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# A study of Pradhan Mantri Awas Yojana and Allied Industries to Housing

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## (I)Background:

India is a well developing country at the same time there are lots of problems were occurred in India, among those housing is also one. House is one of the three basic human requirements besides food and cloth. Even after 70 years of independence, India is still grappling with the growing housing problem, especially of the urban poor. The rapid population growth in urban areas has led to acute housing shortages and poor urban living conditions. Continuous influx of rural population to cities in search of jobs is causing problems on urban housing. The 20th century witnessed a rapid growth in urban population. Rapid growth of the urban population resulting in overcrowded slums in cities. Slums are home to an increasing number of the urban poor. Housing affordability is currently a prominent concern in India, especially in urban areas. Pradhan Mantri AwasYojana is a scheme by the Indian government that takes limelight to make it better for homeless people in India. The main proposal of this scheme is to construct 20 million homes for those people belonging to the Low Income Families, Middle Income Groups and Economically Weaker sections by 2022.

## (II)Review of Literature:

**M. Swathi and Dr. D. Vezhaventhan (2018)**[1] concluded in their research paper titled '**A Study On The Housing In Rural Areas With Special Reference To Pradhan Mantri Awas Yojana (PMAY-G)'** that the government has now focusing on providing housing for rural areas based on the scheme of Pradhan Mantri Awas Yojana (PMAY-G)19. This scheme provided housing for the rural areas .After the implementation of this scheme many rural areas in Tamil Nadu have developed well economically.There are significant changes about housing development in rural areas through the proper implementation of Pradhan Mantri Awas Yojana.

**Shelly De (2017)**[2] in her research paper '**The Role of the Pradhan Mantri Awas Yojana (Urban), 2015 In Financial Inclusion in India'** asserted that the Pradhan Mantri Awas Yojana can play a major role for urban financial inclusions. The credit link subsidy given in this scheme can act as a major tool. To get this subsidized loan the residents of urban slum has to open a bank account/ PMJDY with the help of Aadhaar card and thus fulfill the goal of financial inclusions in this country

**(III)Objectives:**

The Objectives of this study is:

1. To Understand the structure of PMAY
2. To identify an opportunities for allied industries to Housing

**(IV)Research Methodology:**

The paper is basically descriptive one. While preparing this paper secondary data have been collected from various reports and websites. Based on the secondary data conclusions are drawn and at last suggestions are made.

**(V)Structure of PMAY**

Pradhan Mantri Awas Yojana (PMAY) is intended to provide housing for all eligible families/ beneficiaries by 2022. The scheme was launched in June 2015 by Government of India (GoI). PMAY scheme comprises of four different variants:

1. Slum Redevelopment
2. Affordable Housing through CLSS (Credit Linked Subsidy Scheme)
3. Affordable Housing in Partnership with States/ Union Territories for the EWS
4. Subsidy for Beneficiary–led Individual House Construction.

The scheme is implemented through banking channels and directly/ indirectly by State/ Central Govt. agencies. Ministry of Housing and Urban Poverty Alleviation has selected two Central Nodal Agencies (CNA) viz. Housing and Urban Development Corporation Limited (HUDCO) and National Housing Bank (NHB) to implement the scheme nationwide. Affordable housing through Credit Linked Subsidy Scheme (CLSS) is the scheme implemented through banking channels and the banks have to enter into a Memorandum of Understanding with either of the CNA to implement it.

**(VI)Credit Linked Subsidy Scheme (CLSS)**

The affordable housing through Credit Linked Subsidy Scheme (CLSS) categorizes borrower into Economically Weaker Section (EWS), Low Income Group(LIG) Middle Income Group-I Middle Income Group-II

| Sr.No | Parameters | Economically Weaker Section(EWS) | Low income Group(LIG) | Middle Income group-I | Middle Income group-II |
|---|---|---|---|---|---|
| 1. | Annual Income | Less than A3,00,000 | Rs.3,00,001 to Rs.6,00,000 | Rs.6,00,001 to Rs12,00,000 | Rs.12,00,001 to Rs18,00,000 |
| 2. | Loan Tenure | 20 years | 20 years | 20 years | 20 years |
| 3. | Interest Subsidy (% P.a.) | 6.50 | 6.50 | 4.00 | 3.00 |
| 4. | Loan Amt. Min. | 0 | 0 | 0 | 0 |
| 5. | Loan Amt. Max.* | Rs.6,00,000 | Rs.6,00,000 | Rs.9,00,000 | Rs.12,00,000 |
| 6. | Interest Subsidy Amt. | Rs.2,67,280 | Rs.2,67,280 | Rs.2,35,068 | Rs.2,30,156 |
| 7. | Property Carpet Area (sq. mt.) | 30 | 60 | 160 | 200 |
| 8. | Housing Loan Sanction & Disbursement Period | From- 17.06.2015 to 31.03.2022 | | From-01.01.2017 to 31.03.2019 | |

*The Credit Linked Subsidy will be available for the stipulated Maximum Loan Amount only, the customer can avail loan amount subject to his eligibility, however loan amount above the stipulated amount is not subsidized

**(VII) Features of the PMAY Scheme**

a) The beneficiary should not own a pucca house in his or in the name of any member of his family.

b) In case of married persons, either of the spouse or both together in joint ownership will be eligible for a single subsidy.

c) The beneficiary family should not have availed central assistance under any housing scheme from Government of India or benefit under any scheme in PMAY.

d) The property has to be purchased in a Statutory Town as per Census 2011.

e) Woman Ownership/Co-ownership is not required for existing property but required for new acquisition for EWS and LIG.

f) Woman Ownership/Co-ownership is not required for the MIG – I & II.

g) To avail the CLSS, the borrower has to provide a self-declaration of not owning a pucca house.

h) In case the construction of the house is stalled, the subsidy which is already disbursed has to be recovered and refunded to the Central Government.

i) There is no limit or upper cap on the value (Cost) of property for which home loan be availed.

**(VIII)Process of crediting the interest subsidy**

The subsidy would be released by the CNAs based on the disbursements madeby PLIs (Primary Lending Institutions) to the beneficiaries. Subsidy, sodisbursed by the CNA to the PLI, will be credited by the PLI to the borrower'shome loan account upfront. As a result, the borrower will pay EMI on thebalance of the principal loan amount. Example - The borrower avails a loan forA 6.00 lakhs and subsidy thereon works out to approximately A 2.67 lakhs, the Amount (A 2.67 lakhs) would be reduced upfront from the loan (i.e., the loanwould reduce to A 3.33 lakhs) and the borrower would pay EMIs on the reducedamount of A 3.33 lakhs. The interest subsidy is for tenure of 20 years or the actual tenure of the loanwhichever is lower. PLIs can fix the repayment tenure of more than 20 years, but the interest subvention will be applicable for tenure upto 20 years.

**(IX)Nodal agencies responsible for disbursal of the subsidy under CLSS**

HUDCO and NHB have been identified as Central Nodal Agencies (CNAs) to channelize this subsidy to the lending institutions and for monitoring the progress of this component.

**Income proof verification under the scheme**

Banks have to do their own due diligence at the time of sanctioning loan. While disbursing subsidy, a self-declaration for proof of income will be taken from the beneficiary for the purpose of interest subsidy. Companies, Regional Rural Banks (RRBs), State Cooperative Banks, Urban Cooperative Banks, Small Finance Banks, Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) who have signed MoUs with any one of the Central Nodal Agencies (CNAs) will be the PLIs through whom the CLSS
Subsidy is credited.

**How is the subsidy disbursed to PLI from the CNAs?**

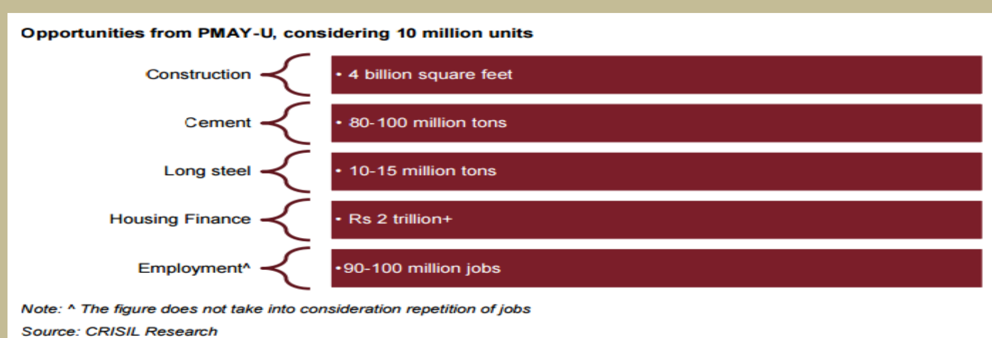
An advance subsidy is released to CNA at the beginning and the subsequent amount of credit linked subsidy will be released to the CNAs after 70% utilization of earlier amount. It is monitored based on claims raised by CNAs on quarterly basis. PLIs must enter into MoUs with one of the CNAs so as to claim benefit under CLSS.

In the case of a beneficiary who has taken a housing loan and availed of interest subvention under the scheme but later on switches to another PLI, the balance transfer will not be eligible for the benefit of interest subvention again. Beneficiary can claim interest linked subsidy on only one loan account.

**(X)PMAY opportunities for allied industries to Housing**

The scheme's huge level has so far supported growth in allied industries such as cement, steel and housing finance as well.

The construction opportunity over the life of the scheme works out to a whopping 4 billion square feet (assuming 400 sq ft on average per dwelling unit). There is a humungous opportunity for input industries, too. For one, consumption of cement per dwelling unit is around 8,000-10,000 kg, which translates to a total consumption of 80-100 million tonne over the life of the scheme. Similarly, with steel consumption of 1,000-1,200 kg per dwelling unit, a total consumption of 10-15 million tonne of steel is expected. This translates to 17% of the country's incremental cement demand and 8% of the country's incremental steel demand over the implementation period




The scheme also opens up potential for housing finance companies. Assuming a loan-to-value of 70%, the beneficiaries will need lending of more than Rs 2 trillion. As most beneficiaries of the scheme are employed in non formal sector/ have low income levels, lending to this class of borrowers require specialized underwriting. This has been one of the major focus areas of housing finance companies till now. However, in the current scenario of cautious lending and at increased cost of funds, disbursement growth is likely to slow down from housing finance companies as well. This may impact off take of units under the scheme for a few quarters as lending to this class of customers was till now dominated by housing finance companies.

Last, but not the least, employment generation. According to a study conducted by the National Council of Applied Economic Research, for every Rs 100,000 invested in the housing sector, 2.69 new jobs are created in the economy, which converts to about 90-100 million jobs over the execution period. However, it does not take into consideration repetition of jobs once a project is completed.

**(XI)Conclusion:**

The strategies outlined in PMAY 2015 are hugely dependent on the government and its fiscal capacity to finance projects. Although the vision statement of the policy emphasizes on private participation but the strategies to uphold this vision is insufficient. Attaining 18.78 million housing shortage is extremely difficult with direct assistance from the government. Alternative land and financing mechanism discussed prior might hold the key for remedy towards India's housing woes if applied

Enhancement of financial capability of borrower will significantly improve the status of housing market in India. But it is also difficult for housing policy makers to address all these issues alone. Many relevant policies needs significant restructuring of India's economic and financial configuration. Large part of India's legal, economic and financial structure is still undeveloped. Unless the improvement is envisages in sectors like taxation, financial laws, recent housing finance strategies; it is difficult to improve housing finance and housing tenureship in India.

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