

OPPORTUNITIES AND CHALLENGES FOR AFFORDABLE HOUSING SEGMENT IN AN INDIAN REAL ESTATE MARKET**B.MadhuSudhan Naik****Research Scholar, School Of Commerce& Management, Dravidian University****Swetha.GR****ICSSR Post DoctorialFellow, School Of Commerce& Management****Prof G.L. Narayanappa****DEAN, School of Commerce &Management, Dravidian University,****Abstract**

Real estate sector plays vital role in the Indians property market, it was viable in the period of economic boom. After 2008 it was slow down due to global financial crisis. In the period of economic boom only high income groups were investing in housing. Gradually price of real estate was touched to sky. It was hard ball to investor to buy a house because of high real estate prices. At that movement affordable housing concept was prominent in India, affordable housing segment mainly focusing on middle and upper middle income class. In India most of the peoples are moving to urban areas because of speedy development of infrastructure in urban. Increasing of urban population leads to more demand for affordable houses in Indian real estate sector. Most of the urban people's lives in slum areas so here is huge market for affordable house in real estate in urban areas. In this paper it is focusing on the affordable housing segment in India, demand and supply gaps, government support for affordable houses, challenges and suggestions to overcome challenges.

Key Words: Real estate, Global financial crisis, Infrastructure, Affordable house.

INTRODUCTION

The development of urban infrastructure in India makes desirous to have own house. After the financial crisis real estate sector in India has geared up, increasing income levels and people preferring to living independently out of joint families. And significantly increasing middle class population and robust urbanization favorable policies measures are the major components are driving the real estate in growth path. The segment of the Indian real estate seems attractive with a huge demand-supply gap. The gap between demand and supply is huge in the low and medium income group segments. Where as in some cities demand for affordable exceeds supply around four times. This gap expected to widen in future it is predicted that demand grows at compounded annual rate in tier 1 cities like Mumbai and Delhi in this both cities it is estimated to grow around 40% of additional demand .it is predicated that real estate in housing segment compound demand growth around 23% and it's in Delhi 20% many factors causes to this rapid growth of housing demand in India those factors are rapid urbanization, small families, and home loans, the impact of urbanization rate is higher in tier 1 cities where a huge number of migrants is creating more demand for housing segment in real estate market. Moreover improving income levels are motivating to most of the peoples to live independently and coming out from their joint families' banks and financial institutes are easily facilitating home loans to low and medial income groups.

AFFORDABLE HOUSING SEGEMENT IN INDIA

The Government of India has announced ambitious vision of "Hosing for all by 2022" that is by the time of 75 years Of Independent. In Indian real estate segment affordable housing emerges as predominantly bright opportunity. The potential of affordable housing is bolstered; to a great extend, by the different nature of business model. Indian's moving towards socio economic landscape the increasing of middle income groups, moreover, because of wider target market, affordable housing is less susceptible to the vagaries of the Macroeconomic environment.

The financial crisis of 2009 forced to real estate developers to focus on affordable housing prior to the slowdown, the construction activity financed from customer advances in form of advance bookings, construction activity was exclusively dependent on pre construction bookings. This system of advance booking worked well in times of pre crisis. At that movement there was huge demand for housing segment in real estate market. Downfall in the real estate during the period of crisis was innovated the concept of affordable housing in India. Moreover lower cost of affordable housing make easy of finance to developers and the real estate developers find a solution⁶ to their liquidity crunch.

MARKET DYNAMICS OF AFFORDABLE HOUSING IN INDIA

Infrastructure development in urban India makes to desirous of owning a house in urban instead of rural areas. It is estimated that around most of the urban householders are in the slum area it is high in the Tier-1 cities so there is huge scope for affordable housing. As the middle income groups increases in India, the more demand for affordable housing also increases

Mc Kinsey Global institute analysis predicated that affordable housing in urban India is likely to grow about 55% of an estimated 25 million affordable households in 2030. It was estimated that 66% urban households in India lives in slums. Maximum potential is believed to be in the rich Tier- 1 city that makes mass of urban poor, and lower income in Tier -4 cities.

INCENTIVES FROM GOVERNMENT

- Central Government announced initiative program Smart Cities as Satellite towns for this project it allocate around RS 70,600 Corers. Landallocation for affordable housing projects at cheaper cost. in this budget allocated INR 40 billion to national housing board to improve the flow of low cost of credits for affordable housing for self residencing housing, curtailing limit of interest on affordable housing has been change from 1.5 lakhs to RS 2 lakhs
- Reserve Bank of India announced six metropolitan cities, loans of up to RS 5 million (for housing worth up to RS 6.5 million) and in some other cities RS 4 million (for housing worth up to RS 5 Million) shall comes under priority sector lending. The RBI release the long run bond which collected for investing in affordable housing from statutory norms of maintain CRR and SLR these will leads to cheaper rate of interest, low cost of fund, easy of liquidity.
- RBI entrained overseas commercial borrowings in the segment of affordable housing project.
- Investment related deduction of capital expenditures in the segment of affordable housing has been increased to 150 percentages.
- The micro housing finance corporation was started for completely focusing on housing finance
- The Government of India encouraged foreign direct investment in the housing construction segment. It supports affordable housing projects.
- New Government curtailed the minimum FDI in the affordable segment from 50,000 sqm to 20,000 sqmand capital reduced from USD 10 million to USD 5 million.
- The Real estate Investment Trust announced RS 40,000 crore for affordable housing and RS 50,000 for urban housing segment.

SATE GOVERNMENTS AFFORDABLE HOUSING SCHEMES

- The Tamil nadu Government providing 30% excess FSI for the middle class income under JNNURM housing scheme.
- The MMRDA signed PPP rental housing scheme with about 5 million householders.
- In Hyderabad approximately four hectares was kept under reserve zone for the affordable housing in addition to this GHMC offering properties at 25 percent discount to the middle class people.
- Kerala Government endorsed to the private sector for the providing housing to low income groups under the corporate social responsibility i.e. private sector player want to contribute proportion of their profit to build housing for affordable groups.
- Uttar Pradesh had launched housing scheme for the poor the beneficiaries of this scheme want repay the amount RS 5 or 10 or 15 on daily basis. The tenure of repayment is 20 years those beneficiaries who chose to repay RS 10 or 15 plans will include for toilets also this scheme applicable for BPL families.

FINDINGS

Supply of affordable housing is not meeting the demands because of following challenges

- In urban India land prices are touching to sky its leads to affordable housing developers to focus on the outskirts of urban areas due to inadequate infrastructure in outskirts of urban, gradually this projects becoming unviable

- Due to fuelling prices of raw materials and high wages of labour causes to soaring the prices in the housing segment of real estate.
- Lack of transparency in the regulatory approval of project in the housing segment causes to high project costs.
- The sluggish pace of reforms, lack of an affordable housing policy and slow development of infrastructure are hampering the growth of housing segment.
- Real estate in India facing problem of several taxes on the transaction, makes high cost to end users, moreover speculation in affordable housing projects leads to spike in project costs.

SUGGESTIONS

- The Government of India need to make an affordable housing policy, housing boards must empowered with decision making and utilizing funds.
- Housing policy should change periodically
- Government of India need to give some incentives for affordable housing projects like tax holidays subsidies on interest rates and waiver of stamp duties.
- Curtailing excise duty on cement and steel makes the project cost at cheaper in affordable housing segment.
- In urban India it must want to be keeping some reserved zone for affordable housing in city plan.

CONCLUSION

The Government of India has proclaimed ambitious vision of “Hosing for all by 2022” that is by the time of 75 years Of Independent. In Indian real estate segment affordable housing emerges as predominantly bright opportunity. Real estate sector acting as very important role in the Indians property market, it was viable in the period of economic boom. After 2008 it was slow down due to global financial crisis. The development of urban infrastructure in India makes hoping for having an own house. After the financial crisis real estate sector in India has geared up, increasing income levels and people preferring to living independently out of joint families. And significantly increasing middle class population and robust urbanization favorable policies measures are the major components are driving the real estate in growth path. It is estimated that around most of the urban householders are in the slum area it is high in the Tier-1 cities so there is huge scope for affordable housing. In urban India land prices are touching to sky its leads to affordable housing developers to focus on the outskirts of urban areas due to inadequate infrastructure in outskirts of urban, gradually this projects becoming unviable. Real estate in India facing problem of several taxes on the transaction, makes high cost to end users, moreover speculation in affordable housing projects leads to spike in project costs. In urban India it must want to be keeping some reserved zone for affordable housing in city plan.

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