

**ADDRESS BY SHRI PRANAB MUKHERJEE,
PRESIDENT OF INDIA ON SUSTAINABLE HOUSING
FOR MASSES AT ANNUAL CONVENTION OF NAREDCO
ON 7TH DECEMBER 2012 AT
VIGYAN BHAWAN, NEW DELHI**

It gives me great pleasure to be here amidst you this morning for the 11th National Convention of National Real Estate Development Council. This meeting is indeed important as it will debate strategies and road maps for sustainable housing for the masses of our country who are facing acute shortage of this basic necessity.

The pressure on housing sector can be expected to chart the northern vector in the coming decades with urbanization in the country growing at a fast pace. Having grown nearly 32 % in the decade ending 2011, the urban population is expected to be around 600 million by 2030 in a century which would see the majority of the people of this world living in cities.

The urbanization in the developing world is virtually unstoppable particularly in India which is one of the fastest growing economies in the world. This is for the reason that countries urbanize rapidly when economies grow faster. It is attributable to factors such as industrial and service sectors concentrating in and around urban areas due to better access to material inputs, larger concentration of consumers, better networking

opportunities spawned by knowledge sharing, skilled manpower and globalisation.

All these factors would induce larger migration of people to the cities in search of new avenues of employment. With densification of economic activities in urban areas, these centers would increase in importance as focal points or hubs of economic growth. Consequently, the share of the contribution of the urban areas to India's GDP is expected to reach 75-80 percent by the middle of the century. Therefore, managing the challenges associated with this phenomenon is not only important for the economic prosperity of the nation but also from the social perspective.

To manage and reap the benefits of urbanization, it is imperative that we provide the basic urban infrastructure such as housing, roads, water, electricity, sewage, sanitation, transportation, education and healthcare in these "city regions." We have several large cities such as Mumbai, Delhi, Chennai and Kolkata. Neglect of such concentrations can result in urban chaos leading to deceleration in economic growth and law and order problems.

We would, therefore, need to lay emphasis on urban governance, planning and financing. It would also be necessary to explore the possibility of developing secondary cities and towns by encouraging private investments with the Government playing a support role

to provide infrastructural facilities to divert part of the migration from the larger concentrations.

The Government has taken several measures to address challenges in urban sector. The Jawaharlal Nehru National Urban Renewal Mission, launched by Government of India in 2005 to undertake urban infrastructure development and provision of basic services to urban poor is one amongst them. This has yielded some dividends, but more needs to be done to achieve synergy in partnership schemes with the private sector using PPP models. Government schemes alone cannot address the problems, the private sector which would also benefit from well managed urban centers have an important role to play in this direction.

The less affluent economic groups face the brunt of the housing shortages. On the basis of the 2011 census, a Technical group set up by the Ministry of Housing and Urban Poverty Alleviation has estimated that the total shortage in housing is 18.78 million in 2012 and of this 95 percent is in the Economically Weaker Section (EWS) and Low Income Group (LIG) categories. This has led to approximately 25 percent of urban population living in slums and squatter settlements. The Government is seized of this reality and has launched the Rajiv Awas Yojana in 2009 to provide houses to slum dwellers with title certificates.

Mortgage Guarantee Fund and Interest Subsidy Schemes have been launched to safeguard the interest of bankers and help beneficiaries. This is a major and significant step that has been taken by the Government to resolve the housing problem of the urban poor. But as I have just emphasized, the private sector would have to take more initiatives to find sustainable solutions. The Government is taking steps to encourage private developers by making affordable housing construction attractive through direct and indirect incentives. Weighted deduction of 150 percent on capital expenditure u/s 35AD, External Commercial Borrowing and Service Tax exemption on affordable housing projects are some of the incentives that I had the opportunity to announce in my last budget as the Finance Minister.

As you all know, there are major problems that bedevil the efforts of the low income groups become homeowners. Significant among them is the difficulty in extending credit to this segment of the population through the banking channels. While HIG and MIG segments have been able to reap the benefits of the low rate mortgage loans and deductions available under the Income Tax Act, and home loan disbursement has gone up many fold, the EWS and LIG households have been left behind.

Banks are generally reluctant to lend to them because of the perceived risk of the loans becoming non-

performing assets. I am confident that banks would rise to the occasion to face this challenge and evolve innovative methods to allow greater credit flow to this segment. I hope that Mortgage Guarantee Fund and Interest Subsidy Scheme, launched recently, will make the credit flow to these segments easy.

Another challenge this sector is facing is the shortage of land. Land is limited and accounts for upto 90% of the cost of house in metros. Both the Government and the private sector should look at ways to augment land supply for housing. One way may be to look at acquisition of land in adjoining areas of urban agglomerations and connect them to the city centers through rapid mass transportation systems. Simultaneously, it should also be ensured that available land mass is utilized optimally by revisiting planning norms. In addition, it should also be ensured that all the housing projects have schemes for low-income groups. This should be made a part of town-planning strategy. The importance of this requirement cannot be exaggerated as the economically weaker sections provide the kinds of services without which urban agglomerations cannot have a healthy existence. These centers require services of taxi drivers, maids, cleaners etc. Through this, inclusive growth can be encouraged not only as an existential requirement of agglomerations, but also as a social need.

I am aware that there are many challenges associated with land acquisition, township planning, project approval, construction and transfer of assets to beneficiaries. There is a need to look at the systems in place and provide solutions to make the dream of providing houses to the economically weaker sections of the society a reality. Special emphasis should be laid on the adoption of innovative technologies, designs and materials to speed up delivery at reduced cost.

Skill development is another important area that has particular relevance to the housing industry, where new technologies have to be adopted and higher volumes achieved. Government and industry must join hands in finding solution to this challenge. National Skill Development Corporation is engaged in this task and its effort must be further supplemented by the real estate industry to achieve optimal results.

Finally, I reiterate that housing and real estate sector holds the key to economic prosperity of the country because of its backward and forward linkages with other sectors of economy besides serving an important social goal. This sector is rightly termed as engine of economic growth.

I hope that this gathering of experts and important stake holders will deliberate and find workable solution to meet the housing need of Aam Adami. There is the need

for all stakeholders to join hand and work for achieving the objective of housing for all. Not only is it an economic imperative, but Article 25 of the Universal Declaration of Human Rights casts a bounden duty on us to ensure that “Everyone has the right to a standard of living adequate for the health and well-being, of himself and of his household, including food, clothing and shelter” and we should not be found wanting in our efforts to achieve this goal.

I wish the Convention all success.

Jai Hind