

## **Affordable Housing Opportunities in Small Indian Cities- A Case study of Industrial Migrant**

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### **Abstract**

*Houses are the basic human need. It has been one of the priorities of the Government of India (GOI) right from the First Five Year Plan till date. Government has provided various fiscal incentives to promote housing on both, the demand and supply side. Since independence, a large number of schemes have been launched but target of affordable housing for all has not been achieved. What can be done to make housing more affordable? For the owner-occupied sector, lack of affordability is a problem for Lower Income Groups (LIG) and Middle Income Group (MIG) in most of the cities of the country. However, this paper shows that excessive affordability is not a problem in small cities unlike metropolitan's cities. Till now the main concerns are metropolitan's cities and this paper argue that small cities are often neglected with respected to affordable housing. If we ignore our fast growing small cities now, which are potential metropolitan cities, then the future may become more critical in terms of providing affordable housing to inhabitants of these cities. The Government is concern on metropolitan cities as compared to small cities, which has to be change for a balanced and sustainable future urban development.*

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**Introduction:**

The growing concern over the affordability of housing among the people arises from two factors. First, housing is the single largest expenditure item in the budgets of most families and individuals. The average households allocate roughly one-quarter of their income to housing, while poor households commonly devote half of their incomes. These high proportions suggest that small percentage changes in housing prices and rents will have large impacts on housing consumption as well as welfare of household. Second, the recent trends indicate that in many urban areas have experienced unprecedented price hike which further makes the dream of an affordable house beyond the reach of common people.

In India, affordable housing is raised as a major policy concern of the government in "National Housing and Habitat Policy" (2007), but housing planners are apprehensive with the rhetoric of "affordability," which jumble together in a single term a number of disparate issues like the distribution of housing, prices, quality, income, purchasing power of households, and their knack to scrounge money from housing finance institution affecting housing markets severely. It's further affecting the supply of new or refurbished housing to the beneficiary resulting in a choice and cost mismatch. These complex issues raise difficulties in interpreting basic facts about housing affordability. For example, the rapid rise in the price of homes clearly made homeownership a distant dream to many buyers, but it has also greatly reduced the financial costs of home-ownership to a much larger group of existing landlords, by providing substantial capital gains. Among buyers, the large share of income devoted to housing surely reflects their voluntary consumption choices, as compared to the consumption of a publicly determined minimum quality and quantity of housing, for other consumers in this sector. However, the poor group of households would choose a lower quality of housing given their opportunities; one might conclude that the incomes of the poorest households are grossly insufficient to afford the socially imposed minimum standard.

**Affordable Housing:** Affordable housing or low cost housing is a widely discussed issue in India today. This generally refers to cost effective housing, based on low cost technology that ensures similar quality and durability; as compared to more commonly used technologies. In India, affordable housing policy is primarily designed to provide low cost housing to lower middle income groups, lower income groups and economically weaker sections of the society. The involvement of government authority is likely to be prominent. As per the latest definition, households having an annual income of less than Rs 1.5 lakh per annum are termed as LIG and hence households belonging to EWS will be further down in terms of income classification.

The concept of affordable housing, in contrast to low cost housing is applicable across all income categories. The affordability of a household in a given location is an interactive outcome of the house price, household income, spending and saving behaviour and other demographic factors like size of the household. It is recognized that affordability is relative to geographical area, time and income category. Thus defining affordable housing continues to be a challenge for real estate operators, policy makers and planners of the country.

In developed country like the US, a frequently used norm for affordability is a residential unit costing 30% or less of a household's gross annual income. In sharp contrast the Housing Development Finance Corporation Limited (HDFC), the largest lender in the housing finance market in India, considers five times of annual income as the maximum affordability of a households. For example a households earning Rs. 3 lakh a year, should afford a house cost at most Rs. 15 Lakh.

Even though there is no concurrence on any standard affordability norm in India, the fact that there is a pressing need to identify the affordability of various income groups in different cities is acknowledged by major stake holders in India's real estate industry. Given that, between 1991 and 2001, 79% of the new jobs were generated in urban areas, and the urban population in India is growing at a brisk pace, the focus of affordable housing is expected to be more urban centric.

### **Affordable House for Whom?**

The household income is the major criteria to measure affordability; the affordable housing is not restricted to the lower middle income class, but spreads across levels like LIG or EWS. However, in India, affordable housing is perceived to be related to low and lower middle income households and relates to the affordability of the households. This shows that the maximum demand for affordable housing is for LIG and lower middle income groups of the society.

Table 1: Distribution of Housing Shortage among economic category - 2012

S.No.	Category	Distribution of Housing Shortage among different economic categories as on 2012	
		No. (In Millions)	In Percentage
01	EWS	10.55	56.17
02	LIG	7.41	39.45
03	MIG and above	0.82	4.36
<b>04</b>	<b>Total</b>	<b>18.78</b>	<b>100.00</b>

**Source:** Report of the Technical Group on Urban Housing Shortage (TG-12), Ministry of Housing and Urban Poverty Alleviation, Government of India

Table 1 illustrates estimated housing shortage in India as on 2012. In India in spite of the quantum leap in the housing stock in the country, the housing shortage has also been increasing. According to the Report of the Technical Group (12th Five Year Plan: 2012-17) on Estimation of Urban Housing Shortage, the total urban housing shortage in the country in 2002 was 18.78 million dwelling units and 95 percent of this shortage pertains to the economically weaker sections and the lower income groups of the society.

The shortage of affordable housing is getting worse instead of better. The country's urban population of 285 million has multiplied by five over the last 50 years. It is projected that it will continue to increase at this fast pace, and that 50 per cent of all Indians will be living in urban areas by the end of the next three decades. So, if the shortage for housing for the lower income segment stands at 25 million today and there is no increase in the pace of supply of affordable housing launches, what will this figure look like in 30 years?<sup>2</sup>

### **A Case study of Industrial Migrant: A small town Bhilwara**

Bhilwara is the 'Textile City of India' and one of the most industrialised town of Rajasthan. The textile industry is the back-bone of the city's economy. However, textile industry is the second largest employer in the organized and unorganised sector after agriculture. Over the past few decades Bhilwara has emerged as Rajasthan's premier textile destination. It is currently India's leading Polyester-Viscose suiting and yarn exporter. Bhilwara is a demographically diverse city and one of the fastest growing cities of the state. The favourable weather conditions and historical development have facilitated investment in the city. Bhilwara is the seventh largest city of State having a population of 280185 (Census-2001). The growth rate of the city in last three decade is more than 50%.

The textiles sector, being the prime economic driver of the city, is directly responsible for the increase in housing affordability among the city's various demographic segments. Over the past decade there has been a paradigm shift in the attitude of home buyers. The economic growth has resulted in an increase in the city's per capita income, promoting fast development that has changed the home buyer's outlook. The traditional conservative consumer mindset has been replaced by a desire for instant gentrification, resulting into frantic activities in housing market. Home buyers in Bhilwara represent a mix of end users and investors, whereas previously the former constituted the majority of housing demand.

**Demand perspective:** A primary survey of tenant households was undertaken by the author in 2011 in Bhilwara city. According to this survey tenant households, who are considered to be the most potential buyers of residential houses, indicate certain household characteristics. It has been observed that most of the sample households are nuclear in

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<sup>2</sup> <http://www.thehindu.com/business/Industry/a-growth-engine-of-the-future/article4912425.ece>

nature, with rest belonging to the joint family type, with an average household size of 5.3. Another important issue worth mentioning is that more than one third of the respondents are migrants and it highlights active participation of migrants in the process of house purchase. Among the households surveyed, 92% represents the migratory population of the region. Of this, nearly 92% of the households have migrated to Bhilwara for job in textile industries and 8% for other reasons. The average number of years for which a migrant household has been living in the Bhilwara is about 7 to 8 years.

Table 2: Distributions of Sampled Households According Types of Occupation

S. No	Types of works	% of Respondents
1	Self employed	14.4
2	Government service	7.8
3	Labour	10.0
4	Vendor	1.1
5	Private service (Factory)	63.3
6	Others	3.3

**Source:** Primary Survey, 2011

Table 2 illustrates the distribution of the sampled households according to the type of occupations with a majority of 63.3% of the households working in textiles industries and spinning mills in Bhilwara, while 14.4% are self employed, 10% are labour category and 7.8% are other major categories of occupation.

Table 3: Distribution of Sampled Households According to Total Annual Income

Annual Income of Households	% (Sampled Households)
< Rs 39600	12
Rs 39601 to 87600	59
Rs 87601 to 174000	26
> Rs 174000	3
Total	100

**Source:** Primary Survey, 2011

Table 3 shows the distribution of sampled households according to their total annual income. 59% of the sample reported to have an annual household's income in the range of Rs 39,601 to 87,600 and 26% between Rs 87,601 to 1,74,000. 12% of the sample households reported to have an annual total income, less than Rs 39600, which comes under economically weaker section of the society. Only 3% of the sampled households recorded

Rs 1.74 lakh and higher annual income. This means that most of the workers, who are working in textiles and spinning industries, are earning less than Rs 10000 per month.

Table 4: Percentage Distribution of Current Residence Type based on Annual Income

Annual Income of Households	Single room	Room With kitchen	1 BHK	2 BHK	3 BHK	> 4 BHK
< Rs 39600	5	1	1	0	0	0
Rs 39601 to 87600	36	13	10	3	1	2
Rs 87601 to 174000	6	5	1	7	0	4
> Rs 174000	1	1	0	2	1	0
<b>Total</b>	<b>48</b>	<b>20</b>	<b>12</b>	<b>12</b>	<b>2</b>	<b>6</b>

Source: Primary Survey, 2011

Table 4 indicates the distribution of the sampled households according to current residence types and annual incomes of the family. The table indicates that majority of residents (48%) are staying in single room. As far as the house types and incomes are concerned, out of 48%, 36% of the sampled households are staying in one room who are earning Rs 39600 to 87600 annually. 20% of the households are residing in one room kitchen type of accommodation. The people who are living in 1BHK or 2 BHK are generally the owners of the house. The households which are earning more than Rs 10,000 per month generally inhabit in 2 BHK or 3BHK types residential houses.

Table 5: Distribution of Sampled Households (Owner) According to Rental Value of Houses

Rental Value of Households	1 Room Kitchen	1 BHK	2 BHK	3 BHK	4 BHK & above
< Rs 1000	0%	0%	3%	0%	0%
Rs 1001 to 2000	9%	12%	21%	3%	6%
Rs 2001 to 3000	0%	0%	9%	9%	6%
> Rs 3000	0%	0%	3%	6%	15%

Source: Primary Survey, 2011

Table 5 depicts a distribution of sampled owner households according to the rental value of their houses. The average monthly rentals values are vary from Rs 1000 to 3000. The majority of the sample lies in Rs 1000 to 2000 per month rental values of 2BHK and more than Rs 3000 for 4BHK. Which suggests that most of the houses having 2 or 3 tenets. The average rent is Rs 700 to 800 and more than 50% sampled stick to single room accommodation.

Table 6: Distribution of Sampled Households (Rental) According to Rent of House

<b>Paid Rent</b>	<b>1 Room</b>	<b>1 Room with Kitchen</b>	<b>1 BHK</b>	<b>2 BHK</b>
< Rs 500	22%	1%	7%	0
Rs 501- 750	24%	9%	0	0
Rs 751- 1000	10%	7%	0	0
> Rs 1000	6%	7%	3%	1%

**Source:** Primary Survey, 2011

Table 6 illustrates a distribution of sampled rental households according to rent and types of houses. It is observed that in Rs 500 to 1000 rent category are around 62% residing in single room house and 24% reside in 1Room with kitchen.

**Buyer's Preferences:** A prospective buyer's purchase decision is influenced by a host of factors ranging from price to location. Due to the growing awareness among consumers, choice of facilities and amenities are also found to be important determinants. To start with, the survey has gauged the budgets of households who are willing to purchase a house in the near future. In addition, the household survey has also brought out the factors influencing preferences of potential buyers pertaining to locations and projects.

In Bhilwara, the average budget of the buyers varies between Rs 1500 to 4500 per month and has increased with the higher income of household.

Table 7: Distribution of Sampled Household According to Average Preferred Budget &amp; Types of Houses

<b>Types/Budget</b>	<b>Rs &lt; 1500</b>	<b>Rs 1501- 3000</b>	<b>Rs 3001-4500</b>	<b>&gt; Rs 4500</b>
1 BHK	11%	4%	0	0
2 BHK	9%	45%	12%	0
3 BHK	0	0	16%	4%
Total %	20%	49%	28%	4%

**Source:** Primary Survey, 2011

Table 7 depicts the distribution of sampled households according to their average preferred budget and type of houses. Generally for the owner the prices and size of the houses are important factors to determine when they are making a purchase decision. It was observed earlier in the table that most of the tenants (50%) currently reside in single room, but here 66% of the sampled preferred 2 BHK as ideal house for them. 49% of the households wanted to invest Rs 1500 to 3000 as average budget or EMI for houses per month.

Table 8: Distribution of Sampled Households According to Their Preferences of Location

Respondent	Where People Want to Buy a House			
	Near to work place	Same area where I am living	Anywhere in the city where I can afford to buy a house	Place having proper basic services
Yes	16	8	49	0
% of Respondent	21.9	11.0	67.1	0.0

**Source:** Primary Survey, 2011

Table 8 indicates the distribution of sampled households according to their preferences of location for housing. It is observed that the price or affordability of the houses attract most of the households. The nearness to work place is next important factor of attraction to the households for new houses. On the other hand the presence of basic services holds the least weightage for decision of potential buyers of houses in Bhilwara. The majority of households were interested in purchasing affordable houses anywhere in the city and few prefer same area where they are living.

**Supply Perspective:** In the recent past, the residential market in Bhilwara witnessed hectic real estate activity, aided by strong demand from the textile industries workers. The major real estate companies like Ansal Group, Manglam, DLF, Essel Group and some local developers are investing in residential market into the city.

In the last few decades, estimated population growth and inward migration is more or less 50%. In the last decade the proportion of the migrant population in total population is 38.63%, which assured steady demand for housing unit in the city. Thus, the housing sector in Bhilwara is primarily at the end user driven.

There are some opinions and apprehensions expressed by the one of the developers & Rajasthan Housing Board Bhilwara (RHB Bhilwara) on the affordable housing market in Bhilwara.

**House Size:** According to the household survey, the EWS, LIG and MIG have their own choice with cost variation. The maximum affordable housing price for EWS of Bhilwara is Rs 280000, and for LIG, Rs 350000 and for MIG, Rs 420000. The industrial workers are the most targeted customers.

**Availability of Land:** In term of land supply, considering the cost of land and its availability within the city limits (BMC), developers and RHB Bhilwara, have lots of possibility of the affordable housing schemes to the city. The major areas are Shri Ram Nagar, Azad Nagar,



Jawahar Nagar, labour colony, Chandra Shekhar Azad Nagar, Biliya where the cost is around Rs 300 to 500/Sq. Ft. The land rate in the city is varies from Rs 300 to 1200/Sq. Ft. (Approx)

**Cost of Construction:** The cost of construction is around Rs 500/Sq. Ft. in Bhilwara.

**Affordable Housing in Bhilwara:** Now a day's in urban area of Bhilwara housing affordability is a serious concern for inhabitants of Bhilwara, Being the textile hub and one of the most prominent city of state for employment generation, authority ought to address the housing crisis adequately. The rapid urbanization and population influx increased the problem of the housing affordability in the city in many fold. In urban area the lower income and middle income group always had difficulty in purchasing a residential property within the city but it is the fact that despite being in comparison to Mumbai, Delhi, Hyderabad, and Jaipur where the property prices are considered to be highest in the country, Bhilwara is relatively more affordable for purchasing a house. However, it has larger areas with huge land area available for housing development, at various locations as options for the residents of the city to fulfil their housing needs.

Bhilwara revealed a number of interesting facts during the households survey carried out in order to ascertain the affordability of the various income groups at city level. The results of the household survey were used to compute affordability pertaining to various locations in the city.

Table 9 depicts in details of the maximum affordable EMI of households of various income levels. The EMI for EWS is Rs 984/months; LIG is Rs 984 to 2190 and for MIG is Rs 2190 to 4350/months is calculated. There is a wide gap between the EWS and MIG groups.

Table 9: Affordability in Bhilwara

	<b>EWS</b>	<b>LIG</b>	<b>MIG</b>	<b>HIG</b>
<b>Households income (Per Annum)</b>	<b>&lt; Rs 39600</b>	<b>Rs 39601-87600</b>	<b>Rs 87601-174000</b>	<b>&gt; Rs 174000</b>
Maximum EMI for Migrants/ Month (Rs)	984	984 - 2190	2190 - 4350	> 4350
Affordable housing Price (Rs) (Calculation according to HDFC Definition of Affordable Housing)	<b>201960</b>	<b>201961-446760</b>	<b>446760 - 887400</b>	<b>&gt; 887400</b>
Preferred Plot Size for House (Sq. Ft.)	400	500	600	
Price (Rs350/Sq. Ft.)	350	350	350	
Total Plot Value (Rs)	140000	175000	210000	
Total Built up Area (70% of Plot Area)	280	350	420	
Construction Cost (Rs 500 sq. Ft.)	140000	175000	210000	
Affordable House/property Value (Rs)	<b>280000</b>	<b>350000</b>	<b>420000</b>	
Maximum Loan eligibility (Rs.) (9% interest rate ,for 15 year loan tenure)	224000	280000	336000	
Buyers Own Contribution (Rs.) (Assuming 80% loan)	56000	70000	84000	
Maximum EMI for Migrants (Rs)	1680	2100	2520	

Location Available considering preferred size and few residential Area	Shri Ram Nagar, Choti Harni, Badi Harni, Harijan Basti, Kanwa Khera Mangal Pura, Biliya	Azad Nagar, Labour colony. Bapu Nagar, Gandhi Nagar, Ambedkar Nagar, Laxmi Pura,	Chandra Shekhar Azad Nagar, Azad Nagar, Pratap Nagar, Jawahar Nagar Ram Dham Sanjay Colony
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**Source:** Primary Survey, 2011 and Calculated as per Assumption

The calculated affordable housing price for EWS is Rs 201960, LIG is Rs 201960 to 446760, and MIG is Rs 446760 to Rs 887400 and above Rs 887400 is for higher income groups of the city. This EMI figure for assumed houses was arrived at by considering the respondents stated affordable EMI with regards to their spending capacity. The resulting figure was then translated into the house price based on an assumed interest rate, Loan tenure and loan to value ratio. The house price is then converted to a per square feet rate assuming house size, assuming construction cost for 70% built up area and this conversion facilities comparisons with prevailing rate in different location in the city.

An interesting point that was inferred from the survey results was that the income groups of Rs 39600 and Rs 39601 to 87600 and Rs 87601 to 174000 preferred different sized unit for their housing needs. All income categories expressed area of their residential units in the range of 400 to 600 square feet across all income categories. While this allows the all income groups (EWS or LIG or MIG) to purchase a house with an average price of Rs 350/ square feet.

Meanwhile, the households especially those in the income category of Rs 39,600 per annum are willing to compromise on house size, and can only afford to buy a home in location like selected pockets of the outer region of the city, like Shri Ram Nagar, Choti Harni, Badi Harni, Harijan Basti, Kanwa Khera Mangal Pura etc. while the households in the slightly higher income category of Rs 39601 to 87600 can additionally afford a home in Azad Nagar, Labour colony, Bapu Nagar, Gandhi Nagar, Ambedkar Nagar and Laxmi Pura etc.

The MIG Households with slightly higher income of Rs 87600 to 174000 can additionally afford a home in Chandra Shekhar Azad Nagar, Azad Nagar, Pratap Nagar, Jawahar Nagar, Ram Dham and Sanjay Colony etc.

**Conclusion:** What should be done to make housing more affordable? For the owner-occupied sector, lack of affordability is a problem for EWS/LIG and MIG in most of the urban centre in the country. However, the study shows that in Bhilwara, the affordability is not a problem like other metropolitan cities of the country. Till now the main concerns are metropolitan's cities and this paper argue that small cities are often neglected with respected to affordable housing. If we ignore our fast growing small cities now, which are potential metropolitan cities, then the future may become more critical in terms of providing affordable housing to inhabitants of these cities.

The Government and the developers are emphasizing more on metropolitan areas where the saturation point has already been achieved and ignoring areas where it could have been more fruitful in realizing the dream of affordable housing for masses, with all the basic amenities with strong infrastructure. If that is done over a period of time, with gradual growth these under developed areas would turn into a metropolitan area in the future without having housing problem.

Most of the EWS/LIG and MIG category houses require the basic necessities for comfortable living which are more important in the present housing scenario. Affordable housing has become a top priority for developers. The majority of demand is coming from EWS/LIG and MIG sections of the society. The small and medium towns are an ideal destination for investment and purchase of property and will be highly affordable for the masses. Bhilwara provides all such scenarios where the concept of affordable housing can be realized in practical manner.

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