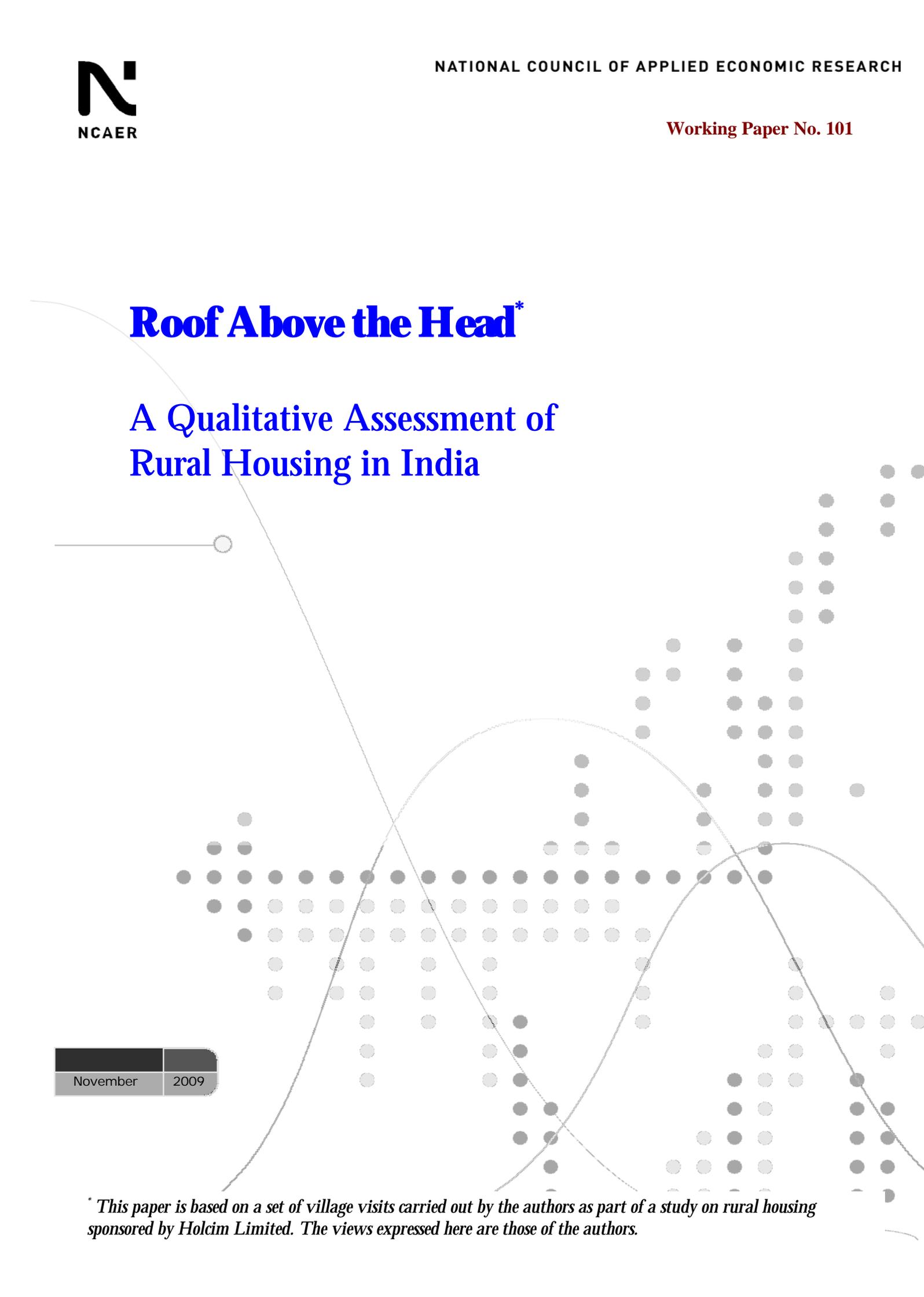


Roof Above the Head*

A Qualitative Assessment of Rural Housing in India



November 2009

** This paper is based on a set of village visits carried out by the authors as part of a study on rural housing sponsored by Holcim Limited. The views expressed here are those of the authors.*

Authors¹

Shashanka Bhide

D.B. Gupta

Tarujyoti Buragohain

D.V. Sethi

Shailender Kumar

S.K. Bathla

¹ The authors wish to acknowledge the ungrudging support and cooperation of a large number of officials and other agencies, respondents to our questions on housing and participants in group discussions.

CONTENTS

Section	Page
List of Tables and Boxes	iv
I. Backdrop	1
II. General issues facing rural housing development	3
II.1 Housing activity and government programmes in rural India	4
II.2 Role of formal housing finance in rural areas	6
II.3 Economy and rural housing	6
III. Drivers and constraints to rural housing development	7
III.1 Land regulations and availability of land	7
III.2 Physical infrastructure including amenities like water, electricity and toilets	9
III.3 Rural housing finance	10
III.4 Building materials, construction labour and technology	12
III.5 Fiscal, legal and regulatory and institutional issues	14
IV. Concluding notes	17

List of Tables

Table 1:	List of villages selected for the case studies	3
Table 2:	Summary of issues facing development of housing sector in rural India and recommendations.	21

List of Boxes

Box 1:	an example of IAY housing	4
Box 2:	Implementation issues in rural housing schemes	5
Box 3:	Housing construction by non-poor: Shelgaon, district Buldana, Maharashtra	7
Box 4:	Minimum level of land ownership for IAY eligibility	7
Box 5:	<i>Patta</i> land in West Bengal	8
Box 6:	Raising finances for housing	11
Box 7:	Loans for rural houses	11
Box 8:	Cautious lending for rural housing	12
Box 9:	High construction cost	12
Box 10:	Reducing cost of house construction	13
Box 11:	Access to building materials and construction labour	13
Box 12:	Who constructs houses?	14
Box 13:	Mahila Housing Trust (SEWA) – women’s homes	14
Box 14:	Gram Sabha and house construction	15
Box 15:	Acquiring and purchase of land for housing	16
Box 16:	Land registration	16
Box 17:	Conversion of use of agricultural land to residential use	17

Roof above the head

Qualitative assessment of rural housing in India

I. Backdrop

The development of rural housing in a manner that results in adequate, quality shelter for inhabitants of Mahatma Gandhi's "real India" is a challenge before the nation. What are the issues confronting rural housing development in India? The litany of its woes is endless. At first impression, rural housing is vulnerable to weaknesses in the delivery system for housing materials and services. Gradually, it dawns on the observer that the sector is deeply affected by the infrastructure deficit – roads, electricity supply, drinking water and sanitation. It has been bypassed by the numerous economic revolutions that have made India a vibrant economic superpower. For instance housing finance, which played a key role in the urban housing explosion, is conspicuous by its absence in the rural setting. Additionally, the limited mobility of rural households, the lack of vibrancy in the market for village properties and the marked volatility in agricultural incomes combine to dampen the prospects of this nebulous sector.

The massive scale of the problems bedeviling the shelter situation in rural India, especially where it concerns the poor who constitute a large proportion of its population, may be understood through the myriad 'absences' that erect obstacles in the way of positive change. There is real paucity of common or village (non-agricultural) land for meeting the housing needs of the poor; whatever little is available is put to stress by challenging demands from other sectors. This leads to the collapse of the government's social housing development programme—Indira Awas Yojana (IAY). The absence of adequate and comprehensive land records creates a forbidding situation for institutions interested in rural housing finance.

How do people build houses under these conditions? This report summarises the discussions the study team had with a number of officials, beneficiaries of government programmes and members of households in the selected villages spread over the country. The case studies summarised here are part of a larger study on sustainable development of rural housing in India commissioned by Holcim Limited. The quantitative assessment of the requirements of housing and constraints to systematic development of rural housing would be presented in a separate report.

In this note, we present the findings of a few case studies based on field visits to selected villages. This was undertaken to get a clear understanding of the working of government schemes in promoting rural housing as well as in assessing the environment for rural housing. They are veritable vignettes depicting the variety of roadblocks confronting potential house builders in rural areas. The issues may arise from land, or could be linked to fund mobilisation, or problems with regulation, difficulties in procuring building materials, finding skilled masons, carpenters and other tradesmen associated with housing and the level of awareness of cost saving technologies.

The field visits to the villages involved meeting village officials, beneficiaries of government housing assistance schemes, village elders and people who have recently constructed houses in the village. We also met officers of housing finance institutions who were either operating in the selected villages or in nearby places. The interviews and discussions that make up the case studies run the full gamut of situations from land acquisition to final completion of the house. An attempt was made to understand the processes followed in the identification of the beneficiary, acquisition of land (if not owned), sourcing funds, procurement of building materials, availability of masons and other types of construction labour (including own contribution in construction activity), etc. We also sought to ascertain how people perceived uses for newly constructed and upgraded houses, i.e. whether they were meant for self-use for living purposes, or were they used mainly/partly for storage or similar purposes? The questions also probed whether by ‘house construction’ people understood construction of new dwelling units or extensions and upgrades of existing houses.

An important part of the field visits was the meetings held with village *patwaris* and other local revenue officers. The objective was to form an understanding of the processes involved in the maintenance of land records and formalities undergone in routine sale-purchase of residential and agricultural land. Similarly, bank managers of local branches were contacted to get an overview of the roles that formal financial institutions play – if any – in developing rural housing projects. The case studies have been supplemented with detailed interactions with senior professionals at Development Alternatives, a renowned NGO based in New Delhi, and the public sector Housing Development and Finance Corporation. Our report has been much enriched by the views of these stakeholders. Wherever possible we have attempted to supplement the case-study based analysis with findings of similar other studies. The following statement lists the villages visited.

Table 1: List of villages selected for the case studies

State	District	Tehsil/Block	Village (s)	Broad regional location in the country
Assam	Jorhat	Teok	Gori Cha Bagisa	North East
Assam	Jorhat	Jorhat West	Porbotia gaon	North East
Haryana	Kurukshetra	Pehwa	Diwana	North
Haryana	Bhiwani	Bhiwani	Malawas	North
Karnataka	Uttar Canned	Bhatkal	Kaikini	South
Karnataka	Uttar Kannada	Siddapur	Koadagibail	South
Maharashtra	Buldana	Chikli	Misalwadi	West
Maharashtra	Buldana	Chikli	Shelgaon*	West
Orissa	Cuttack	Sadar	Gotirout Patna	East
Uttar Pradesh	Agra /Firozabad	Tundla	Chulhauri	Central
West Bengal	Nadia	Krishnaganj	Komarapur	East

Note: All villages above, except the village marked*, is a sub-sample of the 150 villages selected for a detailed sample survey for the study of rural housing.

The issues emerging from the field visits are summarised under the following heads:

- Availability of land for housing
- Physical infrastructure in the village – water, electricity and sanitation
- Housing finance
- Access to building materials, building technology, and skilled construction labour
- Legal, regulatory and institutional issues

II. General issues facing rural housing development

Before proceeding to deal with these issues, we provide a brief idea of the ongoing housing projects in the sample villages. We have sought to present some of the problems that the villagers experience during house construction, particularly as beneficiaries of central and state housing schemes. The experience with IAY is highlighted as a typical illustration.

II.1 Housing and government programmes in rural India

We met many people who had constructed or were in the process of constructing houses under government-promoted housing schemes (mainly IAY) as well as those who were constructing/renovating houses entirely on their own. Apart from IAY, there are other rural housing schemes promoted by state governments from time to time². We also observed activities under parallel schemes for providing amenities like water, electricity and sanitation. The Accelerated Rural Water Supply Scheme (ARWSS) and Total Sanitation Campaign (TSC) create a facilitatory web for IAY, for no housing project can survive without the vital infrastructure they hope to provide.

Box 1 provides a typical example of the procedures adopted in one of the villages visited by us for availing the benefits under IAY.

Box 1: An example of IAY housing

Under IAY, the panchayats are to identify the beneficiaries at Gram Sabha meetings. The housing subsidy under the scheme is directed at BPL families. As the number of BPL families is many times more than the funds available in any given year, the panchayats draw up lists ranking beneficiaries in the ascending order of vulnerability. Four families were given IAY funds during the year.

The selected beneficiary is provided the subsidy amount by the Gram Panchayat in two installments: Rs 13, 000 initially and Rs 12,000 on completion of specific stages of construction. Before reimbursing the second and final installment, an inspection of the construction is carried out.

None of the beneficiaries we interviewed reported of any harassment in obtaining IAY subsidy. Only a simple form is to be filled for the purpose, which is verified by the panchayat official, and a photocopy of the eligibility document (usually a ration card) is submitted. Also, the potential beneficiary has to have *kabja* (proven occupancy) on the land.

There is a window for IAY support for those initially left out. This comes from the IAY funds available with the block chairpersons. But it can be accessed only when this official has some funds left with him and has targets to meet. The district target is first fixed, which in turn sets the targets for the blocks. The block then fixes the target for each gram sabha. Often, the target for the block is not fully apportioned among its Gram Sabhas. The residual funds constitute the cushion funds, which block chairpersons allocate to some needy individuals who are left out.

The IAY beneficiaries are also able to get additional funds for the construction of toilets and smokeless *chulhas*. The amount currently made available under TSR is Rs 1,200.

Source: Field visit to a village in Kurukshetra, Haryana.

Other beneficiaries, who included some women, confirmed that similar procedures were followed in their case. We found through our discussions that the process of obtaining

² For detailed description of various state promoted housing schemes in the rural areas, reference may be made to the Planning Commission's Working Group Report on Rural Housing for the 11th Plan.

subsidy under IAY was quite smooth; hardly anybody reported having incurred ‘facilitation’ expenditure. We found this to be true in all the villages visited, but other studies have highlighted evidences to the contrary (**Box 2**).

Box 2: Implementation issues in rural housing schemes

Allegations of panchayati raj institutions collecting graft for selection of beneficiaries is a thread running through several field-based studies. A study by Dr Ambedkar University of Uttar Pradesh indicates Gram Pradhans charge Rs 2,000-3,000 for nominating beneficiaries. Similarly, a study by Sanket Consultants of Banswara (Rajasthan) indicates that prospective beneficiaries have to shell out about Rs 2,000 for allotments.

Source: Cited in Report of the Working Group on Rural Housing for formulation of 11th Plan, Planning Commission, Government of India.

The number of installments for release of IAY funds varies from state to state as do too the conditions prescribed. For example, in one of the states covered we found that the final installment was released only after the completion of both toilet and *chulha*. In some cases the release of installments appeared to be linked to stage-specific inspection reports –often up to the lentel.

Houses constructed under the IAY were usually of small size – 20 sq. metres including the verandah. But several households managed to mobilise additional funds through their own efforts, and constructed larger houses.

In most of the villages visited, we saw additional funds provided for toilet and smokeless *chulha* construction. Some state governments, apart from running parallel rural housing schemes, were supplementing IAY with their own funds. For example, the Gujarat government provides Rs 11,000 per beneficiary to top up IAY subsidy.

Another social housing scheme to be launched soon is ‘Mahamaya’ by the Uttar Pradesh government. The scheme proposes to provide a higher subsidy – Rs 35,000—per beneficiary compared to Rs 25,000 under IAY. During the 1990’s the Karnataka government ran two schemes – Ambedkar and Ashraya. In Kakini village in Bhatkal taluka of Uttara Kannada district which we visited, 57 and 243 houses for the rural poor were respectively constructed during 1993-94.³

³ There are numerous housing schemes promoted by various state governments. Some are working and some have been abandoned. There are also some so-called housing schemes promoted by HUDCO. Even National Housing Bank has shown interest in rural housing. Some provide credit-cum-subsidy while others provide just interest subsidy. (For details reference may be made to the 11th Five-Year Plan Working Group Report on Rural Housing; Planning Commission).

II.2 Role of formal housing finance in rural areas

Through officials of the Chikli branch of State Bank of India in Buldana district of Maharashtra we learnt of a bank-promoted social housing scheme called Gram Vikas Yojana. Under it, the bank provides housing loans and expects repayment of only the principal amount. The interest component was reimbursed by the central government. Another scheme mentioned in this connection was the Rajiv Gandhi Housing Development programme under which the subsidy amount corresponded to the interest on the borrowed amount.

As the subsidy provided under government schemes is generally inadequate, people try to seek funds from other sources. They also produce their own savings. There are cases of people using funds loaned for agricultural purposes which are easily available. We saw people spending even up to Rs 1,00,000 on an IAY house. But, usually Rs 50-60,000 is spent to top up the government subsidy.

So, it is clear that funds provided under IAY are grossly inadequate; they compel people to turn to other sources of finance to achieve their dreams of permanent shelter. Quite often, the houses constructed are shabby, unsafe and uncomfortable. To cut corners, people sometimes leave their houses visually unattractive and incomplete. The roofing is made of metal sheets, which render indoor conditions unbearable during the long, hot summers. In a couple of cases even the front doors were missing. There is utter lack of knowledge of cost-saving technologies and the panchayats provide little or no technical support during the construction process.

II.3 Economy and rural housing

In addition to house building activity generated under government programmes, we observed many non-beneficiary households making their own homes. Farmers with relatively large agricultural land holdings and salaried persons (usually retired) routinely commission their own home construction projects, spending on an average Rs 4-5 lakh drawn from their provident funds and other savings.

One example from Shelgaon, a village in Buldana district in Maharashtra, highlights how apart from housing under the IAY there was ample evidence of personal homes being built by the well-to-do section of villagers. This was undertaken by farmers on either their vacant

plots under their control or on sites of former homes. In **Box 3** we provide an idea of how a farmer and a retired schoolteacher went about mobilising the funds for house construction.

Box 3: Housing construction by non-poor: Shelgaon, district Buldana, Maharashtra

- A farmer who had 20 acres of agricultural land and two bullocks and a buffalo had recently constructed a new four-room house with toilet, bath and kitchen. The material used in the house was of high quality and the house had amenities like any other urban house – including a TV set. The construction was financed by two loans of Rs 60,000 each; one from an urban cooperative bank which was raised by mortgaging agricultural land, and the other through the Vividha Karyakari Sewa Cooperative Society as a crop loan. Both loans were for 11 months at 15 per cent rate of interest. The remaining amount of Rs 4 lakh was sourced from the farmer's own savings.
- In another instance, a retired schoolteacher had built a house with built-up area of 640 sq. feet on inherited land at a cost of Rs 2.5 lakh. The entire funding was from his own savings. The labour component comprised about 36 per cent of the total construction cost. Earlier, he had lived in an old ancestral house which needed major repairs.

Source: Field Visit

Land ownership was critical for availing funds under government housing schemes and accessing funds from banks and financial intermediaries. We now outline the constraints experienced by beneficiary and non-beneficiary households in securing home ownership.

III. Drivers and constraints to rural housing development

III.1 Land regulations and availability of land

During the course of our field visits we observed that a major problem faced by a potential beneficiary was control over land which is essential for availing government financial assistance. Only people who have *in situ* rights are selected, thereby excluding those without land possession from the scheme's purview. Not only was land possession mandatory, often they had to be of a certain minimum size.

Box 4: Minimum level of land ownership for IAY eligibility

In a village called Goitrou Pane in Sadar block of Orissa's Cuttack district, a BPL family was denied access to IAY subsidy because it did not have 120 sq. feet, the minimum eligibility for IAY subsidy.

So, the existing social housing schemes are concerned only with house construction, not with land. However, we found that most panchayats did provide land from the available panchayat */abadi* land to target groups. We were also informed of situations where there was actually no

land left with the Panchayat to be given to the landless for housing. This is an area requiring government intervention.

People living in joint families and eligible under one of the existing government housing schemes are, however, able to overcome the problem of land by getting their existing joint properties partitioned, thus enabling them to construct a house each on their respective scraps of land. This clearly tends to encourage nuclearisation of joint families, thus aggravating the housing shortage in rural areas.

As far as the *abadi* or *lal dora* land is concerned, people in almost all the villages visited reported to us that most of such properties have been used up. Therefore, panchayats are forced to distribute government land to new applicants. There was also some encroachment on forest land and other public land. In special cases like West Bengal, land occupied for a long time with *bargadar*, or possession rights, have been recognised as eligible for IAY allotments.

Box 5: Patta land in West Bengal

Some people who had migrated to West Bengal during the Partition had occupied about 1,000 sq. feet each in Komarpur village in Krishnaganj Block of Nadia district. In 1978-79, the West Bengal government declared such lands as vested and issued *patta* (occupancy) rights. These cannot be sold or transferred to others legally except to family members. Most IAY houses in Bengal are on *patta* land.

One of the questions that we asked the villagers was about the use of agricultural land for residential housing. While practices differed from one state to another, there were certain common features and may be summarised as:

- For changing the pattern of land use, i.e. from agricultural to housing, official permission is needed. The *tehsildar* or some senior revenue official is the designated authority for this. It was indicated that such permission is not easy to get. Apart from permission for change of land use, other formalities relating to registration and mutation in the names of new owners and payment of various charges including conversion fee are necessary. The owners are also required to pay appropriate property taxes and other dues which may vary from state to state. However, it was reported that no such formality was necessary for the construction of farmhouses on agricultural plots; the only restriction being a maximum of one house.

- Normally there are no restrictions for persons from other states to purchase agricultural land. But most states require the buyers to be farmers. In Haryana this is not a restriction. Registration and other fees are the same irrespective of the state the buyer comes from. Most states allow for a lower fee for women buyers, the differential is usually 2 per cent. Agricultural lands thus purchased may be used for developing residential complexes provided permission for change in land use from agricultural to residential use is obtained.

III.2 Physical infrastructure including amenities like water, electricity and toilets

We observed that most houses lacked some basic amenities like safe drinking water, electricity and sanitation. However, there were substantial variations across villages in this respect. As far as drainage is concerned, most villages visited by us were devoid of it, though some had open, *pucca* drains in place. For example the village in Tundla (UP) had fairly good, 'open' *pucca* drains lining the streets. Village drinking water supply schemes are common, though the quality and reach of the systems vary. In some villages, as we found in Bhiwani district of Haryana, villagers relied on well water, failing which they carried water home from large distances. The Total Sanitation Campaign (TSC), along with IAY's emphasis on toilet provision, has resulted in quite a few households constructing individual toilets. Most of these were of poor quality, a pointer to the inadequacy of funds provided under TSC. Further, most of these are seldom used as toilets because of the inadequacy of water. Rather than making toilets a precondition under IAY or any other social housing scheme it is imperative to create awareness about the benefits of using them.

Most houses for the poor built under the government-supported programmes had only one large room, many of them with a verandah. The smokeless *chulha*, wherever built, was generally located there. The situation with regard to housing infrastructure seems to have improved over the period as the earlier evaluation (Concurrent evaluation report of the Ministry – IAY 1998-99) found 71.5 per cent of IAY housing lacking in sanitary latrines and only 11 per cent having smokeless *chulhas*. The same report revealed that the southern states had a larger share of sanitary latrines and smokeless *chulhas*. The Working Group Report on Rural Housing for the 11th Five-Year Plan says: "Around 52 per cent of the houses now being constructed under IAY have sanitary latrines and around 48 per cent of them have smokeless *chulhas*'.

As far as electricity is concerned, a large number of beneficiary households have connections. However, some people ran out of funds and so didn't have it. All the sample villages we visited had approach roads, and some had all-weather roads. However, the condition of these thoroughfares was not uniformly satisfactory.

Overall, one finds little attempt at integrating rural housing programmes with other existing schemes for providing drainage, drinking water, internal roads and electricity. One possible reason could be the absence of proper planning and development authorities in the rural areas. The experience of the Mahila Housing Trust (MHT) in Ahmedabad run by SEWA is inspiring as it provides legal electricity to slum dwellers. What MHT did was to partner with Torrent Power, the private sector distribution company of Ahmedabad, for power connections. Instead of the usual connection cost of Rs 6,500, each woman was asked to pay Rs 2,500. The programme has so far provided some 85,000 households with electricity connections. A large part of the funds were raised from the community. Similarly, in the water deficient areas like Anand and Khera in Gujarat, SEWA helped in organising Pani Committees (water cooperatives) of local people to overcome shortages.

III.3 Rural housing finance

One of the major problems observed during our field visits is the low affordability for housing in rural India. Since housing is a priority need for most people, they seize every available opportunity to own a house through all-out efforts to raise funds. However, given the large investment needed for house construction, people have to mostly rely on friends and relatives or moneylenders for fund mobilisation as they have little or no access to institutional finance. This is because of the nature of earnings of people in the rural areas which is characterised by various uncertainties. Sometimes of course they are assisted by remittances from their children and relatives working elsewhere, either in India or abroad. As IAY subsidy is inadequate, beneficiaries not only contribute their labour towards construction, but also borrow funds from friends to meet total costs⁴.

⁴ Recently the Working Group on Rural Housing for 11th Plan has concurred with the view that current level of financial assistance under IAY is inadequate, and has estimated a modest level of financial assistance for rural housing units of 20 sq. metres of Rs 45,000 for plains and Rs 50,000 for the hill regions.

Box 6: Raising finances for housing

In Diwana, a village in Kurukshetra, Haryana, an IAY beneficiary in 2006 spent Rs 35,000 (excluding the cost of land- Rs 15,000) for a room of 12'x12'. He borrowed Rs 7,000 from a local moneylender at 2.5 per cent interest per month; Rs 3,000 came from his savings. In addition, he provided his own labour. He got Rs 25,000 as IAY subsidy and Rs 1,200 for the toilet. His monthly earnings are Rs 2,500, with some fluctuations. The room is put to several uses, e.g. keeping the cow and for storage of foodgrain. In order to get his house constructed as an IAY beneficiary what he needed was the photocopy of his ration card, a BPL card through the *sarpanch* and land ownership proof. Actually he already had an ancestral house which was *katcha*. All he had to do was to pull it down to construct a new house. As he has two children he plans to construct another room later.

Source: Field notes

The role of banks and other formal financial institutions as providers of funds for house construction is woefully minimal. While grameen banks (set up to serve rural micro enterprises) have been providing housing funds to a limited number of people, they were, in the large part, hesitant to undertake the risk exposure. It is only under government pressure that bankers extend loans. Also, the conditions for accessing such funds are quite stringent, thereby keeping away many potential loan seekers.

Box 7: Loans for rural houses

Grameen Bank, Haryana provides housing loans to individuals. The loan limit for purchase of land or construction of house is Rs 15 lakh, depending upon the repayment capacity of the party. For repairs, renovation, additions and alterations the maximum amount that a bank can provide is Rs 5 lakh. To access loans one needs to provide several documents including proof of address, income and land ownership, plan of the house, estimates of construction costs and a non-encumbrance certificate. We were told that most villagers are unable to provide income proof. They also have problems with mortgaging *lal dora* land on which most villagers construct houses. The interest on the loans varies according to the duration of repayment. The current rates are: 8 per cent for five years; 8.75 per cent for 5-10 years and 9.25 per cent for 10-20 years. The concerned branch told us that they had given 22 housing loans during 2006-07 and 2007-08 spread over five villages, 13 of them from a single village.

Source: Field visits

Many bank officials were quite candid in saying that they provide funds only when potential borrowers provided sufficient proof of their capacity to repay loans in the prescribed manner. This is another way of saying that housing loans usually go to economically well-placed households.

Therefore, it is imperative to design innovative financial products which would be appropriate to the economic status (including the pattern of earning) of potential borrowers

and also acceptable to the financial institutions. To begin with, it may be worth focusing on the relatively better off rural households. The terms and frequency of repayment of loans is equally important.

Box 8: Cautious lending for rural housing

On a visit to a village in Maharashtra, the team met the manager of a branch of a nationalised bank who said that rural housing finance was a growing portfolio for him. According to him, the bank gave housing loans up to Rs 50,000 without collateral. However, appropriate documentation of the property and a good track record was essential for getting a loan (Form 8 describing the house site provided by the village secretary). By 'good track record' the manager meant that the customer was not a defaulter with the bank on previous loans. Further, in the case of repayment through equated monthly installments (EMI), there should be no default on more than three consecutive payments. On rural loans the default is relaxed to two consecutive annual payments. For larger loans collateral is required. The period for repayment may be as high as 20 years and the interest rate is dependent on the duration of the loan. The loan is provided only for house construction.

One of the major issues flagged by the manager was the cap on non-performing assets – 3 per cent of the loan portfolio. These concerns prompt banks to adopt a conservative attitude. At present, out of a current portfolio of Rs 11 crore for housing loans, he apportioned only Rs 1 crore for rural areas.

The branch has adopted one of the villages in the area for providing housing loans on the basis of its good repayment record. As many as 15 loans of Rs 50,000 each have been given. The loan is released in installments based on the specified stages of construction. When asked why loans were not provided in another village, the manager informed us about its inmates' poor repayment record. In addition, the bank provides loans under other schemes – Gram Vikas Yojana, Rajiv Gandhi Housing Development scheme, etc.

Source: Filed visits.

III.4 Building materials, construction labour and technology

On availability of building materials we were informed that most standard products could generally be procured from within reasonable distances. However, moving materials to the location of housing sites was a problem in remote parts of the country. But this was not a general issue. People were more worried about the rising prices of building materials and increasing wages.

Box 9: High construction cost

The high cost of building materials is considered another obstacle to housing construction. It was also mentioned that while the prices of various building materials have risen substantially, incomes have not. However, there is now the growing understanding that higher savings is necessary and people have taken up additional employment/businesses to fulfill their aspirations.

Source: Field visits in Assam.

As mentioned earlier, injudicious use of building materials, especially cement is common. What practically gives away the low level of awareness are the metal sheets used commonly for roofing. Modern research into building technology has evolved a large number of low-cost, environment friendly options which could have really helped India's poor consumers of housing. This came out through discussions with experts at Development Alternatives. In rural housing, shoddy construction is exacerbated by a lack of well-trained workers.

Box 10: Reducing cost of house construction

Alternative technologies for housing construction do exist. These can be low-cost provided there is enough adoption. Such technologies were adopted successfully in situations of large-scale housing construction as seen in post-disaster Latur, Kutch, Orissa and the tsunami-hit parts of Tamil Nadu.

Source: Interaction with representatives of Development Alternatives.

Another aspect relates to the varying needs of the rural population and how alternative and appropriate technologies could address them. This is seldom highlighted in the discussions with rural households. For example, we have not come across pre-fabricated products in use much. Now this form of dwelling could lead to a transformation of rural society. Also, cement tiles which are low cost and at the same time as effective as any other material, could be used for building sloping roofs in regions experiencing heavy rainfall. We also learnt that they are popular in Bihar and Madhya Pradesh. These are already widespread in Goa. Similarly, Development Alternatives has developed cement 'pavers' for flooring.

On construction labour, the problem is more complex. There were pockets where skilled construction labour was either non-existent or expensive. And even when they are available their skills are found to be primitive as they have no formal training. But it is not clear if there are processes in place through which formal training is available for rural workers in construction activity.

Box 11: Access to building materials and construction labour

In the village visited by us there was no shortage of building materials. Water taps and light meters were generally installed. As far as actual construction is concerned, help is taken from masons and construction labourers. Family members also participate in construction. Skilled labour is available at Rs 200-250 per day while unskilled workers charged Rs 100 - 125.

Source: Field visits in Karnataka.

In yet another village in Assam, villagers lamented the absence of building contractors and trained construction labourers.

Box 12: Who constructs houses?

Contractors are not available for house construction. Usually some persons are recognised as able to work in house construction. They rarely possess any formal training and have acquired their skills mostly through trial and error.

Source: Field visits in Assam.

Most construction labourers with whom we interacted informed that they had acquired skills while on the job or from their parents and other elders. They also admitted not having received any formal technical training in the varied skills associated with house building. This is understandable as there is hardly any institution or polytechnic imparting such training. In this context, it would be appropriate to cite MHT-SEWA's experience (**Box 13**).

Box 13: Mahila Housing Trust (SEWA) – women's homes

MHT had helped design and build 100 rural houses in 2005. A highlight of its work in 2005 was the setting up of the Karmika School for upgrading the skills of women construction workers. Hitherto, women hitherto had been confined to back-breaking, low-paid and unskilled work in the construction industry. Karmika School is changing this by training women in a number of highly skilled activities required in the construction industry. These women are then certified by the Construction Industry Development Council (CIDC).

In 2005, 579 women took such training from Ahmedabad, Vadodra, Surat and Radhanpur. They were trained in masonry, tiling, plastering and carpentry, bar bending, plumbing and electrical fitting. All these women got certification from the CIDC, thus making their services more marketable in the construction industry.

Source: SEWA.

III.5 Fiscal, legal and regulatory and institutional issues

Local bodies have a critical role in promoting rural housing. The key role begins with land, which is the primary component of housing. All government schemes insist on land ownership before providing funds. We learnt during our field visits that most existing *abadi* and *lal dora* lands have been occupied. Panchayats had provided land from their own possession whenever available.

Box 14. Gram Sabha and house construction

While the Gram Pradhan has no role in land registration, the buyer has to take a no-objection certificate (NOC) from the panchayat. For both buying and selling of land, a photo ID is needed and the concerned person(s) has got to approach the district office of land registration. A NOC from the Pradhan and approval of the Panchayat are needed in case one wishes to expand an existing house or construct a new unit.

Source: Field visits in West Bengal

Even when a person has to seek funds under IAY, it is generally the Gram Panchayat that has got to approve the name of the beneficiary. Funds cannot be provided without it. The Gram Panchayat determines whether a household is BPL or not.

Some panchayats, like Misalwadi in Chikli tehsil of Buldana district of Maharashtra levy property tax. The rates vary – Misalwadi charges 70 paise per sq. foot of built-up area per year apart from ₹ 1 per day for water supply. Similarly, in Kaikini village of Uttara Kannada district in Karnataka, the Gram Panchayat collects house tax on annual basis at the rate of Rs 5 per sq. foot in *pucca* houses. For *katcha* houses, the rate is a minimum flat amount of Rs 51. This includes property tax (Rs 8), education tax, health tax, electricity tax (streetlights) and drinking water supply, all adding up to Rs 51 per year. The panchayat officials mentioned that most households paid taxes; those not paying experience problems in accessing various services. Also, the panchayat's approval is necessary for a house to get an electricity connection. There is a charge of Rs 200 per approval. The approval specifies the area of the house and its location in terms of the distance to the main road and to the village street.

It may be pointed out that the collections from various levies and taxes were not adequate for developing the available land for residential use. The *patwari* and other revenue officials of the tehsil or district have critical roles to play in the sale and purchase of land, as well as in the conversion of land use from agriculture to residential. The procedures and the expenditures involved could be expensive and time consuming (**Box 15**).

Box 15: Acquiring and purchase of land for housing

A person desirous of constructing a house without possessing the land should first identify the land and approach the *patwari* to check out its antecedents, e.g. does the person she is buying it from really own that land? This is called title search, for which she pays Rs 10 for each search. On ensuring that the land is unencumbered, she proceeds to buy it and get it registered. For this she pays 4 per cent of the negotiated amount as the transfer fee/stamp duty (these days almost 80 per cent of registrations are in the names of female family members). The money is first deposited in the bank, which issues three *challans*. Against this *challan*, the person gets stamp paper from the treasury. Then the document writer types on that stamp paper the contents of the Agreement for which a negotiated fee (Rs 300-500) is paid. This document is to be signed by the *tehsildar* and the registration fee ranges between Rs 500 and Rs 25,000 depending on the stamp duty. This document is to be witnessed by the *numberdar* and one other person. The photograph of the buyer, the seller and the two witnesses are pasted on the back of the stamp paper. On Rs 1 lakh, the registration fee is Rs 1,000. There is yet another fee of Rs 200 for computer transfer. For mutation, a sum of Rs 100 is to be paid. There is however no fee for cancellation of mutation.

Source: Field visits in Haryana.

As it happens, the stamp duty is a major expense borne in the process of transfer of property. Of course, there are other expenses like registration fee (while there is a prescribed percentage, there is generally a minimum and maximum amount fixed), mutation fee, title search fee, fee for issue of non-encumbrance certificate and a small fee for entry into *tehsildar*'s records of the transaction. The rates vary from state to state, but the procedures are fairly similar. **Box 16** outlines the procedures and fees involved in registration during the sale/purchase of land.

Box 16: Land registration

In Buldana district of Maharashtra, the *talati* or *patwari* keeps the records of land ownership. He provides information on the title of ownership to the purchaser of land for a fee of Rs 5. The *talati* who provided us information on the procedures of land transfer also mentioned that in case a house is to be built on agricultural land then one has to obtain necessary permission from the *tehsildar*'s office. Any default in land use conversion attracts a fine of Rs 500 and over and permission for electricity connection and other services are withheld. We were told that the Gram Sewak also maintains records on housing sites and properties. At the time of our visit the prevailing stamp duty was 4 per cent for occupied non-agricultural land and 2 per cent for vacant land. The stamp duty on agricultural land was 3.5 per cent. There are standard rates of land value on which stamp duty is charged. The information on housing land is kept with the Panchayat.

Source: Field visits in Maharashtra.

Regarding sale and purchase of land, we found in Shelgaon, Maharashtra that agricultural land can only be sold to a farmer irrespective of whether he belongs to the home state or not.

However, no such restriction existed in the case of non-agricultural land, and it could be sold to anyone irrespective of his place of residence in the country (Maharashtra).

In **Box 17**, we document the process followed in the conversion of use of agricultural land for residential purposes.

Box 17: Conversion of use of agricultural land to residential use

- People interested in constructing houses on agricultural land need various permissions for changing the land use pattern from *tehsildars* or any other designated officials. However, this is not easy to get. However, it was reported that no permission is necessary for constructing farmhouses on agricultural land. We also learnt that there are some states where conversion of land use is either not permitted or is uncommon.
- Normally there are no restrictions for persons outside the state to purchase agricultural land in the state. The registration and other fees are the same irrespective of whether a person belonged to the home state or not. Most states charge a lower fee for women buyers – the differential is usually 2 per cent. We were told that these agricultural lands could be used for developing residential complexes provided the permission for change in land use from agricultural to residential is obtained from the sub-divisional officer or the district revenue officer. The practice may vary from one state to another.

Source: Field visits in Haryana, Karnataka and Maharashtra.

IV. Concluding notes

Our field visits have opened our eyes to the fact that the circumstances for rural housing in India are still in a nebulous stage. The facilitators are far from adequate, and the solutions are slow in emerging. Most people in rural areas, unlike their urban counterparts, have multiple uses for their house. So they need larger covered space. This fact, combined with rather low rural incomes, has worsened the already dismal housing situation in India's villages. Apart from the centrally-sponsored IAY, a number of state governments have evolved schemes to mitigate the housing shortage as well as improve housing conditions.

The challenges before governments on the rural housing front are indeed considerable. The ongoing programmes plan to promote more than 1 million houses annually over the next five years for the poor. The Census data for 1991 and 2001 suggest that more than 2 million houses are built each year in rural India. It should be remembered that the number of houses does not necessarily reflect change in the quality of housing in terms of either space or amenities.

The field visits have clearly indicated to us the inability of the social housing schemes, including IAY, to generate much additional house construction by way of a diffusion effect. It should also be pointed out that the limited availability of subsidy funds under the schemes had serious implications for the quality of construction. It should however be said to the credit of these schemes that they have facilitated the entry of additional funds into housing. Government-provided assistance has the effect of spurring beneficiaries into scouting for other sources of funds and they end up incurring higher expenditure. The common experience is that own funds mobilised by the households stretched the benefits of IAY subsidy by 100 per cent. In short, while the government schemes have been able to bring additional funds into rural housing, they have failed to generate additional housing by way of a diffusion effect.

A great deal of house building was observed outside the subsidised sector. Improved incomes from agriculture and remittances are important drivers of rural housing. In addition, rural people deriving incomes either within the village or outside often end up building homes on their ancestral lands.

In the context of rural housing, finance and land have emerged as major constraints. This is irrespective of whether a person desiring a house is poor or not. As far as land is concerned, its availability from the existing *abadi* and *kabja* categories for new construction activity is rather limited. This is also true of panchayat land. The breakdown of the joint family system into nuclear households has created additional demand. To overcome land scarcity, government lands and forests are often encroached upon. In such cases of illegal encroachment it is difficult to establish ownership, leading to problems in accessing institutional credit for housing. Banks are unwilling to risk their advances unless the title on the land is clear and unambiguous. On agricultural land only one farmhouse is permitted for construction. While such conversion is legally permitted, it is not always easy to execute and also involves additional costs.

The case studies point to several inadequacies in the existing subsidy scheme. It also suggests the need for a review of the prevailing basis of estimating unit cost for determining housing subsidy. The quality of rural housing, especially those built under various social housing schemes, needs improvement through the use of innovative building materials, designs and technologies. Special efforts should be made to evolve a policy with regard to the development of skills of workers engaged in the construction of rural houses. Another major

lacuna emerging from case studies is the absence of building contractors in rural areas. Efforts should be made to identify people for grooming into contractors for the purpose of organising and coordinating construction beyond the civil engineering phase.

Finance is one of the weakest links. Past experience inhibits banks from enthusiastically participating in rural housing projects. Legal documentation and execution of formalities for loan disbursement are time-consuming and generally difficult to comply with. The ambiguity with land titles is a serious hurdle for loan processing. Besides, rural income patterns are usually uncertain and erratic, dependent on the vagaries associated with agriculture. For people with house building ambitions, borrowing from moneylenders is the only option. It's a costly proposition too – rates quoted at the low end were as high as 5 per cent per month and in some cases even 25 per cent per month. Of course, the relatively rich and prosperous farmers are adept at fund mobilisation. They often seek –and get – bank loans for agricultural and other approved purposes, but end up using these monies to build houses for themselves.

Another factor is construction costs. Most of the housing that we saw was made of traditional materials like cement, iron, etc. No innovation as to design was observed. Nor were cost saving technologies or building materials used. All these factors have had the effect of pushing up housing costs and reducing the quality of construction. Most of the existing construction workers acquired skills while on the job and hardly anybody had formal training.

The rural building centres, which were set up to promote the use of cost effective building materials and technologies, are seen to have limited presence. At least their impact was not visible in the case study villages, but Kerala and Andhra Pradesh appear to be states where the initiative appears to be more successful. HUDCO is virtually absent from the scene. The initiative appears to be subsumed under IAY. This is an area needing serious attention. Development Alternatives, the NGO which has done pioneering research in low-cost building technology, needs large-scale projects for its proposals to be affordable and viable. There is also need for establishing centres for fitting out construction labourers with skills in plumbing, laying electrical works and carrying out civil works. Attempts should also be made to introduce pre-fabricated technology for rural housing.

As far as the panchayats are concerned, their role has been largely confined to providing land and identifying beneficiaries for social housing schemes. The *patwari* and the *tehsildar* are

the key functionaries to decided on land-related issues. There could be a bigger role for the panchayats and financial agencies not merely in terms of their services but also in making available contemporary information on designs and construction technologies.

Housing-related infrastructure, both internal and external like water supply and drainage, is generally poor. Since this requires large investments, public-private partnerships (PPP) could help in attracting larger investments for developing housing infrastructure in rural areas. This is indeed a critical prerequisite for the promotion of rural housing, including in the provision of house sites on a large scale

Overall, it appears that the impact of government programmes aimed at promoting housing in rural areas have had little impact so far and certainly not enough to make themselves sustaining. Banks and other financial institutions continue to show reluctance in providing housing loans to rural folks. To them rural housing means houses for rich farmers in the agriculturally prosperous areas, or, places close to urban centres. For these customers they are always willing to extend loans.

Land is one of the most complex issues. A clear policy must be enunciated for making housing sites available to the poor at affordable price. This may mean acquiring and developing existing agricultural and forest lands for housing. The varied dimensions of this should be given serious reflection.

The key conclusions emerging from the assessment presented here are provided in **Table 2**.

Table 2: Summary of issues facing development of housing sector in rural India and recommendations.

Sl. No.	Issue	Impact on housing conditions	Recommendations
1	Land records and regulations	<ul style="list-style-type: none"> The relatively high cost of official records of land title either in terms of procedural delays or fees makes people unwilling to obtain proper records of ownership of the housing properties. There are also no penalties for not having the records other than the lack of access to institutional finance. Title in respect of both <i>abadi</i> and <i>kabja</i> lands are seldom kept, resulting in problems in accessing institutional funds 	<ul style="list-style-type: none"> The procedures for registering housing property records should be made easy and inexpensive. In fact rural land and housing property registrations and transactions should be levied very nominal charges. There should be concerted awareness campaigns to get the rural land records streamlined. Local bodies should be given greater mandate and role in streamlining housing property records.
2	Land availability for housing	<ul style="list-style-type: none"> Village land is increasingly scarce. People have generally begun to build houses on agricultural and government lands, even forest lands, without authorisation. 	<ul style="list-style-type: none"> In the more densely populated villages, construction of group housing complexes should be encouraged. The infrastructure and technical assistance for such efforts should be made available through the PPP route. Even in the case of housing for the poor, group housing solutions should receive increased policy attention. ➤ Government programs should aim at providing housing sites along with subsidy for the poor.
3	Housing subsidy for the poor	<ul style="list-style-type: none"> The current level of subsidy at Rs 25,000 per house in many areas is too small. People borrow, usually through informal sources, to meet the additional requirement of funds. 	<ul style="list-style-type: none"> Subsidy levels should be reviewed periodically and fixed at reasonable levels. Perhaps part of the financial assistance may be provided in the form of subsidised loan with group guarantees.
4	Housing finance	<ul style="list-style-type: none"> Absence of proper land records makes access to institutional housing finance difficult for rural households. Agricultural incomes, because of their instability and lumpy nature, require specially designed loan products for rural housing. Lack of significant market for housing properties also implies that housing development is by 	<ul style="list-style-type: none"> Specially designed rural housing loan products are needed to make housing loans accessible and affordable for rural households. The frequency of repayment installments, rate of interest and tenure of the loans need special consideration. Fiscal concessions to institutional lenders for rural housing may be necessary for a limited period to establish these products more firmly. As in the case of house construction, group approach to housing loans should also be considered by the finance

Sl. No.	Issue	Impact on housing conditions	Recommendations
		only potential residents.	<p>agencies.</p> <ul style="list-style-type: none"> • Deposits should be mobilised for rural housing finance which may be provided with fiscal incentives. • Efforts may be made to develop the saving habit among potential borrowers of funds before granting loans for housing (<i>ala SEWA-MHT</i>)
5	Construction technology and building materials	<ul style="list-style-type: none"> • Alternative technologies and building materials have not reached large parts of rural India. So pre-fabricated products, low-cost alternative construction material, etc. are not widely used. 	<ul style="list-style-type: none"> • It is necessary to provide a range of technologies and materials for rural consumers so that consumers may choose affordable yet effective solutions for meeting their housing needs.
6	Skilled labour	<ul style="list-style-type: none"> • Formally trained masons, carpenters, electricians or plumbers are not available in rural areas. This results in inefficient use of resources and construction of unsafe houses. 	<ul style="list-style-type: none"> • Modern communication technologies' reach is improving in rural areas; now information dissemination is easier than before.
7	Institutions for rural housing	<ul style="list-style-type: none"> • Panchayats play a significant role in the implementation of government programmes. Identification of the beneficiaries and disbursement of subsidy have been strengthened because of participation of local people in the process. • There is much investment, current and proposed, in developing rural infrastructure (e.g. Bharat Nirman). But these efforts are not linked to improvement in housing conditions. • The participation of other civil society organisations appears minimal for both making information available and providing access to services like land records and finance. 	<ul style="list-style-type: none"> • The panchayats, as institutions of self-government, should be given greater mandate for streamlining housing property records. • The Self Help Group approach should be promoted for rural housing development (e.g. PHIRA). • Technical support for more efficient house construction should be made available along with village infrastructure development. • Civil society organisations should be encouraged to facilitate development of housing construction skills in rural areas. • PPPs should be encouraged to achieve progress in building housing construction skills, providing alternative technologies and more efficient use of resources while improving housing conditions.

The way forward

Unless serious thought is spared for reforming crucial sectors of the rural economy, the ample opportunities for development of rural housing would go wasted. The growth of the agricultural sector has resulted in enhanced farm incomes, followed by the desire for better living. The discovery of low-cost alternatives to traditional building materials and technologies has now made rural housing a very dynamic prospect. The banking system has a wide network of branches in rural India. The numerous housing finance agencies which have so far supported urban housing are looking for avenues to enter the rural housing sector, albeit with justified caution.

But there are certain issues needing address. Limited land supply, inadequate supply of skilled labour and information are important hiccups. The solution lies in taking a comprehensive approach rather than merely addressing individual constraints separately. Addressing finance, land records and technology issues in a complementary manner is likely to provide large impact.

Specifically, it is important to streamline the process of establishing ownership of land for house construction. Some states have proceeded with computerisation of land records. It is also desirable to establish records of housing assets, including the actual location of housing with respect to land survey data for the villages. This initiative may be taken up for inclusion under state-level e-Governance programmes. Steps should also be taken to streamline the process of land use conversion from agricultural to residential. There is also a dire need to create awareness among rural households about the benefits of housing in the context of public health and hygiene.

At the level of local government the compliance of housing units with public health regulations should be an important consideration while providing certificates of house occupation. These steps would not only make house construction and access to finance easier, but also achieve the benefits of better housing to the rural population.