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### A Need for Assessing Group Housing Affordability Variations in Indian Cities: Case of Kolkata

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STUDIES ON affordability of urban housing are important because they directly address one of the basic needs of an urban society – 'shelter'. In this context, studies suggesting means of improvements in urban housing affordability will have a contributing impact on the economy of the country. The contribution will be in the form of innovative urban housing policies assuring lower house prices and their availability in different urban areas. Specifically, studies attempting to assess the supply of affordable housing for the urban masses are of further importance and they are more so in the light of current pace of urbanization in developing nations like India.

India is currently undergoing a rapid urban transition. The country had a 27.8 per cent of urban population in 2001. This figure is expected to be around 40 per cent by the year 2020. As a consequence, there will be an increase in pressure on existing urban habitat. The situation will further affect the supply and demand dimensions of urban housing and consequentially, the amount of affordable housing. In recent times studies on housing affordability in large urban areas have gained momentum internationally. One such study is the *Annual Demographia International Affordability Survey*. The third survey conducted under this study in 2007 states that the cause of housing cost escalation is principally the result of supply factors. Demand does not raise price by itself. Demand can only raise prices where there is insufficient supply. The survey is based on data drawn from cities in the industrially advanced or developed economies of the West.

At the national level, a recent Conference on "Affordable Housing for All" organised by National Real Estate Development Council (NAREDCO),<sup>1</sup> has made a further observation. The Conference has underpinned the impact of demand driven factors like changes or rises in income levels and expenditure patterns on decreasing household sizes in Indian cities. These socio-economic changes have been identified as effects of globalization and modernization on India's changing or expanding urban spatial structures. The Conference has also highlighted the change in the supply situations affecting these socio-

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economic transitions of householders in large Indian cities. The issue of affordable urban housing can therefore be best assessed by studying these changes and the interrelationship between them. Recently, the Ministry of Housing and Urban Poverty Alleviation, Government of India has constituted a High Level Task Force in alliance with Housing Development and Finance Corporation (HDFC), India<sup>2</sup> in four areas of concern and action plans, namely:

- (i) Developing innovative financial instruments for bringing flexibility in the housing market;
- (ii) Recommending ways and means of enhancing lower income groups to housing with suitable government support;
- (iii) Recommending measures for low-cost building technologies; and
- (iv) Identifying steps for accelerating supply of housing units to low to middle income groups.

#### THE CASE OF GROUP HOUSING

Economics of group housing therefore constitutes a significant portion of urban development and planning initiatives in Indian cities. Policy-making for group housing is a pace-setting representation of these initiatives. Group housing is an indispensable commodity of urban life and often, it is more affordable by low to middle income class of urban dwellers in Indian cities due to its advantages of shared cost and management processes under a cooperative umbrella.

Low to middle income class of urban dwellers represents a vast majority in Indian cities today and that too is expected to rise greatly in the future of 'Indian Consuming Market'. Recent study conducted by National Council of Applied Economic Research (NCAER), has highlighted a 'great rise' and has further pointed out its impact over various sectors that include housing (see Fig 1).

Low to middle income classes have been termed as 'Aspirers'. As per NCAER, 'Aspirers' are neither a class fully socio-economically 'Deprived' of basic urban infrastructure including housing nor they are truly 'a Middle class'. However, their income-expenditure pattern and their rising presence as basic consumers, and lastly, their innate demand for housing in urban areas, which are 'marginalized' with regard to quality and urban location, are unavoidable subjects in Indian urban housing economics. It is therefore important to study affordability patterns of this class and their 'aspirations' that are marginalized, which will soon begin to share a very large portion of urban development concerns for setting future housing goals in Indian cities<sup>3</sup>. Such concerns are even more critical within a state of 'meltdown' in current

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Share of population in each income bracket (% millions of people)

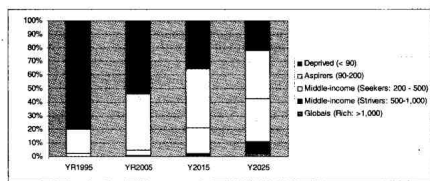


FIG 1 URBAN POPULATION DISTRIBUTION BY ANNUAL DISTRIBUTION OF INCOME OF FOUR CLASSES OVER TIME (1995-2025).

SOURCE: NCAER's Report – The Great Indian Middle Class market – 2004-5; CLSA Asia-Pacific markets / McKinsey Global Institute.

high-end real estate housing market. And that may inspire one to rectify and re-position current policies on housing, which is perhaps, a shift from high-end housing alone to expanding housing initiatives targeting the common – the aspiring urban masses. This article is an attempt to forward this growing concern.

## THE RISE OF 'ASPIRERS' IN INDIAN CITIES

Low-to-middle income groups have been gaining significant attention in the rise of Indian householder's consumer market. A recent survey entitled "The Great Indian Middle Class" by National Council of Applied Economic Research (NCAER) categorizes the Indian householders into **four realistic income groups** instead of the conventional three groups namely low, middle and higher.<sup>4</sup> The four groups instead of the earlier three are expected to explain the changing pattern of consumer behaviour better. In this hierarchy, the new group identified as *Aspirers* plays a significant role. The four groups are:

1. The *Deprived* with household incomes below a threshold of Rs. 90,000 per year. The survey showed that the *Deprived* constituted just below 72 per cent of all households in 2001-2002.
2. The *Aspirers* with annual income slabs between Rs. 90,000 and Rs. 2,00,000. The survey points out that the Aspirers constituted a little below 22 per cent of all households in 2001-2002. But their figure is likely to rise to 34 per cent by the year 2011. The survey also says that most of the '*Aspirers*' (60%) may be **socio-economically marginalized in urban areas** and they will be finally concentrated in sub-urban and rural areas instead. A separate survey on India's Consumer Market (McKinsey&Company, 2007) shows that the figure will touch 43 per cent in the year 2015 (see Fig 1).
3. The *Middle Class* households with annual income from Rs. 2,00,000 to Rs. 1,00,00,000 with a percentage share of 5.6 per cent. The *Middle class*, for the matter of detailing are divided further into two slabs namely 'Seekers' with annual income range of Rs. 2,00,000 to Rs. 5,00,000 and 'Strivers' with the balance range of Rs. 5,00,000 to Rs. 1,00,00,000.
4. The *Rich* with annual income of over Rs. 1,00,00,000 has a trifle share less than 0.01 per cent. Similarly, the *Rich* is broken into four high to extremely high classes namely 'Nearly Rich', 'Clear Rich', 'Sheer Rich' and 'Super Rich'.

It is evident that the scale of perception attached with the words describing the various slabs below, within and above the *Middle Class*. A word like *Aspirers* is distinct from *Seekers* and *Strivers*, two of which clearly constitute the *Middle class*. '*Aspirers*' **cannot seek and definitely they are far away from striving**. It is from the upper *rung* of the *Middle Class*, householders can begin to strive to be 'nearly rich' and not before that. *Aspirers* in this sense complement a convincing **degree of socio-economic marginalization**.

*Aspirers* significantly comprise of a range that constitutes the low to middle income range. As per the NCAER survey and also by the other Report on India's consumer market, it is important to note that the absolute share of the *Aspiring* population is increasing faster than other classes. As said before, the NCAER report observes that the *Aspiring* will be relatively marginalized in urban areas and as a result of that a larger share of their future population will be increasingly distributed in rural and sub-urban areas. In the urban areas, they will therefore continue to face the pressures of relative marginalization. Thus their '*aspirations*' for an independent home-ownership will remain unrealized. Their income or expenditure patterns reveal a relative level of marginalization in their inability to afford high prices of quality land location and exclusive home-ownerships built on those lands. Hence there is a growing need to focus on group housing in respect of 'Aspirers'. It will be worthwhile to have a glimpse of that ever-growing relationship in case of one big Indian city Kolkata.

## A TIMELINE OF MARGINALIZED GROUP HOUSING: CASE OF KOLKATA

Early post-independence decades (1951-71), following the partition of 1947, witnessed group housing projects in major Indian cities only. These

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projects were limited to serve economically weaker sections (EWS). The EWS comprised mainly of displaced refugees or migratory population from West and East Pakistan (Bangladesh after 1971). Kolkata and New Delhi were more affected than Chennai or Mumbai due to their geographical locations. At that point the majority of urban housing supply situation was controlled and subsidized by civic organizations and urban improvement trusts. By social choice, group housing was not yet a common urbanite's aspiration.

In the following decades (1971-91), under the impact of increasing urbanization-migration forces, a variety of group housing had to emerge. The variety catered to different range of income groups including the economically weaker sections like politically displaced 'refugees' born out of the war years of Bangladesh (1970 - 71). By socio-economic choice, group housing evolved as an indispensable commodity for new job seekers in the city. The seekers had no choice but aspire for settling in marginal parts of Kolkata, where the civic organizations and urban improvement trusts initiated low-cost subsidized group housing projects.<sup>5</sup>

Group housing further emerged as a commercial commodity by the 1980's. A larger proportion of the supply came from number of private commercial builders, who started drawing advantages from limited land supply and higher demand for housing in general. The mechanism of group housing supply mechanism varied due to several factors. Major factors were price, quantity, quality of group housing stock and accessibility to different urban facilities and amenities based on location. The demand varied in terms of income or expenditure capacities and preferences consequentially affecting group housing affordability. *Aspirers*, by virtue of their preference patterns were pushed to housing and group housing in particular, which were relatively marginalized in terms of quality and location. A glimpse of such marginalized examples of urban group housing continues till date in the urban fringes, as shown in Fig 2.



FIG 2. OLDER GROUP HOUSING INITIATIVES IN KOLKATA – SOME EXAMPLES

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## PRESENT AND FUTURE OF URBAN HOUSING IN KOLKATA

Economic liberalization had begun around the year 1991. More so, after 2001, the impact of globalization economies on Indian cities has become paramount. On the one hand, advances in secondary and tertiary sectors are transforming a need-driven income-expenditure pattern of urban dwellers to a consumerism demand-driven one. On the other hand, rising spatio-economic gaps in terms of urban inequality within and between core and periphery of a large city like Kolkata have expanded and affected its demographic profile<sup>6</sup>. So is the case of basic infrastructure, which includes 'housing'.

Later, i.e. 2001- till date, there had been an unprecedented rise of India's urban consumer market. Some of the urban income groups previously identified as *Aspirers* were moving up to higher income and expenditure brackets and consequentially, higher affordability slabs of housing. Better housing standards evolved like the following recent group housing projects in Kolkata (see Fig 3). At the same time, new aspiring groups began to replace old generation of *Aspirers* in increasing proportions sustaining that spirit of 'aspiration' in a different way. It is an important finding of the current surveys and researchers. Such surveys say that the 'aspirers' have expanded from 18 per cent in 1995 to 41 per cent in 2005 and will perhaps reach a higher figure of 43 per cent in 2015. Beyond that there will be further stabilization in the income hierarchy and the per cent of 'Seekers' will increase as *Aspirers* will move up to be *Seekers*, which is a part of the *Middle class* of India's consumer market'. It is only after 2015, as simulated and expected, the clear 'Great Indian middle class' will actually emerge and stabilize. But different infrastructure initiatives have to be augmented to enable this future. Urban housing is a major one. The case of improved category group housing initiatives is therefore an important area of study.

## CONCLUSION

In summary, it can be said that variations in group housing affordability have reached new thresholds and complexities in Indian cities and it is with regard to both demand and supply patterns and the relationships between



FIG 3 RECENT GROUP HOUSING INITIATIVES IN KOLKATA – SOME EXAMPLES

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them. The complexity and significance of this relationship is highest in and around the thresholds of relatively marginalized locations of the city complementing the low-to-middle income groups called *Aspirers*. Therefore, a study of these groups and the group housings in which they currently reside or 'aspire' to reside will bear a significant linkage with rational directives for future group housing initiatives. It will speak for a vast majority of urban householders called *Aspirers*, whose position is otherwise marginalized. Such studies will have two important contributions:

1. A vast majority of *Aspirers* can be accommodated within future group housing location-allocation strategies.

2. Older group housing locations, which were relatively marginalized in the spatial context of the city, will be changing over time with the city's size-limits and infrastructure capacities expanding and with the expenditure capacities of its dwellers increasing. These changes over time will affect a new class of 'Aspirers' in a relatively different way than it was doing in the past. Thus both an element of continuity and change with regard to group housing affordability becomes evident and these may be well assimilated in the policy framework.

In the context of group housing market and its dynamism over time, there is a great **need** to identify and study group housing affordability in respect of the class called *Aspirers*. The presence and sustainability of the *Aspirers* is a critical concern in an expanding Indian consumption market. Such concerns tend to become more significant with the current state of a global 'meltdown', which includes a state of recession and affordability crisis in the high-end real estate housing market, nationally and internationally.<sup>8</sup> Therefore, policy-making on urban housing can ideally improve if appropriate rectification in overall policy framework takes place and this can begin with a re-dressing of our current obsessions with high-end housing alone to a wider housing initiative considering different 'aspiring' groups. This article has attempted to forward such a concern. The article also tries to uphold another point. It is the seed of a creative economic opportunity. This may be through innovative architecture and urban design solutions catering to a relatively less addressed or unexplored area – i.e. comprehensive future group housing initiatives in our Indian cities, so that the gloom of the current recession may eventually be transcended.

Given the problem context at certain time T, there is a need to identify and study group housing affordability with regard to low-to-middle income groups like *Aspirers*. Also, it is seen that, over time (\* T), presence of *Aspirers* within all urban group housing dwellers will always remain a critical issue in the dynamic Indian housing market. Hence, there is a need to initiate this research.

<sup>8</sup> RUNA CHATTOPADHYAY, BANI CHATTERJEE, AND JOY SEN

## FOOTNOTES

1. Summary of Conference on 'Affordable Housing for All', organized by National Real Estate Development Council (NAREDCO), India, 2007.
2. *Urban Finance*, Quarterly Newsletter of the National Institute of Urban Affairs (NIUA), page 4, Vol. 11, No. 4, October – December, 2008.
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4. *The Great Indian Middle Class Market*, NCAER, 2005 [researched by McKinsey&Company, 2007; FMCG Marketers, 2008].
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