

Affordable housing for all, finally

The bold and disruptive move of demonetisation has positively impacted the housing sector for the consumer. It has restored a new normal in this sector, which has been long plagued by exorbitant prices



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According to the 2011 Census, around 3.3 crore households did not own a house. This means that roughly 16 crore individuals, which is close to the total population of Bangladesh, do not have a house of their own. The situation gets trickier in urban areas, with 31 per cent households still waiting to own a house. With the rapid pace of urbanisation India is witnessing, pressure in urban areas is only going to increase. The fact that even 70 years after independence such a large group of people do not have a roof, speaks volumes of the priorities and preparedness of our past Governments.

The Modi Government has embarked on a mission of 'housing for all'; to provide two crore houses in India. Such an initiative is not only a global first, but also had multiple positive externalities. It has

the potential to massively spur the economy, provide employment, revive demand among other things. To make sure that the benefits of this initiative reaches quickly to the people who need it, the Government is enabling various mechanisms for this scheme.

As a part of Pradhan Mantri Awas Yojana (PMAY-U), a grant of one lakh rupees per house is given for all houses built for eligible slum-dwellers under *in situ* slum re-development. The beneficiaries of the economically weaker sections (EWS), low income group and middle income group seeking housing loans from banks, housing finance companies and other such institutions, are eligible for an interest subsidy of three per cent to 6.5 per cent. For a project which has at least 35 per cent of the houses for the EWS category, assistance of ₹1.5 lakh per EWS house has been pro-

vided by the Union Government. Central assistance of ₹1.5 lakh is also available to individual EWS families beneficiary-led individual house construction.

The use of technology is being done to make the scheme efficient and effective. Web based MIS and mobile based Geo-tagging are being used to monitor the progress and release of funds according to the stages of construction. The release of funds from the Centre till the last leg of transfer are being done through the direct benefit transfers (DBT) regime.

Houses are registered in the name of adult female member or joint name. All housing units will have toilet facility, drinking water and power supply. As many as 3,888 cities proposed by States/Union Territories are included in this mission. The

total investment is pegged at ₹82,532 crore.

The difference in approach is also reflected in a difference in outcomes. While the UPA Government sanctioned 12.41 lakh houses in its entire tenure under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), the NDA Government has already sanctioned 15.6 lakh houses in one-and-a-half years: From July 2015-January 2017.

The bold and disruptive move of demonetisation has positively impacted the housing sector for the consumer. It has restored a new normal in this sector, which has been long plagued by exorbitant prices and focus only on the top sector. According to media reports, housing prices are seen to be decreasing by 30 per cent. This is indeed a welcome relief for the middle class, for owning a house was an elusive dream.

With demonetisation, banks are now flush with funds and there has been a rate reduction of around 100 bps. Thus, borrowing rates (and home loan rates) are at their lowest for a long time. Thus, transmission of interest rate reduction, which was not happening after the Reserve Bank of India's rate cuts, happened instantly after demonetisation. This has ensured a significant reduction in EMIs.

Another aspect of demonetisation and rising less cash transactions is that there will be a massive record of transactions. Transaction trails will enable evaluating credit worthiness of a large mass of hitherto uncovered population. Consider a vegetable whole-seller who is currently denied a home loan on the basis of 'no credit' history.

With cashless transactions, not only will his credit worthiness will be established,

but also of people who buy produce from him and sell produce to him!

With such interventions, housing prices have been impacted in three ways. A person for whom a house worth ₹20 lakh is out of reach, gets the first reprieve with prices likely to fall by around five lakh rupees after demonetisation. With the reduction in interest rates, his EMI gets reduced and the effective cost touches ₹14 lakh. Now with the interest subvention scheme under the PMAY, his EMIs get further reduced and the his final cost comes close to ₹12 lakh.

Thus, a person for whom buying his own house was just a dream, is now able to fulfill his dream too, due to the significant reduction of prices and assistance from the Government.

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