

Enabling urban poor to access formal housing in a neo-liberal world: A case study from Tamil Nadu, India

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ABSTRACT

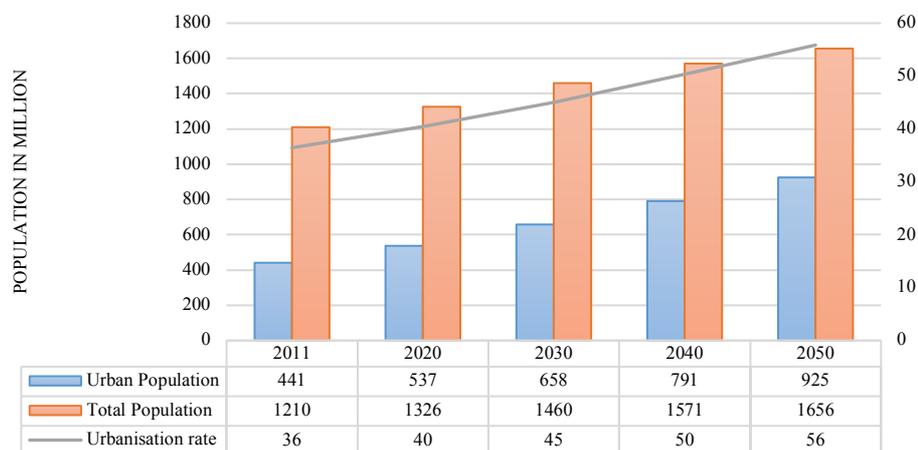
Access to shelter is a basic human necessity. Urban areas in India have been unable to provide decent housing and basic services to the urban poor. Current estimates show a housing shortage of around 10 million units, about 96 per cent of which is in the urban poor segments. This shortage is primarily not due to the unavailability of housing stock, but rather the size of the units, with the ‘Congestion Factor’ or overcrowding accounting for around 80 per cent of the deficit. The neo-liberal market forces have continued producing housing stock that is inaccessible and unaffordable for the urban poor. Even the private sector, responsible for supplying the bulk of the existing housing stock, has been unable to address these finer nuances. This phenomenon is conspicuous especially in the small and medium-sized cities, where the housing market is not robust. The housing problem for such congested households can be solved with the provision of extra rooms (through increment/enhancement). Contrary to popular notion, urban poor in the smaller cities of India are not necessarily landless and do own small/medium-sized plots. To ensure that the subsidies reach the target population, the Government of India has been intervening in the housing market to enable the urban poor access formal housing through various policies and pro-poor programmes. The Beneficiary-led Individual House Construction or Enhancement (BLC) vertical of the Pradhan Mantri Awas Yojana- Housing for All (PMAY-HfA) mission focuses on providing new/enhancing existing houses to beneficiaries who have clear land titles. Taking the case study of the State of Tamil Nadu in India, this paper analyses how government interventions can enable citizens to access formal housing despite the non-conducive market forces of a neoliberal economy. In addition, the paper aims to understand how the urban poor in India respond to such enabling policy framework, and how they access housing finance in order to create their own housing.

KEY WORDS

Urban poor, affordable housing, neoliberal, beneficiary-led individual house construction.

URBANISATION AND URBAN HOUSING SHORTAGE IN INDIA

'*Roti, Kapda, aur Makaan*' (food, clothing, and shelter) are the three basic necessities of human life. According to the Constitution of India, every Indian citizen has a right to shelter. However, urban dwellers have been struggling to find access to decent housing in the thriving cities and metropolises of the country. During 2001-2011, India witnessed a rise in the rate of urbanisation from 27.8 per cent to 31.2 per cent¹, amounting to about 380 million people living in urban areas. Contrary to popular notion, this growth can be attributed primarily to the factor of in-situ population expansion, and not migration. It is foreseen that around 660 million people² will reside in urban areas by 2030 (refer fig. 1). This unprecedented growth over the decades has in turn put tremendous pressure on the availability of basic services and infrastructure for the city dwellers, especially from the low-income segments. Housing is no exception. The housing shortage in India is currently estimated to be at around 10 million units (PTI, 2017). In 2012, the 'Working Group on Urban Housing Shortage', constituted by the Government of India (GoI), estimated that 96 per cent of the urban housing shortage (18.78 million units then) was in the Economically Weaker Section (EWS) and Lower Income Group (LIG) segments³ (Technical Group, 2012). According to the 2011 Census, the available housing stock in urban India was 78.48 million for 78.86 million households. Although the gap between the number of households and the available housing stock seems to be quite insignificant, the actual shortage is due to people living in congested dwellings⁴ (80 per cent) and current housing stock being dilapidated (12 per cent). In addition, a huge number of housing stock (about 11 million units⁵) remains unused. Although urbanisation has increased the economic importance of cities, it has also resulted in skyrocketing prices of urban land and real estate, making it difficult for the economically weaker sections to access affordable and decent housing. This has forced the urban poor population to live in slums, squatter settlements, and deteriorated and congested housing stock (KPMG & NAREDCO, 2012).



[fig. 1] Projected population growth of India (sources: Prepared by authors based on United Nations World Urbanization Prospects 2011 revision and The Future of India's Urbanization (2013) by Elfie Swerts, Denise Pumain, Eric Denis)

¹ Census of India 2011

² United Nations World Urbanization Prospects 2011 revision

³ The groups EWS and LIGs are defined by having an annual household income of no more than INR 100,000 and between INR 100,000 and INR 200,000, respectively (Government of India, 2013).

⁴ 'Congestion Factor' or overcrowding is defined as households with one or more married couples sharing room with a person aged 12 years or more.

⁵ Census of India 2011

The addition of new housing stock in the market has not reduced shortages, implying that the target consumers for the new stock are different from those households who are in actual need (Tiwari & Rao, 2016). Current real estate market in India targets primarily luxury, high-end and upper-mid housing segment owing to the higher returns that can be gained from such projects (KPMG & NAREDCO, 2012). This directly points towards the nature of India's housing problem. A skewed housing market marked by high vacancy as well as worsening inadequacy shows that the new housing stock being built is not directed at the actual need but, in fact, contributing to over-production at the upper end. Thus, India's housing shortage is not just the result of absolute scarcity but primarily due to inadequacy and (un)affordability (Bhan, et al., 2017).

IMPACT OF NEO-LIBERAL POLICIES ON URBAN HOUSING IN INDIA

Post-independence, India's economic policies focussed on self-reliance, import substitution, and development of capital goods industries (Tiwari & Rao, 2016); housing had low priority at that point of time. The economy was controlled through the planned 5-year Plans. With the decline in the agricultural output, and focus on industrialisation, migration continued unabated to the urban areas (Tiwari & Rao, 2016). It was only in the 1980s that non-banking lending companies in India, such as Life Insurance Corporation (LIC) and Housing Development Finance Corporation (HDFC), were permitted to finance housing construction (Sarkar, et al., 2016). It was during the same time the idea of 'neoliberalism' was beginning to emerge at the global level as well. Sandhu & Korzeniewski (2004) write:

The negative impacts of the state intervention were highlighted by the neo liberal economists such as Ian Little, Bela Balassa and Deepak Lal through their writings. During the early 1980s the criticism of the state was marked with the shift in political opinions in nations across the world as also the institutions such as the World Bank and the International Monetary Fund (IMF).

It was argued that the state should play the role of a facilitator rather than a controller and withdraw from its role of direct production activities and pave way for the markets to deliver. Based on this agenda, institutions such as the World Bank and IMF started promoting reformation and structural adjustments of the economic policies of various nations in the late 1970s and early 1980s and move towards integration into the global economy (Sandhu & Korzeniewski, 2004). The same principle was applied to the housing sector as well, where it was presumed that liberalised market forces would enable lower income groups to get access to higher incomes, eventually lifting them up from below poverty line, and moving towards better housing conditions. Thus, it was expected that competitive markets would be able to provide access to shelter to the lower income groups as well (Sandhu & Korzeniewski, 2004). This resulted in a shift in World Bank's strategy, and the emphasis went on to the provision of housing finance mainly, and to enhance resource mobilisation and improve mortgage instrument designs (World Bank, 1993). The impact of the emphasis on financial reforms was very much visible in the Indian Housing Policy of 1988 as well, in which steps were taken to formulate strategies to expand housing capital markets. The National Housing Bank (NHB) was also set up in the same year and liberalisation of the housing finance sector gained further momentum (Tiwari & Rao, 2016). Although, expanding housing finance market did have benefits particularly for the middle and high income households, access to affordable housing by the urban poor remained isolated due to fragmented policy interventions, overlapping functions between the central and state governments, increased income disparity, rapid urbanisation, and the resultant spiraling increase in land prices over which the government could exercise little control (Hingorani, 2011).

After the economic liberalisation of 1991, banking and financial institutions (FIs) were further enabled to enhance their lending portfolio by disbursing loans to individual households for house construction and purchases, and to builders to finance their construction (Sarkar, et al., 2016). Further fiscal incentives for housing finance included income tax exemption for builders of small-sized units, tax exemption to any housing project that was an integral part of a highway project, tax deductibility of interest paid on housing loans by individual home owners (Tiwari & Rao, 2016), driving the culture of home ownership amongst the middle and high income groups. But the flip side to such interventions was the unequal access to housing and housing finance – people with formal sources of income were the only ones who were able to meet the criteria of the FIs. Since mortgage finance at the time required clear title to property, approval of building plans by the local authority, and a regular stream of monthly income, this mode of financing was not accessible to the urban poor (Hingorani, 2011). Urban poor, who are mostly employed or generate income in the informal sector, are usually unable to meet such background checks and lending criteria. With sporadic income and without proper documentation of their revenue sources, the poor are then treated as extremely risky clientele, making them ineligible for housing loans. Thus, contrary to the popular belief, the neoliberal market forces were unable to cater to the urban poor, widening the housing gap and contributing to the existing housing shortage.

RECENT GOVERNMENT INTERVENTIONS IN THE URBAN HOUSING MARKET

After a decade of economic liberalisation and accelerated growth of the Indian economy, cities came to the forefront of development debate as they had started contributing significantly to the Gross Domestic Product (GDP) of the nation. Since the structural shifts in macro-economic framework, the government has been increasingly settling into the role of an enabler and the safety net of the welfare state is rolled back, and the poor are being asked to navigate the market to provide for themselves (Hingorani, 2011). But such an approach had only proven to be counter-productive, giving rise to slums, squatters, and informal settlements in the cities of India. In the Tenth 5-Year Plan (2001 – 05), it was estimated that out of the total housing shortage in the country, 90 per cent pertained to the LIG and EWS households; the government had failed to cater to the needs of the urban poor. In this backdrop, GoI started to channelise dedicated funding towards the improvement of infrastructure in the urban areas, housing was also an important component in this capital investment. Thus, Jawaharlal Nehru National Urban Renewal Mission (JnNURM) was launched in 2002, covering 65 cities, that sought to reduce bottlenecks that cities face, by modifying laws that had distorted the functioning of land and housing markets, to formalise the property right system, and to put in place efficient governance structure at the local level (Hingorani, 2011; Tiwari & Rao, 2016). JnNURM had two sub-components that focused on housing – i) Integrated Housing and Slum Redevelopment Programme (IHSDP) and ii) Basic Services for the Urban Poor (BSUP) with the mandate to provide adequate shelter and basic infrastructure facilities to the slum dwellers in urban areas (Government of Haryana, n.d.). Both IHSDP and BSUP provided subsidised housing units with 10-12 per cent being beneficiary contribution. In some states, like Rajasthan and Tamil Nadu, IHSDP also focused on beneficiary-led housing construction where the slum dwellers who had a secure tenure were given subsidies to upgrade their houses during the programme duration.

In 2011, Rajiv Awas Yojana (RAY), a prestigious central government programme on low-cost housing, was launched to bring existing slums into the formal system with access to basic amenities and to develop institutional and market mechanisms to tackle shortages in land and housing (Tiwari & Rao, 2016). RAY marked a significant development in the Indian housing landscape, with an aim to create

equitable and inclusive cities where every citizen has access to basic infrastructure, social amenities, and decent shelter (Bhan, et al., 2017). A holistic approach focussing on various modes of housing delivery for urban poor – in-situ upgradation, redevelopment of existing settlements, as well as creation of new housing stock – all three options were made available to the city governments to be implemented. In addition, Affordable Housing in Partnership (AHP) programme was also initiated by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA), GoI in 2009 (later dovetailed into RAY in 2011) in order to address the housing shortage through Public Private Partnership (PPP). AHP encouraged the state governments to incentivise private developers to create affordable housing stock for the EWS and LIG segments (Ministry of Housing and Urban Poverty Alleviation, 2013). Direct financial assistance was provided to beneficiaries who would be allotted housing units constructed in such AHP projects.

With the change in the central government in 2014, policies related to urban development were revamped and the Pradhan Mantri Awas Yojana – Housing for All (PMAY-HfA) was launched in 2015. The programme addresses the housing requirement of urban poor including slum dwellers through the following programme verticals⁶:

- In-situ Slum Redevelopment: using land as a resource, with private participations
- Affordable Housing through Credit Linked Subsidy: for EWS⁷ and LIG⁸ households
- Affordable Housing in Partnership: with private or public sector including Parastatal agencies
- Subsidy for Beneficiary-led Individual House Construction or Enhancement (BLC): for EWS households

With the herculean task of creating 20 million housing units by 2022, the government had to strategise its resources for enabling the poorer segment access formal housing market. Since the predecessors of PMAY-HfA had drained the resources of the central, state, and the local governments without yielding the desired outcomes, GoI looked for solutions with participation from the private developers. All four verticals of PMAY-HfA in some way or the other minimise the investment of the government in actual construction of housing stock. Instead the focus is on monetising land, enabling access to finance, PPP models, and direct subsidies to beneficiaries who already own a house or a land parcel. This programme is mainly centred on providing housing (physical aspects) and seems to overlook the functional aspects, such as, infrastructure development, prevention of future slum creation, community development, and empowerment measures (Puttkamer, 2016). Thus, over the years it could be seen that as one policy approach follows another, the conversational space for the government policy doctrine acquires a layered structure. It contains elements of both providing and enabling approaches. While these developments are still evolving, challenges remain in the form of conceptual contradictions that continue to obscure the approach towards affordable housing policies in India (Sengupta, et al., 2018).

BENEFICIARY-LED INDIVIDUAL HOUSE CONSTRUCTION OR ENHANCEMENT

BLC vertical provides assistance to individual eligible families belonging to EWS categories (both slum and non-slum areas) to either construct new houses or enhance existing houses on their own (up to 30

⁶ Ministry of Housing and Urban Affairs, 2015

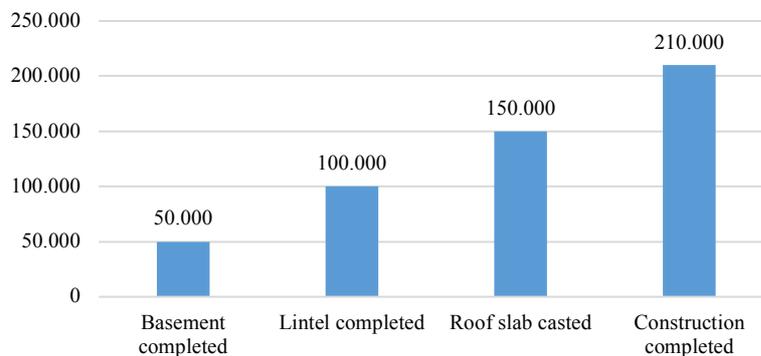
⁷ EWS household (2016) is defined as one having annual income up to INR 0.3 million (~USD 4,280), and house sizes up to 30 sq. m.

⁸ LIG household (2016) is defined as one having annual income between INR 0.3-0.6 million (~USD 4,280-8,560), and house sizes up to 60 sq. m.

sq. m. carpet area with basic services). Unlike the concepts of in-situ redevelopment and PPP development, this approach relies on the availability of land and proper paperwork in the name of the beneficiaries. The pre-requisite for selection is that a beneficiary should not own a pucca⁹ house either in his/her name or in the name of any member of his/her family in any part of India. Under the enhancement component of the vertical, beneficiary residing in a pucca house with carpet area up to 21 sq. m is eligible for enhancement up to 30 sq. m.

Under this vertical, central assistance of INR 150,000 (~USD¹⁰ 2,140) is provided to each beneficiary family. In addition, individual fund of around INR 50,000-60,000 (~USD 710-850) is provided by the States. As per state mandate, the Urban Local Bodies (ULB) are to validate the information provided by the beneficiary, especially with regard to condition of the house (e.g. kutch¹¹, semi-pucca, etc.) by cross-checking it with the Socio-Economic Caste Census (SECC) data to ensure eligibility.

Based on the applications received, ULBs prepare an integrated city-wide housing project for such individual beneficiaries in accordance with the City Development Plans (CDP) or other such plans of the city (Das, et al., 2018). This approach ensures that the construction of proposed houses is as per planning norms of the city, and that the scheme is implemented in an integrated manner through synergies with other urban development missions. To strengthen the gender aspect, provision of the house being registered in the name of the female head of the household or in the joint name of the male head and his wife, has been introduced. Only in cases when there is no adult female member in the family, the house can be in the name of a male member.



[fig. 2] Cumulative subsidy received (INR) at each stage of implementation in Tamil Nadu (source: Documentation of the learnings from BLC implementation in Tamil Nadu 2018)

The financial assistance to the beneficiaries is provided in the form of installments (3-4 nos.). The phase-wise release depends on the progress of construction of the house (refer fig. 2). Beneficiary is required to start the construction using his/her own funds. With each milestone reached and upon successful

⁹ Pucca house is defined as one whose predominant materials of wall and roof are:

Wall: Concrete, burnt bricks, stone packed with mortar, galvanised iron, metal, asbestos sheets.

Roof: Concrete, burnt bricks, stone, machine made tiles, slate, galvanised iron, metal, asbestos sheets.

¹⁰ 1 USD=70 INR (approximately)

¹¹ Kutch¹¹ house is defined as one whose predominant materials of wall and roof are:

Wall: Grass, thatch, bamboo, plastic, polythene, mud, unburnt brick, wood, stone not packed with mortar, etc.

Roof: Grass, thatch, bamboo, wood, mud, plastic, polythene, handmade tiles, etc.

verification by the ULB officials (such as construction up to plinth level, roof level, casting of roof slab, etc.), a certain fixed amount is directly transferred to the bank accounts of beneficiaries. The last instalment of INR 30,000 (~USD 430) is released only after completion of the house (including installation of sanitary and electrical fixtures). The progress of such individual houses is tracked through geo-tagged photographs.

COMPARING WITH SELF-BUILT HOUSING MOVEMENTS FROM OTHER GLOBAL SOUTH NATIONS

Self-constructed housing still continues to have advantages for being tailored to the needs and affordability of its inhabitants. Since the housing gap cannot be filled by the state or the market alone or together, government facilitation is required to enable less privileged section of the society build housing on their own and on incremental basis. The BLC approach taken up by the GoI is similar to various initiatives on self-built housing that had been promoted in the countries of the global south. Peru had a similar programme, ‘Construction on Own Site’ programme (CSP) that provided beneficiaries of informal settlements with subsidies to build on land which had undergone feasibility checks for the installation of services and that had title deeds (Overseas Development Institute, 2015). The ‘Self-build housing projects’ (SBHPs) in Ghana is another such example where individuals or households in the low to middle to upper income groups build housing located in the sub and peri urban development zones of inner cities (Bangdome-Dery , et al., 2014). Chile had a successful example of the ‘Progressive housing programme’ (Ph), a government supported programme from 1980s that provided beneficiaries from the low-income group with a core house which can be completed by the household through self-help (Sandhu & Korzeniewski, 2004). One of the recent and most renowned examples is from Bangkok where the ‘Baan Mankong’ programme was initiated by Community Organization Development Institute (CODI) in 2003. This programme encouraged communities to develop a solution that is tailored to their needs, priorities and possibilities that can be broadly classified into three existing options: upgrading, re-blocking, and relocation. Baan Mankong had a communal approach rather than an individual one, where infrastructure subsidies and soft loans were provided for land purchase and housing development to the community (Yap & Wandeler , 2010).

Traditional approaches of mass housing schemes, direct subsidies, interest subsidy, site and services schemes etc., have all been unable to meet their intended targets of providing housing to the poor due to various reasons mostly attributed to finance and policy inefficiencies (Bangdome-Dery , et al., 2014). Although the neoliberal agenda argues for the withdrawal of the state and elimination of subsidies, this ideology affected the housing provision for the lower income groups. Time and again the state have had to intervene to enable the lower income groups to have better shelter conditions and continues to do so (Sandhu & Korzeniewski, 2004).

EXPERIENCE FROM TAMIL NADU

The state of Tamil Nadu, located at the southern part of the Indian Peninsula, is among the most urbanised in the country, with over 48 per cent of the population residing in urban areas (around 34.9 million people). During the Census period 2001-11, the State’s urban population increased by 4.4 per cent against the national growth rate of 1.2 per cent. Along with natural growth and re-classification of urban areas in the State, migration has also been a large contributor in the growth of urban population. Job market for immigrant workers is quite robust, since Tamil Nadu is highly industrialised, with the services and manufacturing sectors contributing more than 75 per cent to the State GDP.

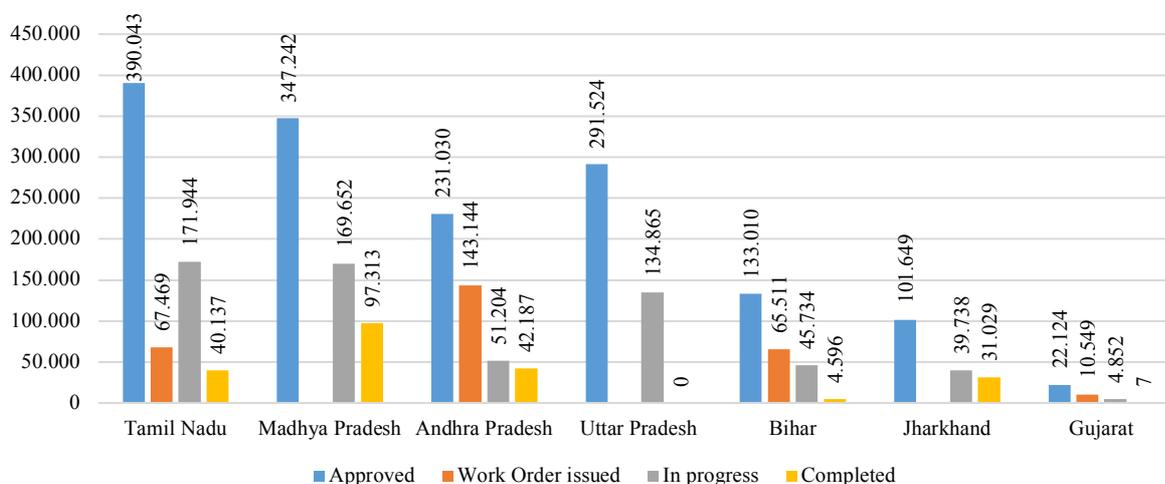
These figures at a glance imply tremendous urban growth that exerts significant stress on natural resources, housing, basic services, and social infrastructure. As of 2012, the housing shortage in the State is estimated to be 1.25 million (Technical Group, 2012). ‘Vision 2023’ of the state government envisages to make the State ‘slum free’ by 2023 and is committed towards steering the housing market for inclusive and sustainable urban development. In this endeavour, the State is drafting its ‘State Urban Housing and Habitat Policy (SUHHP)’ with focus on provisioning of affordable housing stock and basic services for urban dwellers across all economic segments, including the urban poor.

Established in the 1970, the Tamil Nadu Slum Clearance Board (TNSCB) caters to the housing needs of the urban poor and is the State Level Nodal Agency (SLNA) for implementing PMAY-HfA. In the 70s, the organisation adopted the World Bank’s approach to affordable housing that paid more attention to cost recovery. The Sites and Services Scheme was one such landmark program, which provided low income families with land and access to basic civic amenities while minimising the role of subsidies. The program was well-appreciated as its approach had factored in the ‘ability to pay’ of the target population. A predecessor to the BLC scheme can be found in the ‘Housing for Poor’ scheme introduced by the state in 2005. The Government undertook the upgradation of 120,000 kutchha houses (existing thatched roof and kutchha or mud walls) in two years at a total unit cost of INR 10,000 (~USD 140). Additionally, BSUP scheme under JnNURM was also a forerunner to the BLC.

The state government has been formulating innovative methods to increase the availability of affordable housing for LIG and EWS categories through various financial mechanisms involving the private sector as well, such as the Tamil Nadu Infrastructure Fund Management Corporation.

TAMIL NADU’S PROGRESS UNDER THE BLC SCHEME

Although ownership rates in urban areas are low at 61 per cent compared to the national average of 74 per cent in 2011 (SECC 2011), the state has been able to implement an ownership-centred model like the BLC rather successfully, with the highest number of applications under the BLC scheme. As per the demand survey conducted by the state, a demand of 518,363 dwelling units under the BLC was recorded. As of August 2018, Tamil Nadu is close to meeting nearly 80 per cent of the demand, with around 400,000 houses being approved so far. The construction of around 10 per cent of these houses have already been completed, and another 230,000 are in different stages of execution (refer fig. 3).



[fig. 3] Comparison of BLC implementation across 7 States (source: Prepared by authors based on CSMC meeting minutes till August 2018)

Under GIZ-supported Inclusive Cities Partnership Programme (ICPP), a review study¹² of the implementation of BLC in the State was conducted. The objective was to capture the enabling conditions and challenges during the implementation phase. The study followed a three-stage design process: literature review of the overall housing scenario and associated policy environment, the design of research tools, survey methodology and sampling¹³, and the triangulation of results with the help of qualitative methods.

The findings of the study reveal that the high number of applications in the state have been aided by a proactive approach adopted by the implementing agencies (TNSCB and Directorate of Town Panchayats), both in terms of outreach as well as simplification of the procedural and documentation requirements (Das, et al., 2018). Steps such as organisation of special camps at municipal offices, door-to-door solicitation, awareness through media like radio, etc. went on to create an ideal platform for publicising the scheme. Another people-oriented initiative was the acceptance of documents (for verification purposes) that can be easily obtained by the beneficiaries. Certain documents, such as certified annual income certificate, affidavits, etc. were done away with for two reasons. One, procurement of such documents requires considerable time and energy and cause major inconvenience to the informally employed urban poor segment, and second, such activities may lead to unfair practices. Once an application is approved, the issued work order is usually sent directly to the beneficiary's house, thereby saving the beneficiary from follow-up visits to the government offices.

However, there are a few issues that have hampered the progress (refer fig.4). It was observed during the interviews that there was no uniformity in the information propagated regarding the scheme. As per the TNSCB, there is no upper limit to area in the BLC construction, but the beneficiaries were misinformed in a few cases, which led to the construction of congested houses. Although it is mandatory for every house constructed under the BLC scheme to have toilets, around 13 per cent of the respondents had built houses without toilets. Many households faced difficulty in procuring material for the construction of the house, primarily due to a critical shortage and surge in the price of sand. Around 20 per cent of the respondents stated delay in subsidy disbursement as a primary reason for the delay in construction. Many beneficiaries were even convinced at the start that the subsidy itself would suffice for the entire construction, which eventually resulted in them abandoning the construction midway. With regard to finance, beneficiaries borrowed from informal moneylenders at high interest rates. This is due to the ease of borrowing from informal sources, and the lack of awareness regarding loans offered at lower interest rates by banks and other formal FIs.

¹² Documentation of the learnings from Beneficiary-Led Individual House Construction in Tamil Nadu, 2018

¹³ 250 surveys across 2 cities (Chennai and Coimbatore), and 1 town panchayat (Uthiramerur)



[fig. 4] Sample house under BLC (source: Documentation of the learnings from BLC implementation in Tamil Nadu 2018)

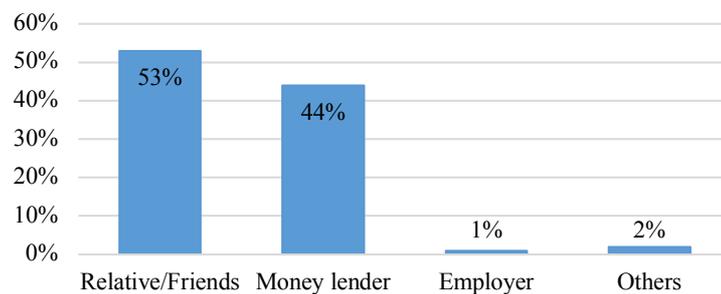
URBAN POOR ACCESSING HOUSING FINANCE

The issue of the urban poor segment being unable to access formal credit through banks remains a challenge. Banks usually consider the urban poor segments as ‘high risk’ category to lend, as they lack documented proof of income, job security, and most often get irregular payments. Thus, the possibility to obtain the required upfront contribution by accessing institutional credit becomes non-feasible. The fear of getting into a debt trap often acts as a deterrent for many eligible beneficiaries (refer fig. 5).

Source of finance	% respondents using source of finance	Average contribution to construction cost (INR)
Own finance	36%	100,000 (~USD 1,280)
Savings	43%	150,000 (~USD 1,920)
Informal borrowing	86%	250,000 (~USD 3,200)
Loan	16%	200,000 (~USD 2,560)

[fig. 5] Usage and contribution of each source of finance (source: Documentation of the learnings from BLC implementation in Tamil Nadu 2018)

The study revealed that around 90 per cent of the respondents had resorted to informal borrowing in order to arrange the upfront payment required to initiate construction, and to deal with the increase in construction cost. Only 15 per cent had applied for loans. It was observed that certain amount of money was arranged through informal borrowing, even though formal loans had been applied. This is because the households were unable to get the desired amount from banks alone. The overdependence on informal borrowing (refer fig. 6) can be attributed to the relative ease of borrowing from a moneylender/relative in the middle of construction, and to avoid the regulatory requirements associated with bank loans (Das, et al., 2018). The most common source of loans are the banks, followed by Non-Banking Financial Corporations (such as Muthoot Finance, Bajaj Finance, etc.), and Micro Finance Institutions (MFIs).



[fig. 6] Sources of informal borrowing (source: Prepared by authors based on the Documentation of the learnings from BLC implementation in Tamil Nadu 2018)

Only 30 per cent of the respondents considered applying for a loan, and only 17 per cent went ahead and applied. Of the 17 per cent who had applied for loans, loans were sanctioned for 78 per cent of the cases. The primary reason for rejection of loan applications was the prior outstanding loans of the applicants. Around 30 per cent of the respondents who applied for housing loans have had applied for other loans in the past. Familiarity with the loan process from previous loans prompts people to apply again for loans from banks. However, people's concern of high interest rates associated with bank loans is misguided, since in general, the interest rates for bank loans are lower than the interest rates provided by MFIs or moneylenders. Even so, applicants get attracted to moneylenders due to the weekly payment systems of small amounts, which works better for them compared to the monthly/quarterly repayment system of banks.

It is evident from the study that pro-poor stance of the government has gone a long way in solving the requirements for decent housing. Tamil Nadu's pro-active involvement in publicising the scheme, relaxing the requirements for mandatory documents, providing free land titles ('Patta') to the poor and landless, etc. are some of the enabling factors for the success of BLC in the State. Regular visits to construction sites by the government officials for document collection and verification of construction have helped keep transaction costs and construction quality in check.

However, further actions are necessary to plug the gaps identified during implementation. To tackle the issue of misinformation, all the required guidelines such as subsidy disbursement schedule, mandated technical requirements of construction, and information regarding financing options and required papers may well be included in the application form itself. It can also include estimated costs of construction disaggregated by each stage, with 3-4 different preapproved building plan designs. In general, applicants are misinformed about the formal financing methods. Hence, local level initiatives to spread awareness on these options may be started to inform applicants of interest rates, repayment schedules and the

documents required with a possible comparison on savings made between formal and informal financing methods.

CONCLUSION

The housing scenario in India demonstrates ways in which the neoliberal ideology can affect the housing provision for the lower income groups. At the same time, the case of BLC from Tamil Nadu reaffirms the role that the state must play to widen access of shelter to the poor. The affordable housing crisis in Indian cities could be attributed to constraints in social planning, withdrawal of the government from being the provider, increasing involvement of international FIs in urban development projects, privatisation of basic urban services, amplifying gentrification, and conversion of a larger city space for elitist consumption (Banerjee-Guha, 2016). Time and again policies have been introduced to provide housing to the urban poor, but they have not been successful due to the lack of continued effort from the government to build and sustain an enabling system – a system that would assist the poorer segment to access housing in the formal market. Since 2005, there has been a change wherein the enablement policies have opened the requirements for partnerships and interdependence amongst the state agencies, markets, NGOs, and the citizenry (Sandhu & Korzeniewski, 2004). Financial inclusion has also become a key highlight of the recent government intervention. An interesting development in the financial year 2015 – 16 is that around one-third of the new home loans given out in India, in terms of individual housing units, has started flowing into the low-cost housing segment, where the size of a loan is less than INR 1.0 million (~USD 14,280). The NHB of India has been aggressively pushing for inclusive financing for home buying for people with meagre means and has been looking for innovative measures like financing low-cost rental housing, creation of title insurance (to ensure speedy bank loans), uniform stamp duty across states, and refinancing microfinance institutions for tiny home loans. (Bandyopadhyay, 2016).

The challenge before the Indian government today is thus to resolve the conflict between the demands of economic liberalisation and the agenda of inclusion and welfare without undermining the continued political hegemony of the ruling elites (Sahoo, 2010).

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