Bridging the Rural-Urban Housing Divide - The Government Initiatives

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Abstract

‘Home’ being an important need for human being after food and clothing continues to play an important role in making individuals grow and mature as good citizens. Acquiring a home in their life time has become a dream for majority of the people. Also housing is considered as means to gain financial security and long term wealth accumulation. So, proper housing facilities are essential for the welfare of the people. Growing urbanisation has resulted in increased demand for housing day by day. The paper explores on Indian government initiatives in meeting the growing demand requirements of urban and rural population by introducing new policies and schemes to facilitate housing needs.

Keywords---- Policies, Rural housing, Urban lands

I. INTRODUCTION

From the dawn of history, housing is considered to be very important universally. Improved civilisation and knowledge among people raised up for proper sanitation, environment, privacy and other factors. Man started looking for better facilities which make life easy and comfortable.

To the majority of urban dwellers finding an appropriate place to live is a major problem. Increased prices of all kinds of housing indicate that increased demand for housing and investments put in housing was not kept in pace. India experiences a major problem of housing shortage since independence. India stood second largest in population with 121 million after China as per 2011 census leading to a unfavourable land-to-man ratio. This is the basic cause behind issues related to housing faced by the Indian government.

The rise in demand for housing is due to rapid increase of population coupled with availability of scarce developed land and increased population due to migration of people in search of employment. Consequently, this has given rise to anaemic conditions like unhealthy living environment leading to deprives social and economic conditions.

Housing occupies a major role after agriculture in economic development. According to census 2011 figures that the housing stock was increased to 33.1 crores in 2011 when compared to 24.9 crores in 2001 indicating 33 per cent growth.

II. REVIEW OF LITERATURE

Ch. Hari Govinda Rao and N. Appa Rao (2012) made an assessment of Indian housing finance system and mentioned about the shortage of housing in urban India. The study indicates that 88 per cent of shortage comes from economically weaker sections (EWS) and 11 per cent from low income groups (LIG). The shortage for housing in middle and high income groups is only 0.04 millions. so, the concept of affordable housing catering to the needs of low income groups and economically weaker sections has to be widely promoted by the government with introduction of new housing policies.

Priyanka Saroha & S.K.S.Yadav (2013) in their article "An analytical study of housing finance sector in India- With special reference to HDFC and LICHFL" mentioned about the home loan taking process and initiatives taken by central and state government as a part of the national urban housing & habitat policy 2007(NUHHP), NHB's policy for financing slum up gradation and the development of secondary mortgage market for the provision of housing facilities for the homeless people.

KPMG (2012), "Bridging the urban housing shortage in India” mentioned that government with collaboration of educational institutions can fill the manpower demand and supply gap by conducing training programmes to the real estate professionals of all levels. Developers need to be encouraged in construction of affordable homes with the help of latest technology at low cost.

III. OBJECTIVES OF THE STUDY

- To analyse the impact of various financial institutions facilitating housing in India.
To understand about rural and urban housing funds provided by the Indian government. 

To recommend necessary measures for further improvement of housing.

**Housing Shortage in India**

![Housing Shortage in India](image)

Source: CRISIL Research

From a research conducted by CRISIL on housing finance structure in India found a decrease in housing shortage due to the rigorous efforts the government of India has put in providing houses through several developmental schemes to the homeless. Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was found for enabling slum redevelopment programs in urban areas.

The graph shows that there is a continuous shortage of houses in rural areas from 2001-2010. But due to the developmental schemes offered by the government for the improvement of housing conditions of people below the poverty line led to decrease in shortage of rural housing between 2010 & 14.

Introduction of housing programs like Indira Awaas Yojna, Rajeev Gandhi Awaas Yogna, Two million housing program etc led to the decrease in rural housing shortage in India.

From the graph, decrease in urban housing shortage in India can be seen. This is due to the intervention of central and state governments in development of infrastructural facilities, development of secondary mortgage market etc. Migration of people from rural to urban areas in search of employment and increased importance to nuclear families led to increased urbanisation resulting to increase in urban housing shortage when compared to rural housing shortage by 2014.

**Projection of Growth of Urban Population in India.**

![Projection of Growth of Indian Urban Population](image)
The graph below projects the growth of urban to total population between 1991 and 2030. It clearly indicates the rise in urban population is comparatively much higher due to several factors. It was estimated that the urban population in India may be increased to 1,450 million by 2030.

IV. INSTITUTIONALISING HOUSING SECTOR IN INDIA

The industry of housing finance experienced a robust growth over the last few years. The government of India from the last decade has been continuously striving hard to strengthen the housing sector through offering various loan schemes meant for the rural and urban population. Channelizing resources to the housing sector through budgetary allocations especially to the economically weaker sections was the main aim.

- Introduction of National housing policy in 1988 was the first attempt in this regard
- HUDCO in 1970 was set up to meet the financial requirement of housing and urban infrastructure
- HDFC a private owned housing finance company started its operations in 1997 to serve the people in this area.
- National housing board (NHB) was established in 1998 as apex institute for housing finance and a wholly owned subsidiary of RBI.

V. GOVERNMENT INITIATIVES IN STRENGTHENING HOUSING IN INDIA

1. Rural Housing Fund (RHF)

Shri P. Chidambaram, the honourable finance minister in 2008-09 made an announcement regarding setting up of Rural Housing Fund (RHF) from the Corpus Fund to facilitate the lending institutions in having access to funds for providing housing finance to the targeted people of rural areas especially weaker sections at competitive prices. The sum allotted from the fund for the year 2008-09 was 1,177.18 crores. Later it was decided to extend the sum to 2000 crores to benefit more number of people in 2009-10 and 2010-11. For promotion of rural housing the fund was further increased to 3000 crores in 2011-12 and to 6000 crores in 2013-14.

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation</th>
<th>HFCs</th>
<th>SCBs</th>
<th>UCBs</th>
<th>RRBs</th>
<th>ACHFS &amp; ARDBs</th>
<th>Total</th>
<th>No. of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>1,778.18</td>
<td>1,544.88</td>
<td>0.00</td>
<td>15.00</td>
<td>201.60</td>
<td>0.00</td>
<td>1,761.48</td>
<td>95,577</td>
</tr>
<tr>
<td>2009-10</td>
<td>2,000.00</td>
<td>1,794.86</td>
<td>0.00</td>
<td>4.00</td>
<td>184.96</td>
<td>32.00</td>
<td>2,015.82</td>
<td>70,995</td>
</tr>
<tr>
<td>2010-11</td>
<td>2,000.00</td>
<td>1,687.54</td>
<td>182.00</td>
<td>0.00</td>
<td>134.12</td>
<td>0.00</td>
<td>2,003.66</td>
<td>42,859</td>
</tr>
<tr>
<td>2011-12</td>
<td>3,000.00</td>
<td>2,125.25</td>
<td>721.42</td>
<td>13.32</td>
<td>143.04</td>
<td>0.00</td>
<td>3,003.03</td>
<td>1,26,795</td>
</tr>
<tr>
<td>2012-13</td>
<td>4,000.00</td>
<td>1,939.94</td>
<td>1,802.03</td>
<td>0.00</td>
<td>285.45</td>
<td>0.00</td>
<td>4,027.42</td>
<td>3,56,480</td>
</tr>
<tr>
<td>2013-14</td>
<td>6,000.00</td>
<td>2,409.80</td>
<td>1,023.39</td>
<td>0.00</td>
<td>94.12</td>
<td>0.00</td>
<td>3,527.31</td>
<td>5,35,299</td>
</tr>
<tr>
<td>Total</td>
<td>18,778.18</td>
<td>11,502.27</td>
<td>3,728.84</td>
<td>32.32</td>
<td>1,043.29</td>
<td>32.00</td>
<td>16,387.72</td>
<td>12,28,005</td>
</tr>
</tbody>
</table>

Source: NHB(2014)Report on trend and progress of housing in India

The fund thus being allocated was utilised by Housing finance Companies, Scheduled Co-Operative banks, Regional Rural Banks, Apex Co-Operative Housing Finance Societies, Agriculture and Rural Development Banks. The number of units financed under this scheme was increased from 95,577 in 2008-09 to 5,35,299 in 2013-14. And the total number of units financed under this scheme are 12,28,005 (Up to 2013-14).

2 Urban Housing Fund (UHF)

In the union budget 2013-14 the honourable finance minister Shri P. Chidambaram made an
announcement regarding establishment of Urban Housing Fund with an amount of Rs.2000 crores from the Corpus Fund to facilitate Urban Housing. So, National Housing Board devised a new refinance scheme for appropriate passage of funds into the urban housing sector. This scheme helps the board to make proper usage of resources for improving the availability of credit and to cater the housing needs of Low Income Segment (LIG) people of urban areas.

### Trend in Allocation and Utilisation of Urban Housing Fund

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation</th>
<th>Utilization by different Institutions (Amount in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HFCs</td>
<td>SCBs</td>
</tr>
<tr>
<td>2013-14</td>
<td>2000.00</td>
<td>145.60</td>
</tr>
<tr>
<td>Total</td>
<td>2000.00</td>
<td>145.60</td>
</tr>
</tbody>
</table>

Source: NHB(2014) Report on trend and progress of housing in India

Under this scheme The National Housing Board had disbursed 890.10 Crores of Rupees during 2013-14. 18310 units were finances by Housing finance companies, Scheduled Commercial Banks, Urban Co-Operative banks, Regional Rural Banks, Apex Co-Operative Housing Finance Societies, Agriculture and Rural Development Banks under this scheme.

### VI. RECOMMENDATIONS

1. To achieve balanced regional development more policies should be framed at national level.
2. Different state governments have to allocate funds annually for housing facilities especially to economically weaker classes of people.
3. Vacant urban lands need to be identified by the government and had to be improved for the betterment of poor urban housing conditions.
4. Affordable housing concept has to be encouraged by the government through intensified advertising.
5. Usage of sophisticated technology in building houses should be encouraged to reduce the overall cost of construction.

### VII. CONCLUSION

In the last two decades the housing finance sector in India showed a continuous improvement in resolving the problem of housing in the country. Both the state and central governments along with the regulatory bodies (i.e) Reserve Bank of India and National Housing Bank occupied a major role by introducing several housing finance schemes and allotting specific amount of corpus fund (i.e) Urban and Rural housing fund to facilitate the public especially the lower income groups.

### REFERENCES