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## **Urban Housing Challenges in India: Addressing Affordability, Informal Settlements, and Policy Gaps**

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### **Abstract:**

*This paper examines the critical challenges of urban housing in India, with a focus on informal settlements, land use regulations, affordability, infrastructure, housing finance, and governance. Rapid urbanization and economic growth have led to the proliferation of slums, where millions reside without access to basic services and secure tenure. Land availability is constrained by inefficient management and exclusionary regulations, driving low-income populations to the informal sector. Despite rising incomes, housing affordability remains a major issue, particularly for economically weaker sections (EWS), leading to a severe shortage in the supply of affordable housing. Inadequate infrastructure, such as sanitation and water supply, further exacerbates living conditions. Housing finance systems, largely inaccessible to low-income groups, perpetuate inequalities, while government schemes like Pradhan Mantri Awas Yojana-Urban (PMAY-U) have struggled to meet their ambitious targets. The paper calls for a comprehensive approach involving policy revisions, improved governance, and greater collaboration between formal and informal sectors to address the housing crisis and achieve the goal of "Housing for All."*

**Keywords:** Urban housing challenges, informal settlement, land use regulations, urban poverty.

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**Introduction:** Housing is a fundamental component of human settlement as it reflects physical dynamics such as structure, function, and development of settlements and social dynamics such as population demographics, income levels, and cultural preferences. According to a report titled 'Rescuing SDG11 for resilient urban planet', by UN-Habitat, the need for sufficient housing is projected to reach approximately 3 billion individuals by 2030, requiring the construction of around 96,000 housing units every day. The report says "Humanity's present and future is urban. Now is the time to think, plan, and act urban. Urbanization- how cities develop and grow- is now central to determining people's quality of life," establishing environmentally sustainable, economically thriving, socially fair cities and human settlements is crucial for both present and future generation. Despite the

universal significance of adequate housing, it has emerged as a challenging obstacle for nations to ensure its provision. As per UN-habitat, a staggering 2.8 billion individuals worldwide grapple with various forms of housing inadequacy and over the span of two decades, an additional 165 million people have joined the rants of slum inhabitants globally, reaching an approximate total of 1.1 billion by the year 2020.

Every country, including India, has struggled to fully address the challenge of providing adequate shelter. The shortage of housing poses a significant challenge to Indian society, mirroring the situation in other comparable developing nations. India's urban population experienced a 32 percent increase over the decade from 2001 to 2011, rising from 285 million to 377 million. Out of India's total population 1.21 billion, 377 million reside in urban areas, and with an annual addition of over 10 million people, the urban population is projected to reach approximately 600 million by 2031 (MoHUPA, 2012). As the urban population continue to grow, the government faces challenges in ensuring access to sufficient housing and essential amenities for its citizens. Technical Group 12, established under the Ministry of Housing and Urban Poverty Alleviation, utilized data from the Census of India to assess the housing shortfall in the nation. They employed information on the number of households, available housing stock, overcrowding in existing dwellings, and the obsolescence factor to estimate the housing deficit. Nearly 80% of the total housing shortage pertains to households living in congested conditions and in need of new housing, totaling 14.99 million. This is followed by 12% of households living in obsolete housing, 5% in non-serviceable (katcha) houses, and 3% who are homeless. Lack of adequate space and congestion was one of the reasons for inadequate housing in urban areas. The objective of this paper is to discuss the major challenges facing the urban housing problems in India.

### **Challenges of urban housing in India**

**Informal Settlements and Slums:** In India and numerous other developing nations, a significant and prevalent aspect of urbanization involves the proliferation of informal housing settlements that operate beyond the purview and oversight of government regulations (Zhang, 2018). The informal market offers a lower price alternative that is well tailored to the specific affordability requirements of the low-income population. It supplies residential plots without services (water, sewerage, drainage, energy provision or pavement) that do not require formal tenancy rights to be occupied.

As per the UN- Habitat 2009 report, approximately one-third of the global urban population resides in informal settlements often called slums. The primary cause of slum growth is the swift urbanization and economic expansion happening informally, where inhabitants lack legal rights to reside in those regions (Nutkiewicz, 2018). In the 2001 census, the slum population existing in India was about 52.3 million, 33.8 percent of this population lived in million-plus cities (GoI, 2011). According to the 2011 census, the slum population increased to 65.5 million accounting for 17.4 percent of the total urban population in India. Maharashtra, Andhra Pradesh, West Bengal, Uttar Pradesh, and Tamil Nadu were the leading states with high slum populations. The slum population in million-

plus cities increased to 25.1 million accounting for 38.3 percent of the total slum population in 2011 (GoI, 2015).

The widespread and enduring presence of slums exemplifies informal urbanization, which not only diminishes the quality of life for urban residents but also hinders their progress in areas such as education, welfare, and access to formal sector employment (Yue, 2018). In areas where the informal sector is crucial for providing access to land for low-income households, its development may be indirectly regulated by withholding public infrastructure investments e.g., connections to sewerage, water, and road systems (Henderson and Feler, 2008) which can perpetuate poverty, inequality, and environmental problems, while also limiting economic growth and social stability.

**Land availability and land use regulations:** The concentration of economic and commercial activities in cities has led to a population surge. However, without a corresponding increase in housing capacity, formal housing remains inaccessible for most of the poor. This issue is further compounded by public land ownership and inefficient management, creating an artificial land shortage and inflating property prices (Annez and Buckley, 2009; Rajack, 2009). Government regulations further exacerbate the problem by affecting the affordability for households below certain income thresholds, forcing them to seek housing in the informal sector. Exclusionary land use regulation measures can include restricting the number of new housing units that can be built, setting minimum consumption levels beyond what low-income households can afford, or making housing more expensive through costly permitting procedures. These measures ultimately raise construction costs for new housing, preventing new migrants from settling in those areas due to unaffordability (Gyotia & Pasquini, 2016). In 2009, Sridhar carried out a study on land use regulations in Indian cities, revealing that these regulations negatively affect urban layout, floor space consumption, and affordable housing. Consequently, populations tend to move to informal areas and suburban areas where floor area ratio norms are relaxed.

Despite the prevalence of informal tenure in many cities, land use plans—whether state or municipal—typically address only the formal sector, enforcing high standards that seldom improve affordability or address informal land development areas. Finance, policies, regulations, laws, and other measures designed to enhance the efficiency of the land market have frequently turned into constraints needing revision and to address these constraints, governments should acknowledge and collaborate with the informal market instead of ignoring or opposing it, as is currently the practice (Sivam, 2002). Urban land is severely constrained in meeting the housing needs of the country's rapidly growing urban population. This suggests that realizing the goal of 'Affordable Housing for All' will require the continual acquisition and provision of large land parcels. To address the issues of limited space and soaring prices in urban areas, innovative solutions from the government, planners, and the private sector are necessary to improve urban development.

**Affordability:** India's economic growth has indeed resulted in increased incomes for many citizens. However, this growth has also led to a more rapid escalation in property prices,

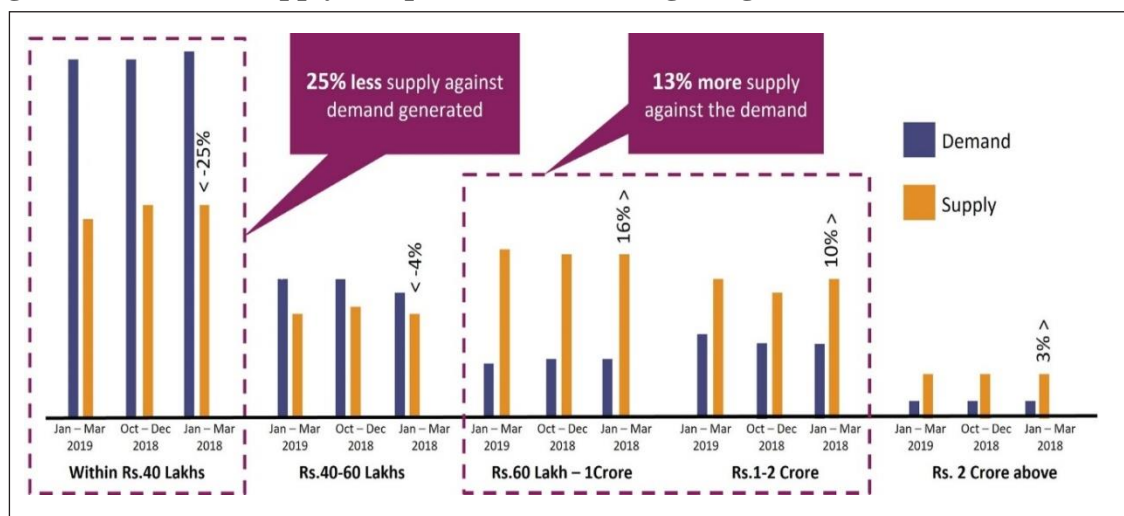
rendering housing unaffordable for the majority of the population (Pahade & Khare 2015). Affordability implies that people have access to essential amenities such as sanitation, sufficient water supply, electricity, and healthcare services, and the housing projects should be located within reasonable distances from workplaces and be well-connected by public transportation. The broad application of the housing expenditure to income ratio is increasingly being used to measure the ability to afford housing. The growing concentration of economic and commercial activities, along with rapid economic growth and population influx in Indian cities, is intensifying the pressure on affordable housing delivery, leading to the proliferation of slums. Approximately 95% of the housing shortage is seen in the economically weaker sections of society. The National Urban Housing and Habitat Policy (NUHHP) of 2007 emphasized "Affordable Housing for All," particularly targeting vulnerable groups like Scheduled Castes, Scheduled Tribes, Backward Classes, minorities, and the urban poor (MoHUPA, 2007). However, it did not specify any norms. To establish affordability criteria, the MoHUPA formed the Deepak Parekh committee, which outlined affordable housing standards for EWS/LIG and MIG categories. Later, in 2009, Wadhwa revised these criteria, distinguishing EWS and LIG as separate categories, aligning with most government and institutional programs.

**Table: 2 House Price to Annual Income Ratio: Affordable Housing Categories in India**

Income Category	Annual Income (lakhs)	Unit Size (sq.m)	Price/Unit (in lakhs)	EMI or Rent
EWS	<3	30	<10	Not exceeding 30-40% gross monthly income of the buyer
LIG	3-6	Up to 60	10-20	
MIG I	6-12	Up to 160	20-30	
MIG II	12-18	Up to 200	30-40	

Source: HFAPoA document

**Fig.4: Demand and supply comparison within budget segment FY 2018-2019**



Source: Upadhyay (2019) (based on the study in Delhi NCR, Mumbai, Bangalore, Hyderabad, Pune, Chennai, Kolkata and Ahmedabad)

The figure clearly shows that while there is an oversupply of houses in high-income groups, the real demand exists in low-income groups in the major immigrating cities of India. Despite government subsidies, the cost of a plot or housing unit is still too high for the intended target group. In Delhi, for example, housing built for the lower-income group is often occupied by the middle-income group because the lower-income target group cannot afford it (Sivam, 2002). In Mumbai, only 5-6 percent of households can afford a house at the current income distribution and institutional rates (Gandhi, 2012). Housing scarcity would be less of an issue if the gap between the people for whom houses are built and those who actually need them is reduced (MoHUPA, 2012).

**Infrastructure and basic amenities:** Housing includes not only the physical building that offers shelter but also the surrounding environment, community services, facilities, and all essential amenities that support the physical and mental health and social well-being of individuals and families (Firdaus & Ahmad, 2013). The recent rapid growth in urban populations, without sufficient investment in key infrastructure sectors, has placed immense pressure on the limited existing systems, such as water supply, sanitation, sewerage, and healthcare. This has resulted in a substantial disparity between the demand for and supply of infrastructure and urban amenities. Insufficient access to clean water and sanitation greatly undermines public health and human dignity. Inadequate transportation systems and an unreliable electricity supply limit productivity, education, and industrial growth. Overall, the lack of adequate housing and basic infrastructure significantly hampers the development, safety, health, and well-being of the population (Tiwari & Hingorini, 2014).

**Table.3: Number of households deprived in access to basic amenities in urban India during 2001 and 2011 census and its change (numbers are in millions)**

	2011	2001	Changes
Total No. of households (in millions)	78.9	53.7	25.2
No. of households not having availability of drinking water within the premise	22.7	18.6	4.1
No. of households not having latrine facility within the premise	14.7	14.1	0.5
No. of households not having electricity in the house	5.8	6.7	-0.9
No. of households not having closed drainage connectivity for waste water outlet	43.8	35.2	8.6

Source: Kumar (2015)

The above data represents the number of households deprived of basic amenities and the numbers have increased in all the amenities except electricity. A significant portion of urban households who, inspite being above poverty line, are deprived of these basic amenities and have unfulfilled housing needs (Chandrasekhar & Montgomery, 2010).

**Housing finance:** Housing represents over 60 percent of the total assets for limited-income families, making it the largest non-food household expenditure and the most valuable asset for low-income households. However, only a small number of low-income households in developing countries actually own this "valuable asset" due to income constraints and lack of access to affordable housing finance to meet their needs. Formal finance systems, both public and private, have largely failed to reach lower-income groups (UN-HABITAT, 2008). The formal housing finance systems in India are failing to effectively serve the majority of the population, especially the urban poor, in providing access to equitable housing. Sandhu, (2018) found that the housing finance system tends to favor higher income groups and marginalize low income groups, primarily because of the requirements to access housing finance. For instance, approximately 35% of Delhi's workforce is in the informal sector, lacking access to housing loans due to the absence of collateral. Institutional housing finance mechanisms need reassessment to address the needs of the poor and informal sector workers (Sivam, 2002).

In India, builders mainly concentrate on luxury homes and the upper-middle to high-end housing market. In contrast, the government primarily provides housing for the Economically Weaker Sections (EWS) through welfare schemes (Gumare, Chauhan & Yadav, 2019). Affordable housing demands for lower-income and lower-middle-income groups in India are largely overlooked, leading to a substantial scarcity in meeting their housing needs (Gopalan & Venkataraman, 2015).

**Housing policies and governance:** Various housing schemes have been launched in India post-independence to tackle the housing shortage. Currently, the Pradhan Mantri Awas Yojana-Urban (PMAY-U) is in operation as a centrally sponsored scheme aimed at offering subsidized housing. The scheme aims at providing "Housing for All" by the year 2022, by the year 2020 only 40% of projects have been finished in response to demand, and the Centre has released 50% of the allocated funds. The MoHUA report on PMAY's progress indicates that, despite being in effect for five years, only 3.67 million houses had been completed by August 14, 2020, falling short of the 12 million target. There is a noted shortage of funds compared to the planned investment when considering financial progress (MHUPA, 2020). Also the scheme has not been able to effectively address the needs of various groups, despite efforts to do so. A study in Nagpur investigated the PMAY-U scheme's effectiveness for the poor and revealed that most of the intended beneficiaries are ineligible due to stringent criteria, thus missing out on the scheme's benefits (Shakil, 2018). Despite government subsidies, the cost of land or housing remains unaffordable for the intended beneficiaries. In Delhi, for instance, homes built for lower-income individuals are often taken by middle-income families, as the low-income group cannot afford them (Sivam, 2002).

**Conclusion:** To improve the delivery of affordable housing and control the expansion of slums, cities must implement policies that adhere to key economic principles, especially the household stock and flow principle, which are crucial for the efficient operation of land and housing markets (Gandhi, 2012). To ensure the success of housing schemes like PMAY-U, it is essential to revise and adapt the policies to better address the needs of the intended beneficiaries. The eligibility criteria should be reassessed to include a larger portion of the target population, and the affordability of housing must be enhanced through increased subsidies or cost controls. Additionally, better financial planning and allocation of funds are crucial to meet the ambitious targets set by the scheme. Ensuring transparency and accountability in the implementation process will help prevent the diversion of resources meant for lower-income groups. By addressing these issues, the policies can be more effective in achieving the goal of "Housing for All" and ensuring that the benefits reach those who need them the most.

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