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Progress In Rural Housing In India In The Post Reforms Period

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ABSTRACT

Satisfaction of basic needs is crucial to survival for every human being. Shelter is one such prime need that not only sustains the physical life of human beings but also helps in improving their mental faculties for greater effectiveness in productive work. At the same time, shelter or a housing unit usually costs savings of a life time. Without availability of credit housing requirements of a large section of the society would remain unsatisfied. It is this context that lending institutions play a great role. Banks and financial institutions have concentrated more on financing urban housing owing to reasons ranging from uncertainty of rural income to lack of clear land titles. However, the fact remains that majority of the shortage of housing is concentrated in rural areas. According to the Ministry of Rural Development (2011), the estimated rural housing shortages during 2012-2017 was 43.67 (in millions). Government housing programmes have been launched for the rural poor and much effort has gone into the provision of subsidized housing. Along with that, there is also a segment of rural population that depends on institutional loans. In this context, this paper seeks to examine the trends in rural housing through government programmes and in the housing loans extended to the rural population by the banking sector. The trends will be measured in terms of growth in house construction, growth of housing loans to rural population, changes in average rural home loan size, share of home loans to rural population in relation to non-rural population.

KEYWORDS: Rural housing, Housing loan, Banking sector, Government Housing Programme

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INTRODUCTION

Shelter is one of basic needs for every human being. It not only provides physical relief but also mental peace. Absence of adequate housing leads to poor quality of life as people are forced to live in slums or katcha houses which severely compromises on hygienic and security for the persons residing in them. Dilapidated housing conditions are often the cause of disease and death. Therefore, housing qualifies as an important objective of governments and non-governmental institutions, which come out with various housing policies and programmes aimed at the poor. Market lending for the purpose of housing has focussed on urban population given the rapid urbanization and relatively better mechanisms for lending. According to the Ministry of Rural Development (2011), rural housing shortage was estimated at 43.13 million in 2012. Urban housing shortage, on the other hand, has been estimated at 18.78 million by the Ministry of Housing and Urban Poverty Alleviation. Government efforts for providing subsidized housing typically for short of keeping pace with the growing urbanization and increase in the number of households without adequate housing.

Government contribution to improving rural housing situation started in 1996 with the Indira Awaas Yojana (IAY) which was restructured into the Pradhan Mantri Awas Yojana – Gramin (PMAY-G) in the year 2016 with a renewed approach to overcome the lacunae of the its predecessor and the thrust on ‘Housing for All’. The PMAY-G may be touted as the world’s largest housing programme for the rural poor. It has the aim of building 30 million houses for the rural poor on the completion of 75 years of India’s Independence. This housing scheme is based on provision of financial assistance for the construction of houses. The scheme has also converged with the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGA) so that income source offered by it may be linked to supporting housing construction. The focus of the PMAY-G is to offer livable housing with better amenities for the rural poor.

While government housing programmes launched for the rural poor has made much progress, there is also a segment of rural population that depends on institutional loans. Commercial banks and housing finance companies are significant contributors of loans for housing. With the reforms introduced in the banking sector, banks have expanded their presence, and retail lending, including that for housing, has emerged as an important segment of profitable lending for them. In this context, apart from tracing the progress in house construction under government housing programme, this paper also seeks to examine the trends in housing loans extended to the rural population by the banking sector over the 25 year period from 1990-91 to 2015-16.

REVIEW OF LITERATURE

Rural housing has been the focus of many studies, although the concentration is more on housing shortages in rural India and the effectiveness of rural housing programmes of the

government across the country or for selected states. Singh, Swaminathan and Ramachandran (2013)¹ and Kumar (2014)² contend the methodology adopted by the Working Group under the Planning Commission of India in estimating rural housing shortage. Their estimates for rural housing shortage far exceeds those of the Planning Commission.

Tiwari and Rao (2016)³ and Kumar, Deka and Sinha (2016)⁴ have taken stock of housing conditions with varying amenities across various social sections of the society and compare the housing situation in rural vis-a-vis urban areas. Their particular focus is on analysing the efforts towards rural housing under the Five Year Plans, National Housing Policies and Programmes for rural housing. Kumar et.al. emphasize on a separate policy for rural housing so as to focus on the typicality of the issues involved in it. Siddique and Mahore (2016)⁵ also suggest 'Housing Microfinance' as an alternative to improve the access of housing finance for the rural poor. They contend that not more than 20 percent of rural population are able to fulfil the requirements for availing traditional mortgage finance. They highlight the inadequacy of government initiatives for rural housing and of traditional mortgage finance.

The Report on Trends and Progress in Housing in India (2014)⁶ reports maximum share of Scheduled Commercial Banks (SCBs) in the cumulative refinance disbursements of the National Housing Bank (NHB), although it shows a decline in the year 2013-14 over the previous three years. The NHB report also shows declining share of individual housing loans disbursements in rural vis-a-vis urban areas. SCBs also exhibit much lower utilization of Rural Housing Fund compared to Housing Finance Companies over the period from 2008 to 2014. The UNDP India Study (2012)⁷ on rural development brings in another dimension to rural housing by discussing the potential for using environment friendly housing material for rural housing in order to achieve the objective of green rural development.

Most studies on rural housing are centred around shortage of rural housing and government efforts in reducing the same. No study is found that analyses the trends in the housing loans extended by commercial banks. Such an examination could help in drawing useful ways and means to encourage commercial bank lending for rural housing.

OBJECTIVES AND RESEARCH METHODOLOGY

In the light of the literature review, the present study examines the progress made in rural housing under government housing schemes and in the commercial bank lending for housing to the rural population. Accordingly, the objectives of the study are as follows:

- To study the progress in house construction under the government housing programme
- To examine the trends in bank credit to the rural population for the purpose of housing
- To investigate whether there is increase in number of rural home loan borrowers.

- To study the population group-wise distribution of housing loans of commercial banks.

The research is based on secondary data sourced from publications of the Ministry of Rural Development and Reserve Bank of India. Progress in rural housing construction has been examined over the period 2014 to 2019. The study on housing loans covers 25 years period from 1990-91 to 2015-16. Simple statistical tools like growth rates, ratios and averages have been used.

ANALYSIS AND INTERPRETATION

- Progress in rural housing under the ‘Pradhan Mantri Awas Yojana – Gramin’

Government has been keen on improving the housing scenario in India since independence. However, rural housing as an independent programme was initiated by the Government in 1996 under the scheme entitled ‘Indira Awaas Yojana’. Under the scheme 426,474 houses were constructed upto the year 2013-14. However, the scheme has had many shortcomings such as poor selection of beneficiaries, poor housing quality, weak assessment of housing shortage and monitoring of progress, and so on.

In 2014, the government sought to address the issues of concern with the existing rural housing programme and laid greater thrust on housing by adopting the ‘Housing for All’ campaign to be achieved by 2022. With a restructured housing programme the rechristened ‘Pradhan Mantri Awas Yojana-Gramin’ came into effect in April 2016, 20 years after the launch of the IAY. With renewed vigour the PMAY-G aims at providing houses with durable material to the homeless and households living in dilapidated dwellings, and creating a convergence with other government programmes that aim at provision of basic amenities like piped drinking water, electricity connection, cooking gas connection, and toilets to households. The housing scheme provides financial assistance per housing unit to the tune of Rs.1.20 lacs in plain states and Rs.1.30 lacs in hilly states. The distinctive feature of the PMAY-G is the end to end e-Governance model that tracks evidence based programme implementation and monitoring in real time. The effectiveness of the manner in which the scheme is being implemented is evident in the achievement of housing units constructed in the last couple of years as depicted in Figure 1.

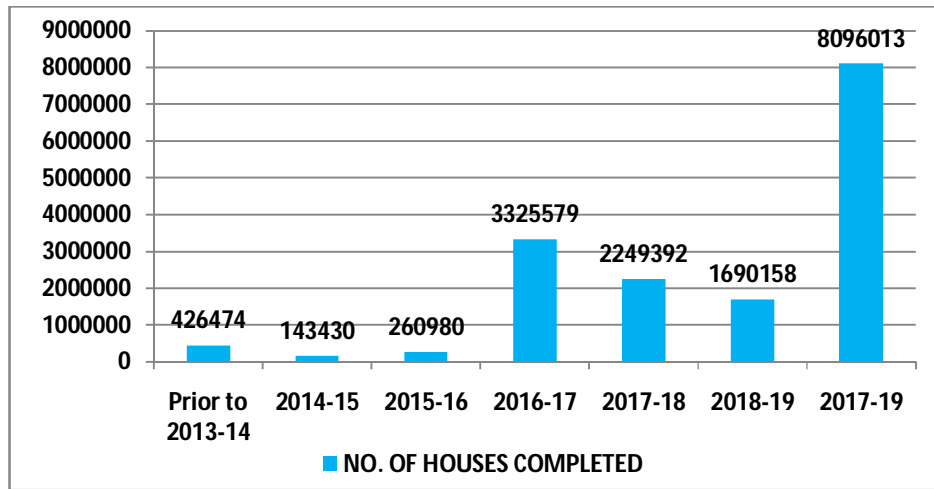


Figure 1. Number of House construction completed Source: Ministry of Rural Development, Government of India.

It can be seen that upto 2015-16, that is, before the launch of the restructured housing programme, a total of 830,884 houses were constructed. But after the PMAY-G came into effect, there has been a dramatic jump in the implementation of the scheme with a total of 7,265,129 housing units constructed from 2016 to 2019. This shows a record 7.7 times increase in the number of houses completed in four years compared to that in 20 years. Alongwith the focus on achievement in physical terms, the housing programme has also sought to empower the weaker sections of the society by ensuring house construction among these sections. This is depicted in Figure 2 which shows the category-wise house construction.

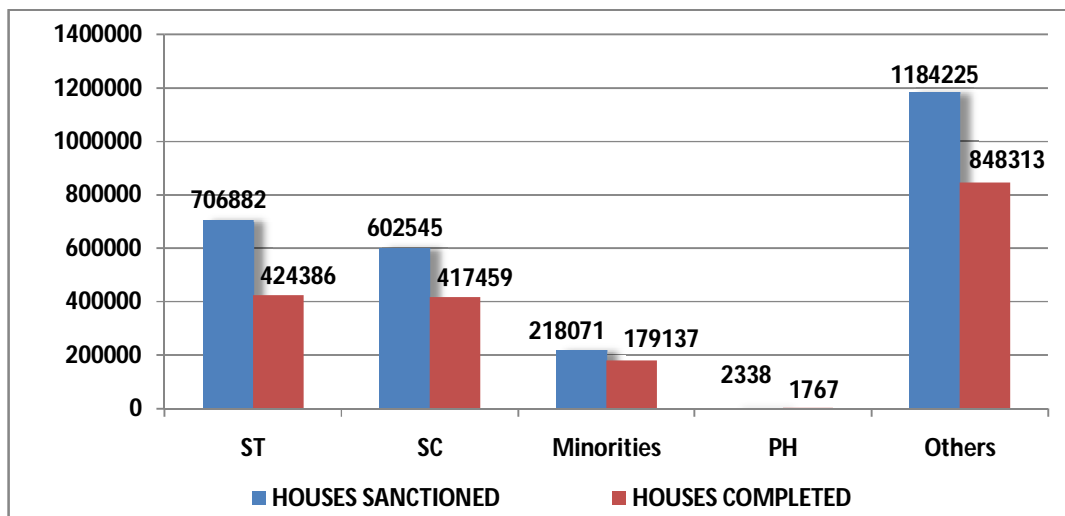


Figure 2. Category-wise house construction sanctioned and completed Source: Ministry of Rural Development, Government of India.

• Outstanding Home Loans and New Home Loans: Rural Population

This section examines the progress in rural housing in terms of home loans extended by the scheduled commercial banks to the rural population. Over the 25 year period, outstanding housing loans of the scheduled commercial banks for the rural population have grown at the compound annual growth rate (CAGR) of nine percent while new housing loans have grown at a CAGR of 35 percent (Table 1). A very interesting picture emerges when the data is examined for various sub-periods. There is a clear decline in outstanding rural home loans of commercial banks for different subperiods. The growth rate in outstanding home loans is single digit since the last 15 years indicating fall in fresh loans by the SCBs. This is further substantiated by the drastic fall in the growth of new home loans going to the rural population, suggesting lack of engagement of SCBs with the rural population in their lending activities as far as housing loans are concerned.

Table 1. Growth in SCBs Housing Loans to Rural Population

Period	CAGR of Outstanding Rural Home Loans (%)	CAGR of New Rural Home Loans (%)
1990-91 to 2000-01	11.0	56.99
2000-01 to 2010-11	9.1	26.11
2010-11 to 2015-16	5.92	20.38
1990-91 to 2015-16	9.21	35.59

Source: Authors' computations based on housing loan data published by the RBI.

Figure 3 depicts the trends in outstanding and new home loans of rural population over the entire study period. It can be observed that the growth in new loans is very flat in the first decade under study. Dynamism in the rural home loans sector can be seen since the year 2002-03 when housing sector was at its peak for all population segments.

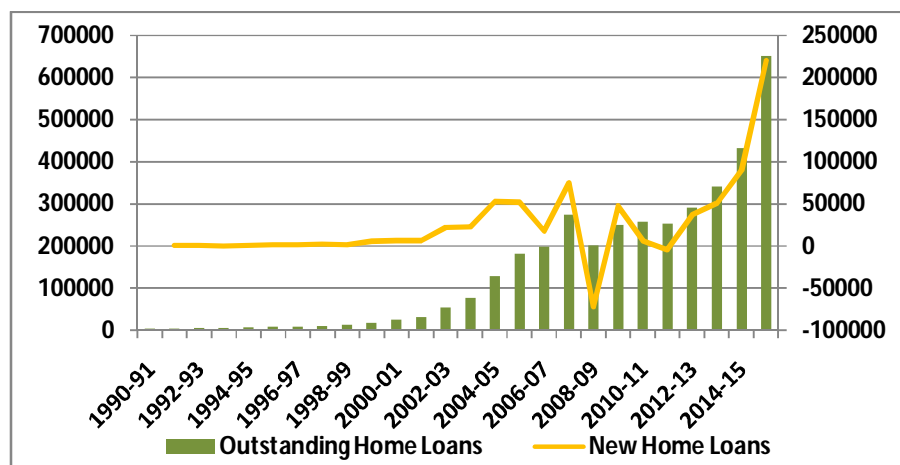


Figure 3 Trends in Outstanding Home Loans and New Home Loans: Rural Population Source: RBI Publications and Authors' Computations.

• Trends in Rural Home Loan Borrowers and Home Loan Size

While outstanding and fresh housing loans of rural population show declining growth, the number of rural home loan accounts has increased much more in the later years of the study period. This indicates that the number of borrowers have increased substantially in absolute terms. The number of rural borrowers have increased over nine percent on compound annual rate basis, much lower than the growth rate of fresh loans, suggesting increased loan size per borrower. This is substantiated by the increase in average loan size from Rs.32000 to Rs. 5.5 lacs. Figure 4 depicts the average loan size against the number of rural home loan accounts for the entire study period.

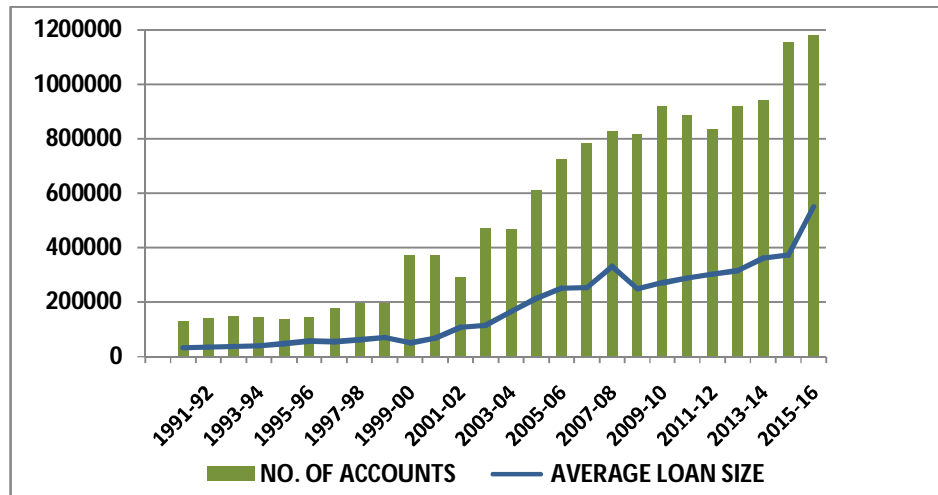


Figure 4. Number of Rural Home Loan Borrowers and Average Home Loan Size Source: RBI Publications and Authors' Computations.

• Population group-wise distribution of home loans of Commercial Banks Commercial banks are said to typically concentrate in urban and metropolitan cities in their lending activities. This paper seeks to investigate if this trend is true for home loans as well. The RBI segments total population into four sub-groups, namely, rural, semi-urban, urban and metropolitan. To examine the distribution of housing loans across these population groups, we compare the percentage share of each of these groups for selected years as reflected in the figures 5a to 5d. It can be observed that rural population claimed a share of 21 percent at the beginning of the study period. This ratio has consistently reduced over the years to nine percent, that is, over the 25 year period, share of home loans to rural population has more than halved. This decline has entirely gone in favour of metropolitan population, with their share having increased compared to that of all other population groups. While share of all population groups except metropolitan population has declined, the fall is the sharpest in the case of rural population. In the case of semi-urban population while share of SCB home loans has fallen by 30 percent over the period of study, in the case of urban population, the fall is to the tune of 23 percent. The share of rural population has

decreased by 57 percent over the 25 year period. In contrast, the share of metropolitan population has increased by 55 percent.

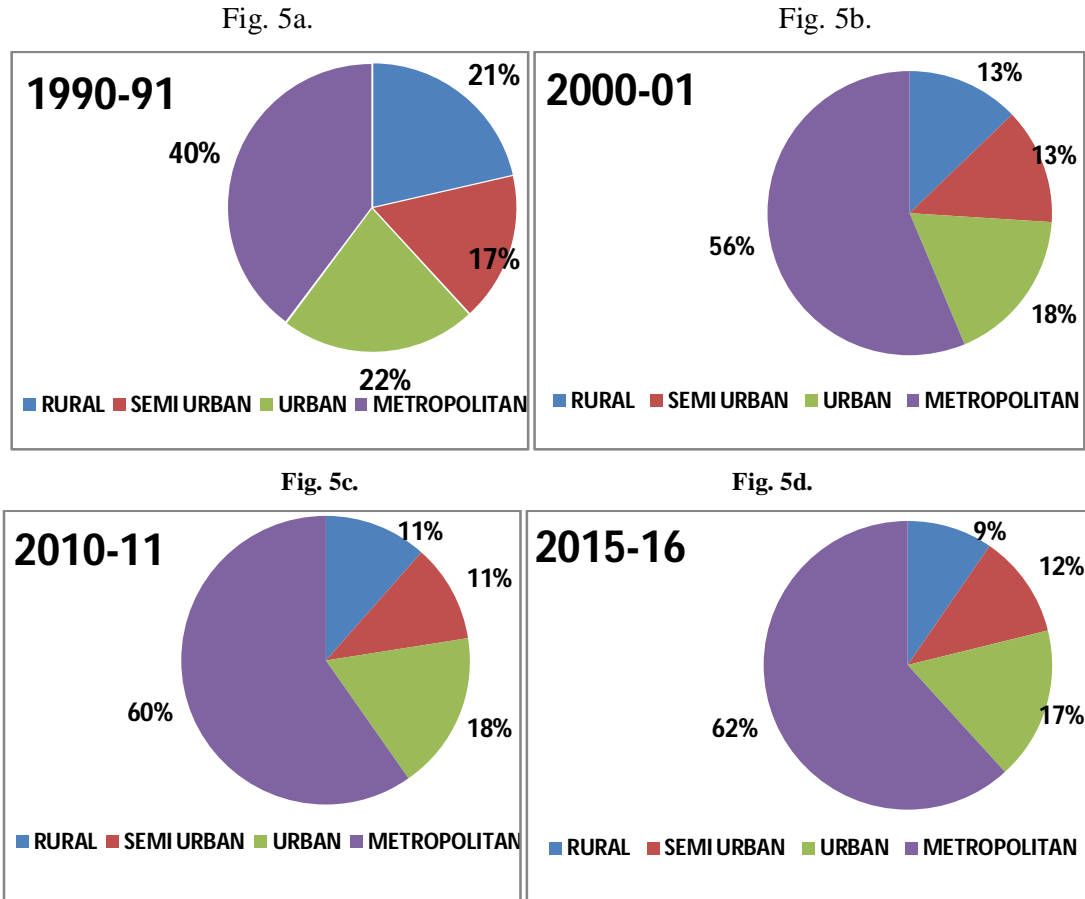


Figure 5. Population group-wise distribution of home loans of Commercial Banks

Source: RBI Publications.

CONCLUSION

The analysis shows that much progress has been made in the house construction in the last of couple of years after the PMAY-G came into effect in 2016. The number of houses constructed between the years 2016 and 2019 has increased by 770 percent over the previous 20 years, which shows remarkable progress. Along with the growth in physical terms, the defining element of the programme is the real time monitoring of progress through computer software. Along with that, there is better monitoring also because of payments to beneficiaries being routed through their bank accounts and taking care that beneficiaries do not over-construct in the initial phase, thereby ensuring greater success in house completion. These qualitative changes have improved the scale and scope of the government housing programme.

Capturing the trends in rural home loans by alternative means such as outstanding loans, new loan advances and average loan size reveals that although in absolute terms there is increase in rural

home loans, the growth rates of these measures show a downfall. In terms of share of rural population in housing loans of commercial banks there is an obvious decline. The broad conclusion that can be drawn from this analysis is that there an increasing neglect of rural population in the housing credit extended by the commercial banks. Increased urbanization and given the government's thrust of 'Housing for All' programme by 2022, affordable housing is emerging as a lucrative segment for more and more builders. Moreover, with less hurdles in terms of title clearances and borrower eligibility on other counts, commercial banks are focussing on more on non-rural population in the disbursement of home loans. Among other sources of finance, if the government desires that more funds should flow to rural housing sector, then deliberate nudging is required for commercial banks to find out innovative ways to lend for rural housing in way that can circumvent the difficulties faced by the sector.

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