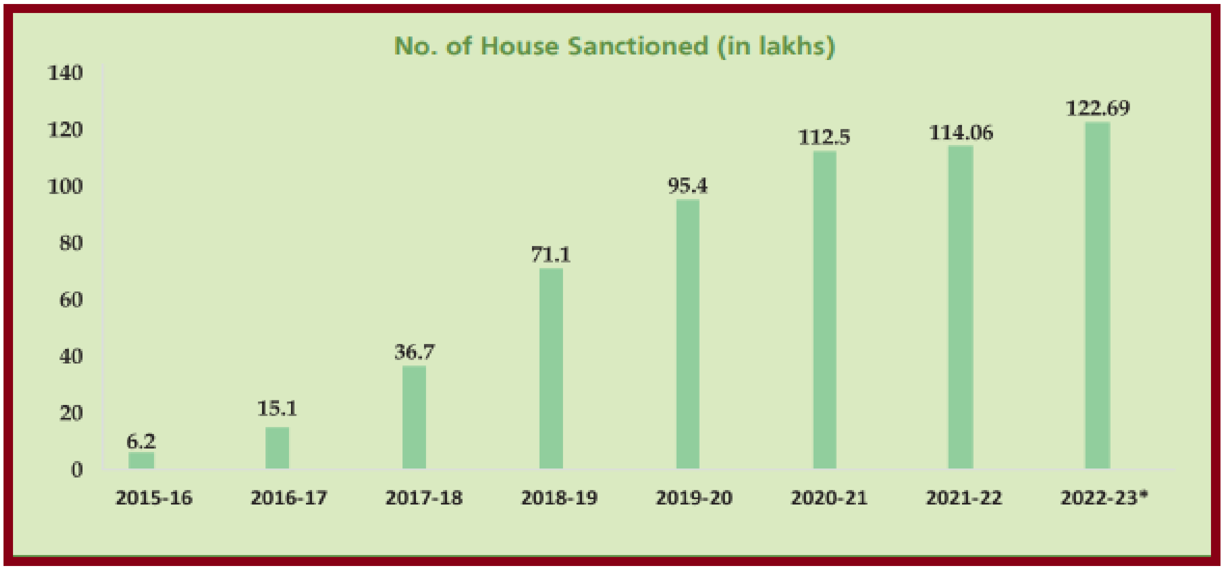
Figure V: Total Housing Credit by CBs and HFCs in India and Mortgage-GDP Ratio (MGR)



NHB (2022), *Trend and Progress of Housing in India.*

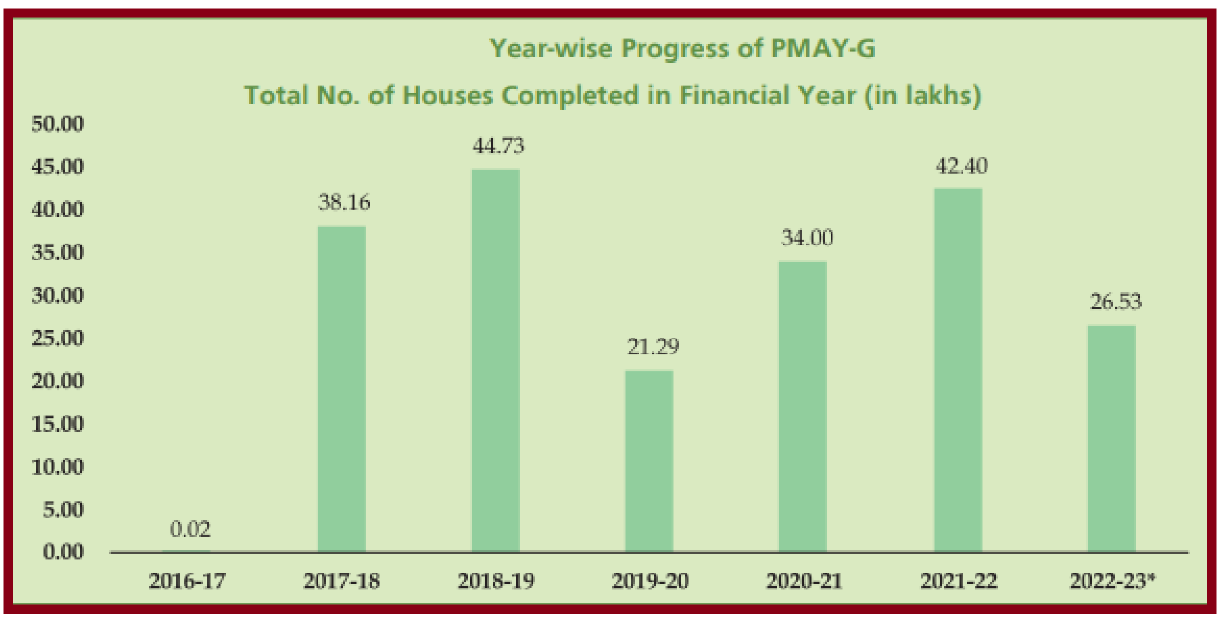
The total housing credit is in effect the sum of the housing credits disbursed by CBs and HFCs is depicted in Figure V, because the share of other institutional agencies (like, the Apex Co-operative Housing Federations) is virtually nil and are ignorable. Despite the growing trend in housing credit in India, the mortgage to GDP ratio (MGR) [or, individual housing loan (IHL) to GDP ratio] is very low as it is still at the 10.6 percent (FY 2022). This ratio is many times more (say, more than 50 percent) in most other countries, including the developing nations. More importantly, there has been fall, though slight in this ratio from 11 percent (FY 2021) to 10.6 percent (FY 2022). In India, the MGR should improve further and the falling trend needs to be reversed also. (Figure V).

Figure VI: Houses Sanctioned (in Lakhs) under the PMAY-Urban Scheme in till 2022-end



NHB (2022), *Trend and Progress of Housing in India.*

Figure VII: Houses Sanctioned (in Lakhs) under the PMAY-Gramin Scheme in till 2022-end



NHB (2022), *Trend and Progress of Housing in India.*

In order to attain the ambitious goal of *Affordable Housing for All by 2022,* the diverse schemes for housing development in India need to be further promoted, with added vigor. The most prominent among these schemes is PMAY (Pradhan Mantri Awas Yojana) which has two broad sub-divisions viz. Urban (PMAY-U) as well as Gramin (Rural)(PMAY-G). As against the target under the PMAY scheme of 5 Croreshouses, as of the closing months of 2022, the total achievement after adding up both the urban and gramin (rural) components roughly 1.5 Crores, say, about 30 percent of the target, as is evident from Figure VI on PMAY-U and Figure VII on PMAY-G. Thus, sustained and concerted efforts are very much essential in order to attain the housing development targets.

7. Attaining the Housing Development Target and the Need for a Concerted Move: Strategies

As the progress in housing development is nowhere near the target, a concerted move by the various housing promotion Departments of the Governments, both at the Union and State levels is very much required. Though PMAY is the most prominent one, other allied schemes for urban infrastructure development (eg. JNNRUM), specialized schemes (like, tribal housing) etc. also need to be promoted simultaneously. An aggressive approach towards encouraging housing finance by both CBs and HFCs – the major intermediaries in housing finance is also required. Special incentives be offered by way of extending subsidies to CBs and HFCs for their onward lending to home-less and socially disadvantaged groups, including tribal population, widows, land-less families, etc. Also, alternative models for housing finance, like, housing micro finance (HMF) needs to be specially promoted. In order to develop an active secondary mortgage market, products like RMBS (Residential Mortgage Backed Securitization) be further promoted in India. Besides, REITs (Real Estate Investment Trusts) too need encouragement, and that too with a “Residential” push; because REITs are mostly focused on developing commercial or office space rather than residential (dwelling) units. Utmost priority be accorded for integrating ICT in all schemes for housing finance and development, including various ICT-related advances like AI (artificial intelligence), because ICT can enhance transparency in all dealings and also ensure quality and improve operational efficiency by minimizing costs. Moreover, ICT adoption in any sector, including housing sector, augers well with *Digital India* drive of the GOI.

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