

# **State of Urban Poor Rental Housing in India and Emerging Policy trends**

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## **Abstract**

“Housing for All”, an often-stated vision for housing policies in India, has come to mean ownership houses for all residents. This singular focus has been part of programs from the early 1970s and has failed to recognize the range of housing tenures that may enable a viable, sustainable market. This paper reviews the evolution of housing policies since independence and shows that the emphasis on rental housing has not been a central part of housing programs to date. It then broadly characterizes the rental housing market in India, based on national statistics, to show how rental housing for the urban poor, is half of the rental housing market and is the least understood. Thereafter based on primary survey findings, it identifies the main issues that may inform a comprehensive rental housing program was to be developed in India.

**Key Words:** *Rent, Rental housing, Urban poor, Migration, Basic Services, housing, Urbanization, slums*



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## 1. Introduction: Locating affordable rental housing within the distinct housing challenges faced in India

**Affordable rental housing for the poor, is generally understood to be one of the lowest steps in the housing ladder.** More generally rental housing is in many cases a preferred choice for some households and special interest groups such as a) young households, who do not have adequate savings to avail mortgages b) Low and low to medium income households, where affordability is a concern and c) Migrants and refugees and those with disabilities and in need of care (Bergensträhle, 2016). Rental housing could be favoured above owner-occupied housing for a few reasons, which could include a) its compatibility with labour mobility b) by renting the households could save financial resources which would allow it to invest in investments other than housing and c) could allow the possibility of access to safe, sanitary housing while reducing risk and while allowing for freeing up cash-flow cost of such housing (Green, 2011).

**Homeownership is generally promoted as a method that enables households – particularly low-income households – to accumulate wealth; however, as scholars have shown, it is not the only instrument available for accumulating wealth.** Scholars such as (Mills, 1987), (Hendershott, 1987), and (Taylor, 1998) have also shown that the limited availability of saving for other investments, where most savings are used for homeownership, is not necessarily optimal for either households or the broader economy (Green, 2011).

**However, the role of rental housing has to be understood within the broad housing market characteristics and cannot be easily generalized.** In India, given the steady rate of urbanization and increasing migration in urban areas and the supply lag of housing, including adequate rental housing results in limited household demand and choices. India's urban population has experienced a gradual increase over the last few decades – from 28.5 percent of the total population in 2001 the proportion of urban dwellers increased to 31 percent in (Census of India, 2011) adding about 9 million each year (during 2001-2011) to its urban population base. India is projected to be 39 percent urban by 2030 (United Nations Development Programme, 2016). In India, about 17 million individuals were homeless as of 2011 (Census of India, 2011). Although the urban population of India constitutes only 31 percent of the total population, it contributes to a significant 52 percent of the homelessness. The availability of land for residential purposes within the cities is either limited or is available at a premium, rendering most of the housing stocks unaffordable.



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**Increased mobility (due to reduced costs) and migration characterize the Indian economy.** Table 1 highlights that while migration to rural areas, on the whole, has decreased during 2001-2011, there has been a very marginal increase in rural to urban areas (Census of India, 2011).

*Table 1: Reasons and Streams for Intercensal Migration (as % of each stream)*

	Work and Business		Education		Marriage		Family related		Others		Total	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
Rural to Rural	9.3	6.4	1.9	2.7	61.2	59.0	19.4	24.1	8.3	7.7	56.3	47.4
Rural to Urban	29.9	24.3	4.9	4.8	21.8	22.4	34.5	40.6	8.8	7.9	21.8	22.1
Urban to Rural	14.5	8.9	3.0	2.7	28.1	25.5	42.9	55.6	11.4	7.3	6.6	7.9
Urban to Urban	21.8	17.5	4.3	3.4	21.9	18.4	42.6	47.9	9.5	12.9	15.2	22.6
Total	16.0	13.1	3.0	3.3	44.4	39.1	27.8	35.6	8.8	8.9	100.0	100.0

Source: Census of India 2001, 2011. Each of the streams, e.g., rural to rural, will add to 100 for 2001 and 2011, subject to rounding errors. The final two columns show the share of each stream in total migration.

Urbanization has changed its character since the past decade from being majorly driven by rural-urban migration towards increasing in-situ urbanization. The movement within urban areas has, however, increased significantly by 7.4 percentage points (MoHUPA, 2017). While the table above mentions that work-related migrations have decreased, the report of the Working Group on Migration concludes that the absolute number of people moving for better employment opportunities to urban areas has grown 1.5 times over the 2001-2011 period. Economic Survey 2016-2017 recognized that India is on the trajectory of increased labor mobility as well (Department of Economic Affairs, Ministry of Finance, 2017). It pegged annual labor mobility within India at approximately 5-9 million between 2001 and 2011 and attributed to prospective employment opportunities which have higher returns when compared with the costs and risks that migration entails.

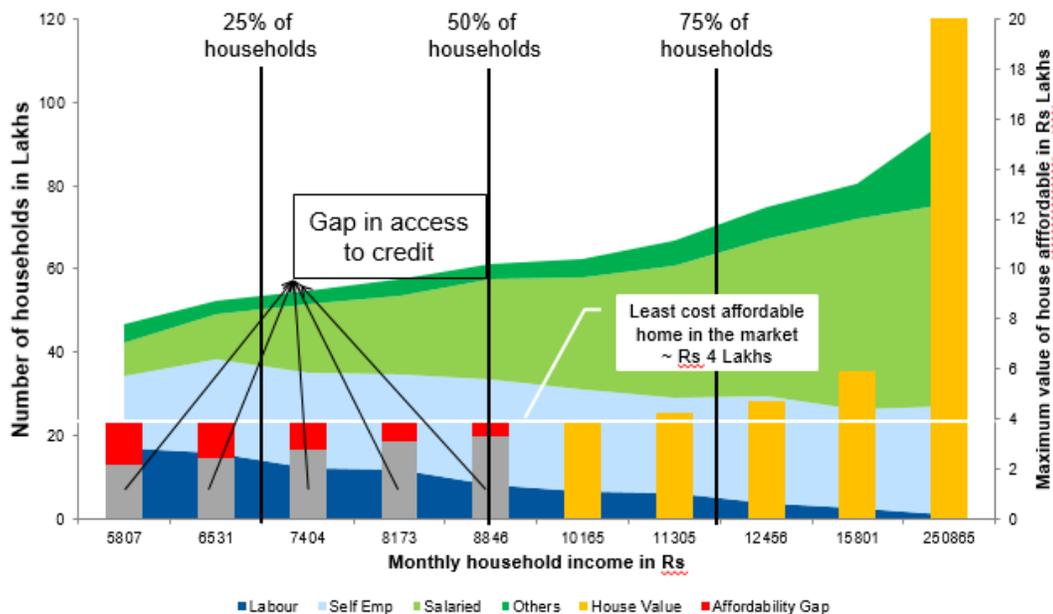
**Affordability and lack of credit limit continue to limit house ownership in India.** While homeownership is increasing in India, the economically weaker sections remain excluded from the homeownership market due to both limits to affordability and the lack of credit for these sections of urban society who are mainly in the informal sector employment or self-employed. Figure 1 based on the analysis of the NSSO Expenditure Survey in 2010 and the NCAER study titled "How India Earns, Spends and Saves," 2007,



shows that more than 50% of the urban residents cannot afford housing ownership (Shukla, 2010). The role of affordable rental housing is, therefore, highly relevant as a housing option in the urban housing market in India.

Figure 1: Housing affordability gap affects more than 50 % of the urban population

## Affordability and lack of access to credit limit housing access



Source: NSSO Expenditure Survey 2010, NCAER How India Earns, Spends and Saves 2007

**The Indian housing market and state interventions have failed to produce a variety of types of secure tenures to meet the labor needs of the urban economy.** Affordable housing policies and programs in India have quintessentially remained ownership driven. This can be attributed to the high priority accorded to homeownership in terms of asset acquisition for the majority of people, to the extent that they are often willing to forego other necessities to purchase a house. The decision to buy residential properties may be one of the most important transactions people ever make, and thus the emotional attachment when houses become homes is inevitable (Zwinkles & Salzman, 2017). Further, in low and middle-income areas, a dearth of well-organized financial institutions compels households to hold savings in other assets like gold, jewelry instead of housing (Arku, 2006).



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**The affordable rental housing sector has not been nurtured in India**, either as a social rental housing sector as in Europe or in terms of housing support vouchers and through land-use planning as in the United States. This could be attributed to the phenomenon of affordable but unsafe and substandard rental housing in slums sufficing the needs of this segment of the population. While migration itself currently is evenly distributed between middle- and higher-income migrants and low-income migrants as per the Working Group on Migration, direct policy support to the affordable low-income rental housing segment remains missing. Added to this is the emergence of short-term migration, especially by men, becoming a more significant proportion of migration in India. Some states have started to address this, but these efforts are small in scale and are in an experimental stage. The lack of rental options for low-income households is also driven by the fact that rental housing for the urban poor most often living in slums remains under-researched and inadequately understood. This paper attempts to take a first stab at understanding the broader context of rental housing in India, through the analysis of national surveys such as the Census 2011 and National Sample Surveys at one hand and subsequently dwelling deeper into the "dark inadequately understood space," of rental housing in slums based on a primary survey in four cities in the States of Tamil Nadu and Odisha in India. It is anticipated that this will provide a high-level understanding of rental housing for the urban poor in India and will promote the nascent affordable low-income housing sector in India.

## 2. Structure of the Paper

This paper attempts to outline the prevailing conditions of the rental markets in India, specifically for the EWS and LIG segments of the population, to make the policy formulations better informed.

Addressing the rental housing needs of low-income segments, which currently remain unaccounted for in the current policies and programs, is viewed as critical if the objective of Housing for All is to be achieved by 2022. In this paper, the authors have analyzed the major rental housing policies that India has witnessed so far, and have empirically endeavored to understand the state of renting among the urban poor segment in India. The first section of the paper introduced the drivers of the rental housing market in India and the subsequent need to assess the same. The following section undertakes a critical assessment of the evolution of the housing policies in India since the post-independence and the post-liberalization era, and attempts to understand how the housing policy paradigm has changed over the decades and the policy lacunae in the manifestation of rental housing. In the fourth section, the paper analyses the secondary data sources available in India, such as the Census and the NSS, to understand the prevailing trends in the rental housing markets in India, and also establishes the need for a micro-assessment of the same. The fifth section pertains to an analysis of primary survey findings from the urban poor rentals in two Indian states – Tamil Nadu and



Odisha – to highlight the present status of urban poor renting in India and the continuum of rental arrangements entered into by the vulnerable sections of the society. In the last section, the paper concludes by indicating some critical policy gaps and limitations based on survey findings, which could potentially contribute to the formulation of an improved policy which adequately addresses the needs of the urban poor segment of the population.

### **3. A critical assessment of the evolution of housing policies in India – the post-independence and post-liberalization periods**

This section aims to understand the evolution of the housing policies in India within two primary perspectives – the post-independence and post-liberalization periods. The objective of this approach is to segment the various typologies of housing policies implemented thus far and understand the value ascribed to rental housing in the policy paradigm over the years.

#### **3.1. Post-independence public housing and rent control**

The early post-independence period in India, led by Prime Minister Jawaharlal Nehru, was marked by the establishment of a socialistic pattern with economic policies driven through Five Year Plans. The pressure of a growing urban population and the lack of housing and basic services were very much evident in everyday urban life in the early 1950s. The industrialization that followed in this era led to migration from rural to urban areas and a consequent increase in urbanization, which increased the demand for housing in urban areas. To address the housing demand of the industrial workers, the Industrial Housing Scheme was formulated in 1949, which provided subsidies to private employers for construction of workers' units under the condition that the rent charged to workers will not exceed 10 percent of their income. In the case of public sector employees renting in private markets, rental assistance of 10 percent of their income was provided which eventually, however, became insufficient as market rents soared (Tiwari & Rao, 2016). Given the problem of providing shelter to all remained an issue for the society at large, the government acknowledged that state intervention was necessary to meet the housing requirements of the vulnerable sections and to create an enabling environment for the provision of shelter to all on a self-sustainable basis.

The First Five Year Plan (1951-56) encompassed institution-building and housing for weaker sections of the society. The subsequent Five Year plans recognized the needs of the lower-income groups, wherein government action included strengthening the provision of housing for the urban poor and the introduction of several schemes for housing in the rural and urban regions of the country (National Housing Bank, n.d.).



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A balanced urban growth was accorded a high priority in the Fourth Plan (1969-74) paved the path for the establishment of the Housing & Urban Development Corporation (HUDCO). HUDCO aimed at decongesting and dispersal of the population from large cities to smaller townships and to fund housing and urban development programs. Other foundations were also laid for growth in the private housing finance sector with the setting up of Housing Development Finance Corporation (HDFC), and the housing finance regulator the National Housing Bank (NHB) in this period. However, there were considerable concerns regarding the economic, political, and policy premises for understanding the nuances of affordable housing, homelessness, poor housing quality, and mismatches in demand and supply of housing (Tiwari & Rao, 2016).

As migration to urban centers continued unabated, it led to the expansion of slums and squatter settlements, and the policy response was 'slum eradication' instituted through slum clearance acts, promulgated by respective state governments. Despite efforts, the slum population continued to increase, and there arose a political need in the early 1970s to recognize them and provide basic services to improve the local environment (Mahadevia, Bhatia, & Bhatt, 2018). This led to the launch of schemes such as the Environmental Improvement of Urban Slums (EIUS)/Slum Improvement Programme (SIP) and Economically Weaker Section (EWS) Housing around 1972 and the Slum Upgradation Schemes (SUP) during 1976-77. These schemes attest to the government's efforts to bridge the gap between the need and demand of housing, primarily directed towards the urban poor, through efforts to reduce the cost and price of housing. Towards this end, the government endeavored to make subsidized housing and credit on soft terms available, along with direct price control mechanisms in the form of Rent Control Acts (RCAs) (Wadhwa, 1988). RCAs, which were first introduced during the Second World War under the colonial government, continued to be implemented in independent India to offer protection from the steep rent rise to the sitting tenants (Nallathiga, 2007). The power relations between landlords and renters were perceived to be significantly skewed in favor of the former as the latter lacked financial and social power. These laws aimed at streamlining and monitoring the rental markets in several states, and provide relief to the renters against the demand of exorbitant rent and indiscriminate eviction by landlords due to scarcity of houses in the urban areas. Further, rapid urbanization and corresponding industrialization triggered high rural-urban migration during the early years of post-independence. This intensified the housing demand in urban areas. In the milieu of rapid urbanization, RCAs were expected to prevent an upsurge in rents in response to the increased demand for rental housing (Alok & Vora, 2011).



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While industrial workers' accommodation was supported by subsidies, the lower-income government servants were provided with public housing, others in the LIG were left to the fate of the market or slum living (Sivam & Karuppanan, 2002). The process of slum clearance was self-defeating in itself as it did not take into account the acute shortage of housing stock, especially for the most vulnerable sections. While there was a realization among the policymakers that the private sector was not in a position to supply housing for the LIGs, which emphasized the role of the state to fill the prevailing gap for LIGs and MIGs, there was no serious implementation effort (Tiwari & Rao, 2016). This lack of effort can be attributed to the lack of resource allocation and staff capacity to design and deliver an appropriate program.

The Fifth Plan (1974–79) reiterated the policies of the preceding plans to promote smaller towns and new urban centers in order to ease the increasing pressure of urbanization (Mishra & Dasgupta, 2014). Another instrument based on the principle of equity was in the form of the Urban Land (Ceiling and Regulation) Act (ULCRA), 1976, which provided for the imposition of a ceiling on vacant land in urban agglomerations and acquisition of the land above the ceiling limit (MoHUA, 1976). This Act purported to prevent the concentration of urban land in the hands of a few individuals and refrain them from profiteering through speculation, and to use the acquired land to improve access to land for shelter for the urban poor. However, the land acquired by the government as a result of the Act was minuscule in reality, and the objective of providing shelter for the poor got relegated to a very low priority, which is evident from the way such acquired land was distributed (Mohan, 1992). While the ULCRA possessed the potential to resolve the land and housing issue for the urban poor, it was observed that the real beneficiaries of the Act were the rich and the elite. At the same time, the prosperity of the toilet masses, which constituted the majority of the city, was ignored (Plight of Urban Poor, 1987). The tenure of the Act also revealed the moral bankruptcy of the government (Patkar & Singh, 2007).

The Sixth Plan (1980-85) provided the impetus to an integrated provision of services along with shelter, particularly for the poor, and the Seventh Plan (1985–90) stressed the need to entrust significant responsibility of housing construction to the private sector. A three-fold role was assigned to the public sector, namely, mobilization for resources for housing, provision for subsidized housing for the poor, and the acquisition and development of land. Programs introduced during the 1980s gradually began to take a more holistic approach by integrating poverty alleviation programs with shelter programs (Hingorani, 2011). The Seventh Plan explicitly recognized the problems of the urban poor, and for the first time, an urban poverty alleviation scheme known as Urban Basic Services for the Poor (UBSP) was launched. As a follow-up of the Global Shelter Strategy, the National Housing Policy was announced in 1988. The policy



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envisaged eradicating homelessness, improving the housing conditions of inadequately housed, and provide a minimum level of basic services and amenities to all (Mishra & Dasgupta, 2014).

Despite efforts, the housing conditions in this period remained unimproved, and the urban poor segments of the society continued to reside in vulnerability. Policies were skewed towards ownership led housing while ignoring the rental housing market. Although, an integrated approach to housing was proposed in the policies, it remained ineffective as programs were fragmented, overlapping in their objectives, and often administered by different ministries or government departments that did not collaborate. The deepening of the housing finance sector through the establishment of the HUDCO, HDFC, and the NHB only benefitted the middle-and higher-income segments (Wadhwa, 2009), and the urban poor remained neglected.

### **3.2. Post-liberalization, increasing supply through the market and public housing**

Significant changes in the Indian economy were promulgated through the financial liberalization undertaken in 1991, which aimed for decentralized governance and service delivery in urban areas and increased levels of economic growth. The Eighth Plan (1992–97), for the first time, recognized the role and importance of the urban and housing sector for the national economy. During this plan, the National Slum Development Programme (NSDP) was launched in 1996, which aimed for urban slum upgradation by providing physical amenities and also had a component of shelter upgrading or construction of new houses (Bouddha, Dhote, & Sharma, 2014). The Ninth Plan (1997-2002) also included the component of providing gainful employment to the unemployed or underemployed.

During the Tenth Plan (2002-07), Valmiki Ambedkar Awas Yojana (VAMBAY) was rolled out to facilitate the construction and upgradation of dwelling units for slum dwellers. This plan also witnessed the development of India's most significant urban investment scheme, Jawaharlal Nehru National Urban Renewal Mission (JNNURM), in 2005 (MoHUA, 2005). The JNNURM included two sub-missions, namely Basic Services for the Urban Poor and the Integrated Housing & Slum Development Programme (IHSDP), funded during the Eleventh Plan (2007-12). Approximately 1.5 million houses were constructed during the mission period (2005-2012) in select 65 mission cities (The Economic Times, 2016).

Several studies and commission reports had explored the limitations of the housing rent control approach. It was argued that the implementation of RCAs, in reality, dis-incentivized the landlords from making housing units available on rent, thereby reducing the supply of rental housing. The supply constraint, instead of helping control the rents, in reality, led to increasing market rents. It also produced an adverse impact not only on investment in new housing stock but also on the maintenance, upkeep, upgradation, and



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extension of the old stock (Godbole, 1999). The report of the National Commission on Urbanisation (1987) also recognized RCAs to be the reason for the universal deterioration of the existing housing stock across the cities (Ministry of Urban Development, 1987). As rents were frozen, the owners found it increasingly difficult to keep the buildings in a habitable state. Citing the case of the Delhi Rent Control Act, 1959, a study highlights that charging a rent higher than the standard rent was not deemed to be illegal, and the standard rents were only applied if the tenant or the landlord approached the rent controller for this purpose (Wadhwa, 1991). Barring the tenancies where the tenant applied to the rent controller for fixation of rent, the rents actually fixed between the landlord and the tenant would be higher than the standard rent. Thus, in reality, rent controls could not protect the renters from paying market-determined rents, which remained higher than the standard rent. Although these laws were initially conceived to protect the tenants from exorbitant rent amounts charged by the landlords, they ended up being anti-tenants by restricting supply.

The JNNURM, designed as a reform-based investment program at a time when liberalization of public sector controls was a norm, recognized the failure of the rudimentary RCAs and mandated the states to reform their RCAs, and also provisioned for the revocation of the ULCRA. The objective of the reform of the rent control act was to bring out amendments in the existing provisions for balancing the interests of landlords and tenants. The JNNURM played the role of a catalyst in the process of rent control reforms, which were expected to improve housing situations in urban areas, lessen distortions in the market, and have beneficial impact on urban finances (Mahadevia & Gogoi, 2011). However, there were considerable barriers in the implementation of the program, which ranged from incomplete reforms and slow implementation to the exclusion of areas outside the city limit, among others (Mehra, 2016).

The National Urban Housing and Habitat Policy (NUHHP) 2007 and 2017 (Draft) took note of the substantive gap between demand and supply for both housing and basic services, especially among the urban poor (MoHUPA, 2007). It aimed at ensuring housing for all through sustainable development of habitat in the country to enable the equitable supply of land, shelter, and services at affordable prices to all sections of society. It further recognized the role of multiple stakeholders to address the housing shortage, namely, the private sector, the cooperative sector, the industrial sector for labor housing and the services/institutional sector for employee housing. Besides, it also took cognizance of the need for reasonably good housing on rental and ownership basis with suitable subsidization to assist the poorest of the poor who cannot afford the entire price of a house. The Policy recognized that rental housing provides a viable alternative option to the home seekers and the house providers alike. It also emphasized the need



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to encourage the private sector to augment the housing stock on both rental and ownership basis to overcome the shortage of housing units for the EWS/LIG categories.

Although the policy framework encouraged private supply of rental units and RCAs were repealed in most of the states, the control laws left a mark on the memory of house-owners/landlords who still prefer to keep their properties vacant than putting them up on rent. This is further substantiated by the increase in vacant urban housing stock during the 2001-2011 period to about 11 million (Census of India, 2011). Recognizing this uncertainty among the house owners' ability to rent out their properties, the available policy framework envisaged the need to come up with a Model Rent Act. The model Act was envisaged to be based on the principle that the rent of a housing unit should be fixed by mutual agreement between the landlord and the tenant for a stipulated lease period. The Draft Model Tenancy Act, 2015, restricted the eviction of the tenant before the stipulated lease period and disallowed the tenant to continue residing in the housing unit after the expiration of the lease period (MoHUA, 2015).

The Twelfth Plan (2012-17) entitled 'Faster, Sustainable and More Inclusive Growth' was the last Five Year Plan implemented. The new political leadership which came to power post the 2014 National Elections introduced the flagship housing scheme, the Pradhan Mantri Awas Yojana (PMAY), aiming to construct 2 million houses to achieve Housing for All by 2022 in the country (MoHUA, 2015). PMAY focuses on facilitating house ownership through its four verticals, which included interest subsidies or lump-sum subsidies transferred directly to the beneficiaries to enable the urban poor to have access to affordable housing. However, the role of rental housing remained unacknowledged in the scheme guidelines.

### **3.3. The emerging policy paradigm for rental housing in India**

Although the housing policies of the post-independence and the post-liberalization era were predominantly ownership driven, they differ in their characteristics and the approach the government had adopted during both periods towards addressing the housing shortage in the country. While the post-independence period rolled out housing policies for various demographic segments, these were laced with excessive government intervention and curbed the scope for private sector participation. Housing schemes and programs remained not only ownership-driven, but also followed archaic legislation like the RCAs, which resulted in a large portion of the available housing stock remaining vacant. Financial institutions that were established to enable housing finance ultimately benefitted the well-off sections of the society, thus exaggerating the inequality gap within the society.



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While liberalization of the economy was the harbinger of increased opportunity in the housing finance sector and investments from the private sector in affordable housing, not much has been achieved in terms of extending affordable housing for the urban poor. Moreover, private participation in housing has only addressed the housing needs of the MIGs or upper MIGs, which has further pushed the urban poor into vulnerability. Further, the real estate boom in the last decade has percolated down to the mid-sized cities, leading to pressure on urban land and hence divesting low-income groups of the lands informally occupied by them for their housing and livelihoods. A study on the informal rental housing markets in Guwahati, India, highlighted the evictions of informal settlements and workplaces in mid-sized cities, which increased the vulnerability of many urban poor households. The study also recognized tenants as among the most vulnerable households in the informal housing market, during evictions and often even otherwise (Mahadevia & Desai, 2014).

A Task Force formulated by the Ministry of Housing and Urban Poverty Alleviation (now MoHUA) in 2013 proposed the formulation of the National Urban Rental Housing Policy (NURHP), which was drafted in 2015. While still to be approved and operationalized, the objective of the NURHP has been to adopt a systematic and balanced approach to rental housing and encouraging it as an additional housing option to support future growth in India. The policy aimed to supplement ownership housing by the inclusion of the rental housing market with different models to address the diverse housing needs for various segments of the population. It emphasized the role of rental housing, particularly for the EWS/LIG, migrants and vulnerable groups, who may remain in the ambit of unaffordability, despite the availability of various incentives for ownership housing (MoHUPA, 2015).

The NURHP also envisioned the promotion of private rental housing as an interim measure towards aspirational home buyers. It encouraged Private-Public Partnership (PPP) to construct, manage, maintain, and operate rental housing stock (cooperative societies, neighborhood associations, Resident Welfare Associations, among others). For this purpose, it also proposed the facilitation of fund flow from the government and private sector through innovative financial instruments. It also recognized that the demographic variation among those who opted for rental housing and aimed to enable various target groups, e.g., migrant labor, working men/women, students, transgender, single women, widow to secure housing on a rental basis. However, the over-emphasis on public constructed and supplied rental housing stock for the EWS/LIG requires a critical evaluation, given that privately supplied rental housing has been the primary source to date for this segment.



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For approximately a decade, there has been a void in the legislative framework for renting since the repeal of RCA. The proposed NURHP also recommended the formulation of a Draft Model Tenancy Act (MoHUA, 2015) with the objective to a) regulate the renting of premises efficiently and transparently b) balance the interests of owner and tenant by establishing an adjudicating mechanism for speedy dispute redressal and c) establish Rent Court and Rent Tribunal. The Act was reintroduced in 2019, which also emphasized on transparency in the market by fixing the accountabilities of landlords and tenants (MoHUA, 2019). This Act is a step towards releasing more rental stock in the country and is a potential contributor to the scheme of Housing for All by 2022.

Although the Draft Model Tenancy Act, 2019, and NURHP are some steps towards instituting the means of regulating the rental market, these lack the responsiveness to the ground realities. The Act renders all the urban poor/non-poor who fail to enter into a written contract as illegal occupants, thereby pushing them further into vulnerability. As the tenant, in most cases, is not equipped to comprehend legal jargon and is susceptible to misguidance or exploitation by the landlord, the ambiguity regarding the existing rental agreements may further marginalize the urban poor. The MTA mandates the contractual agreements to be registered with the Rent Authority, without giving away the provision of registration under the Registration Act 1869 and Stamp Duty Act. These regulations impose an additional payment by the landlord and the tenant, thus increasing the cost of compliance and dis-incentivizing them, especially the urban poor, from entering into formal contractual rental agreements.

With the formulation of policies specific to rental housing, like the NURHP and the MTA, it is evident that rental housing is now emerging as a prominent model to achieve housing for all, and not merely as a stopgap solution until a house could be provided on ownership-basis. However, the existing national policies on rental housing do not encompass the exogenous factors which influence the market today, especially in the case of the urban poor. A case study of the rental markets of Rajkot, India drew a parallel between the rental housing market and the informal ownership housing market, and emphasized the difficulty in identifying settlements in the city which were only rental-based. The study also argues for the need for a public housing programme to enable formal rental housing at affordable costs (Mahadevia & Gogoi, 2011).

There is significant complexity associated for the national level governments with monitoring the rental markets due to the sheer size of the informal market and limited data availability. It remains out of the capacity of local governments due to resource constraints as well. In this scenario, the role of the state governments emerges at the forefront to streamline the rental market of the country, and provide an over-



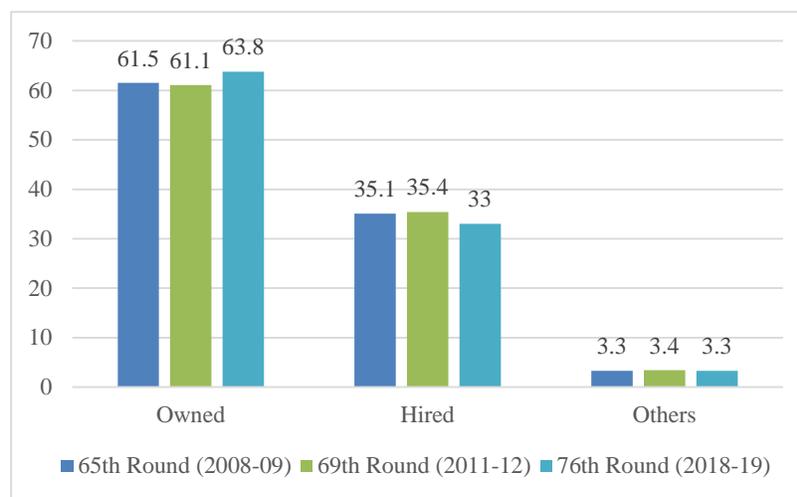
arching mechanism which resolves the predicaments of the informal rental housing markets especially those catering to the urban poor segments of the country.

#### 4. Understanding the fabric of rental housing in urban India

This section attempts to understand the prevailing conditions of rental housing in urban India through analysis of the data available through secondary sources like the Census of India 2011 and the National Sample Surveys (65th, 69th, and 75th Rounds). This analysis enables an assessment of the state of the urban rental housing market in India and the gaps in these resources vis-à-vis the rental housing market, specifically for the urban poor.

##### 4.1. The excessive focus on ownership-driven housing policies has resulted in a steady growth of homeownership

Figure 2: Tenorial status for various NSS rounds



Housing policies in India have traditionally been skewed towards ownership-driven housing provision. Amid the availability of various affordable housing schemes that do not explicitly address rental housing, the share of rental housing has remained constant at approximately 34 percent in the last decade (NSS Rounds). However, despite a lower share of rental housing in the overall tenorial status of India, the number of people opting for rental housing in India has increased (Figure 2).



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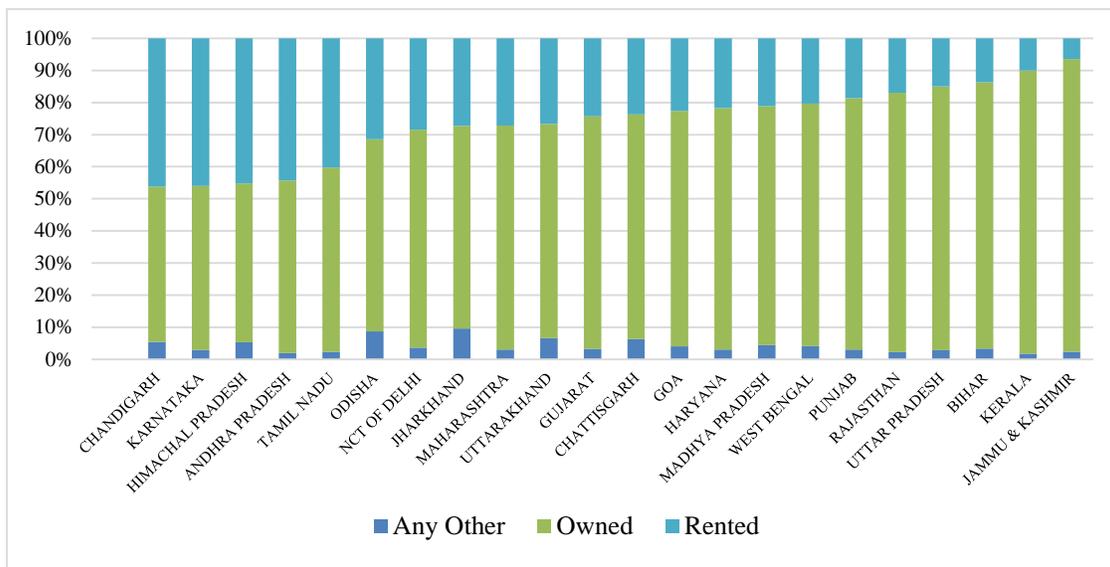
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## 4.2. Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra comprise 55 percent of the total urban rental population of India

According to the 2011 Census of India, approximately 27 percent of the urban dwellers in India live on rent. Figure 3 shows the proportion of the rental population across the major states in India. An analysis of the data reveals that four states, namely Tamil Nadu, Maharashtra, Andhra Pradesh, and Karnataka, comprise 55 percent of the total urban population residing on a rental basis. High rental proportions can be attributed to the high influx of migrants to these particular states (Department of Economic Affairs, Ministry of Finance, 2017) in search of employment opportunities. These migrants may opt-out of ownership-based housing due to high mobility resulting in uncertainty regarding their duration of stay in the city.

Figure 3: Rental housing proportions across major states in India





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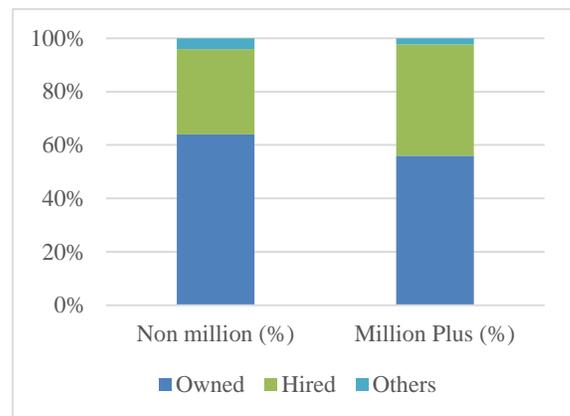
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### 4.3. Forty-two percent of the population in Million Plus cities resides in rental houses.

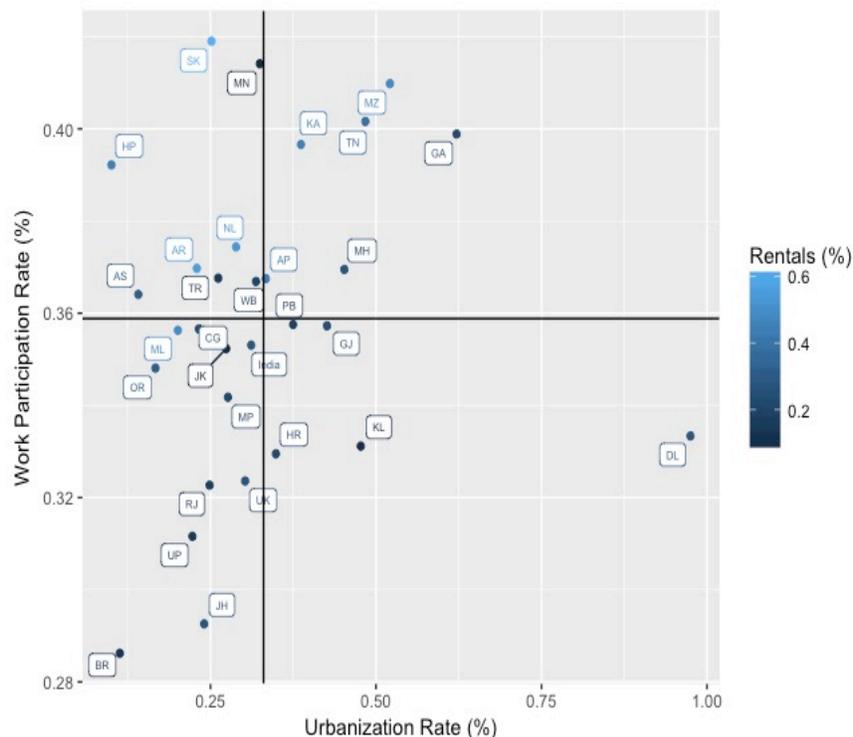
There are considerable variations in the proportions of rental housing across Million Plus cities and other cities. It is evident that the former has a higher proportion of those opting for rental housing (Figure 4). A possible explanation for this trend is the inherent capability of Million Plus cities to generate employment opportunities, which leads to an influx of migrants often opt for rental housing for residential purposes.

Figure 4: City-level analysis of owned and rented households



### 4.4. States with a workforce participation rate and level of urbanization higher than the national average have a higher proportion of the population opting for rental housing

Figure 5: State-wise distribution of urbanization, WPR and renting

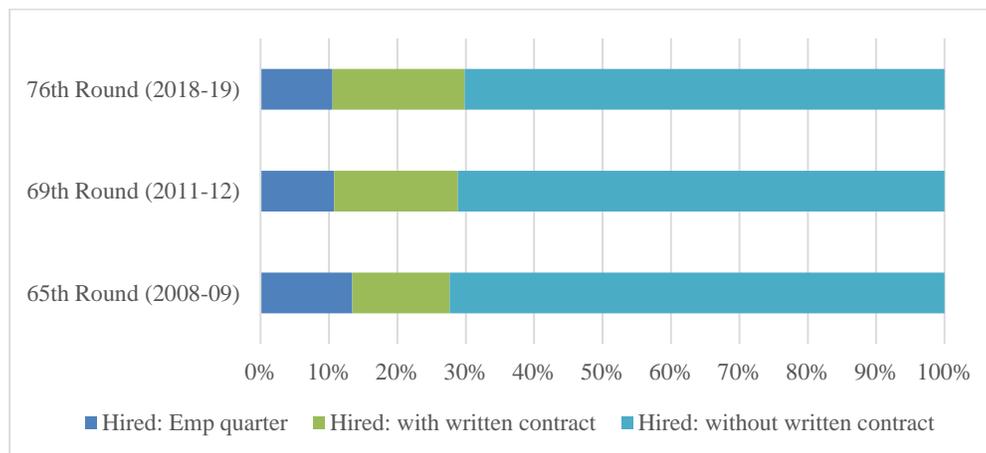




An assessment of the available Census 2011 data comparing the level of urbanization and work force participation ratio (WPR) vis-à-vis the proportion of households/individuals opting for rental housing indicate that as the WPR increases, rental housing emerges as the choice of accommodation for families and/or individuals, even with low levels of urbanization (Figure 5). The states in the first and second quadrants are a clear indication of a greater WPR leading to greater renting preferences. High levels of renting in Himachal Pradesh and other north-eastern states also points out the inability of non-residents to buy land, which could potentially increase the proportion of rental housing. Further, states with a WPR less than the national average but significantly higher urbanization levels also comprise a high level of rental housing. A possible explanation for this trend could be that households look at the economic opportunity of renting to supplement their yearly gross income.

#### 4.5. 70 percent houses are rented without any contractual agreement, entrenching further informality

Figure 6: Status of the rental market in India



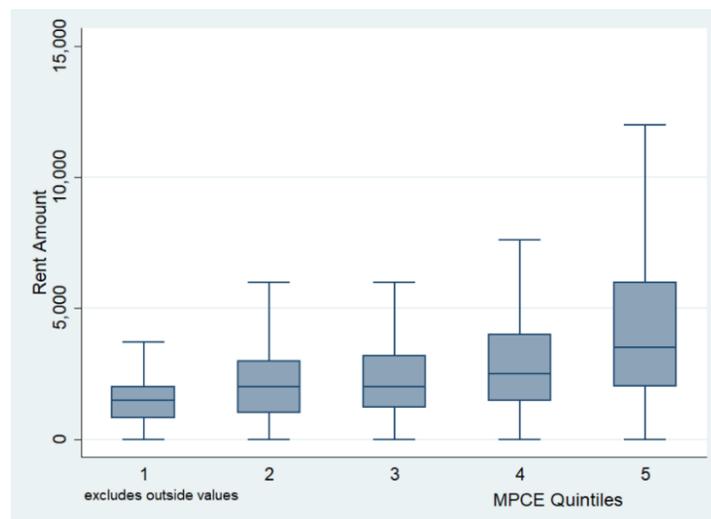
Through an analysis of the NSS rounds on housing conditions, it can be observed that the proportion of rental housing without any contractual agreements between the landlord and the tenant forms a significant share of the total rental housing market in India (Figure 6). Despite the launch of schemes and programs like the MTA or the NURHP, to prevent the interests of the landlord and the tenants, informality exists as the cost of compliance under the current provisions is exceptionally high, and a rental arrangement based on a mutual understanding is perceived to be much more economical and convenient.



#### 4.6. Approximately 70 percent of the rental population incurs a monthly rent of less than INR 3500 (USD 50)

Statistics reveal that more than 50 percent of the rental housing population resides in housing units where the monthly rents range from INR 1000 (USD 15) to INR 3500 (USD 50). Further analysis of the rent amount with the MPCE shows that as the MPCE increases, the median rent paid increases as well (Figure 7).

Figure 7: A comparison of the rent amount across MPCE quintiles



#### 4.7. The proportion of renters across the total urban population and the slum population is similar, approximately 27 percent

Table 2: A comparison of owned and rented houses in urban India

	Urban Housing Stock	Owned Housing Stock	Rental Housing Stock	Average HH Size		Average # of Rooms Occupied	
				Owned	Rentals	Owned	Rentals
<b>India Total</b>	78,865,937	54,542,327 (69.15%)	21,723,723 (27.54%)	4.55	3.88	2.32	1.79
<b>India Slums</b>	13,749,424	9,656,900 (70.23%)	3,610,693 (26.26%)	4.59	4.04	1.94	1.54



While the urban rental housing stock in India is approximately 27 percent, this figure is also similar for slums in India, thus indicating that slums also record renting as a common phenomenon (Table 2). Given the size of the slum rentals in India, any housing scheme will not achieve its objective unless it has specific provisions for the most vulnerable sections, and brings them under the legal purview without it bearing an economic burden on these sections (Census of India, 2011).

#### 4.8. Overcrowding is a common phenomenon among the renters and is even more severe in case of slum renters

A spatial comparison among slums and non-slum areas for households living on ownership basis and those on a rental basis shows that the average household size and the average number of rooms occupied are higher for those residing on ownership than the renters. Further, the problem of more people sharing a room is more profound among the renters with 0.46 rooms available per person, and this situation is further exacerbated in the case of urban slums with 0.38 rooms per person (Table 2).

#### 4.9. In terms of access to basic services like water and sanitation, the rental population is worse off, in comparison to those with owned houses

##### 4.9.1. National Level

Figure 8: Access to toilets among owned and rented households

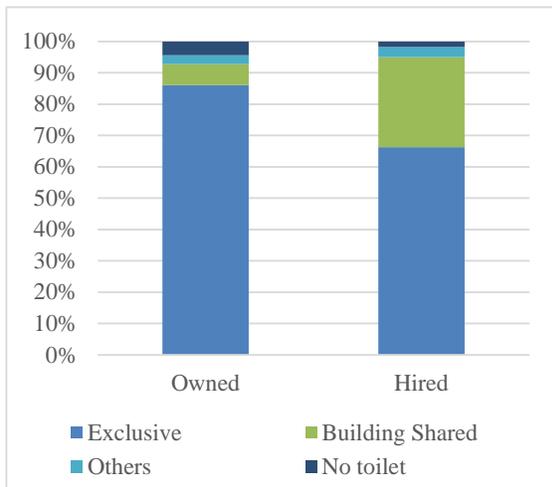
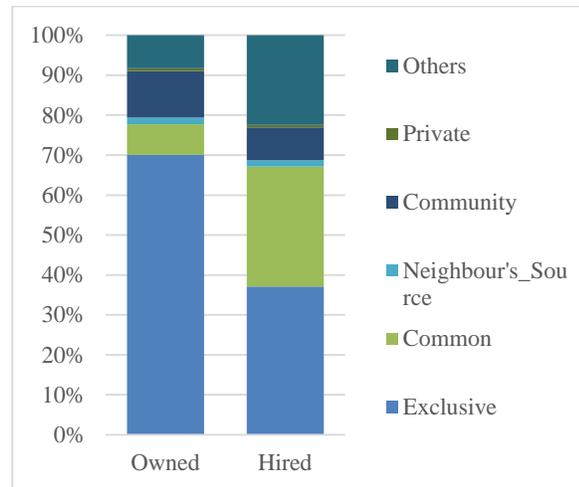


Figure 9: Access to drinking water in owned and rented households





From an analysis of the NSS statistics, it is evident that in comparison to owned households, rental households remain on the lower end of the spectrum in terms of access to services. Owned households have better access to individual toilet and water supply than rented accommodation. The incidence of common/shared services is high in the latter (Figure 8 & 9).

### 4.9.2. State Level

Despite the presence of a certain degree of inter-state variations across all states/UTs, those residing in owned houses have better access to services than those renters residing in a rented house. The only exceptions were Arunachal Pradesh and Puducherry, where the level of services accessed by owners and renters was almost similar, with no significant variations observed.

### 4.9.3. City Level

Similar trends can also be observed in a comparison of access to services across city sizes; however, access to basic services gets better for owned houses in Million Plus cities but remains almost the same for the renters (Figure 10 & 11). This indicates that residing in a Million Plus city does not ensure better access to services for the renters.

Figure 10: City level analysis of toilet access in owned and rented households

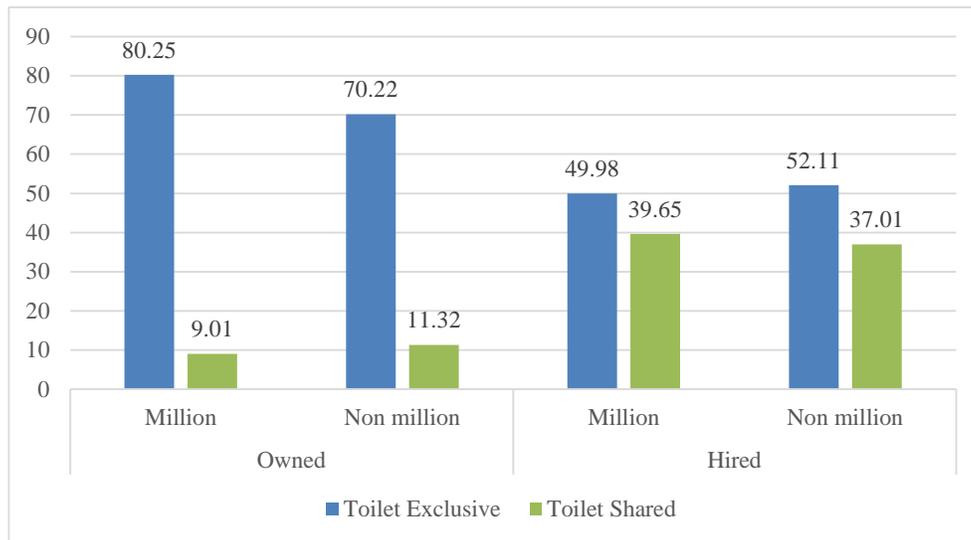
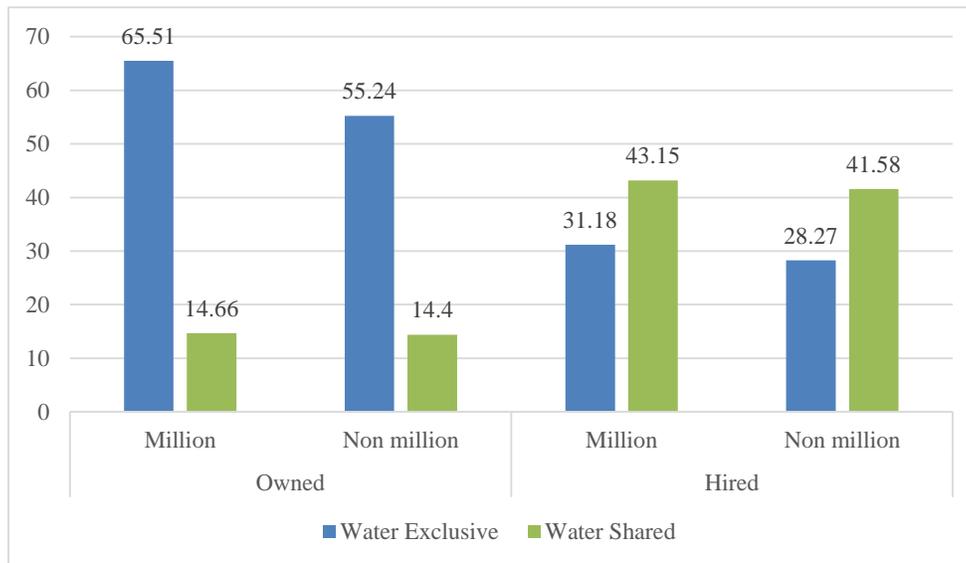




Figure 11: City level analysis of Individual Water Supply (IWS) access in owned and rented houses



This difference between owned and rented households indicates that there is an imminent need to address access to basic amenities, or the lack thereof, for the latter. Given the limited access to basic services among the rented households, it is evident that rented households continue to reside in a state of vulnerability. It also indicates that if the goals other national schemes like the Swachh Bharat Mission (SBM) or the objective of providing water to each household are to be achieved for all, the focus on rental housing needs significant traction.

## 5. Assessing the state of the urban poor renters in slums through primary survey findings in four Indian cities in the states of Odisha and Tamil Nadu

A sample survey of the private rental households in four cities – Berhampur and Puri in Odisha and Chennai and Coimbatore in Tamil Nadu – was conducted for 3311 households assuming a 95 percent confidence level, 0.5 standard deviations, and a margin of error (confidence interval) of  $\pm 5$  percent.

The households were selected from slum areas with the objective of the survey was to document the living conditions of urban poor renters in terms of housing conditions, access to basic services, rental agreements and their spatial preferences in the cities. A brief profile of the cities surveyed are given below:



Table 3: Profiles of the cities surveyed

Cities	Odisha		Tamil Nadu	
	Berhampur	Puri	Coimbatore	Chennai
<b>Population</b>	356,598	200,564	1,050,721	4,646,732
<b>Slum population</b>	91,813 (26%)	70,457 (35%)	129,181 (12%)	1,342,337 (30%)
<b>Urban rental HHs (% of Urban HHs)</b>	28,573 (42%)	11,016 (28%)	150,622 (54%)	565,934 (51%)
<b>Slum Rental HHs (% of slum HHs)</b>	6,628 (38%)	2,907 (19%)	12,224 (35%)	142,522 (43%)
<b>Prominent Features</b>	Major trading and commercial center with a multi-ethnic culture	Economy predominantly driven by tourism and agricultural sectors	One of the fastest growing Tier II cities and a major industrial hub	Largest industrial and commercial center of Southern India

## 5.1. The majority of the sample in Berhampur, Puri, Chennai and Coimbatore incur a low monthly rent

Figure 13: Monthly rent paid in Odisha

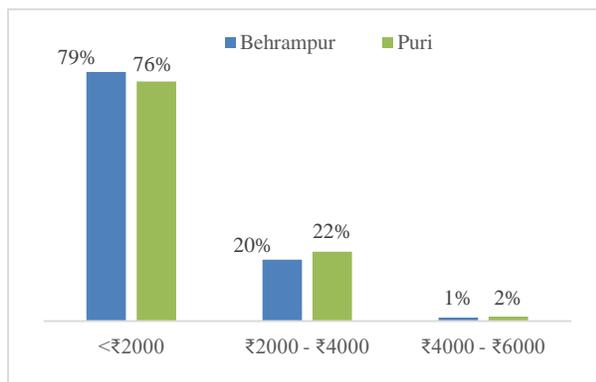
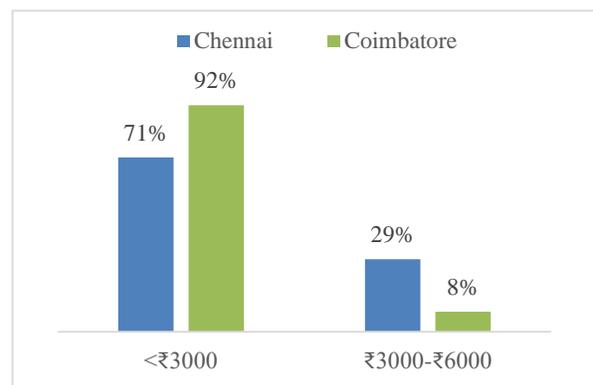


Figure 12: Monthly rent paid in Tamil Nadu



An amount higher than INR 2000 (USD 28) in Odisha and INR 3000 (USD 42) in Tamil Nadu has been categorized as the high rent category for both the states, respectively. In the case of Odisha, 78 percent renters paid less than INR 2000 (USD 28), while in Tamil Nadu, 83 percent of the sample had a rent amount



of less than INR 3000 (USD 42). Thus, it is evident that the majority of the renters in slum areas in all the cities fall under the low-rent category (Figure 12 & 13).

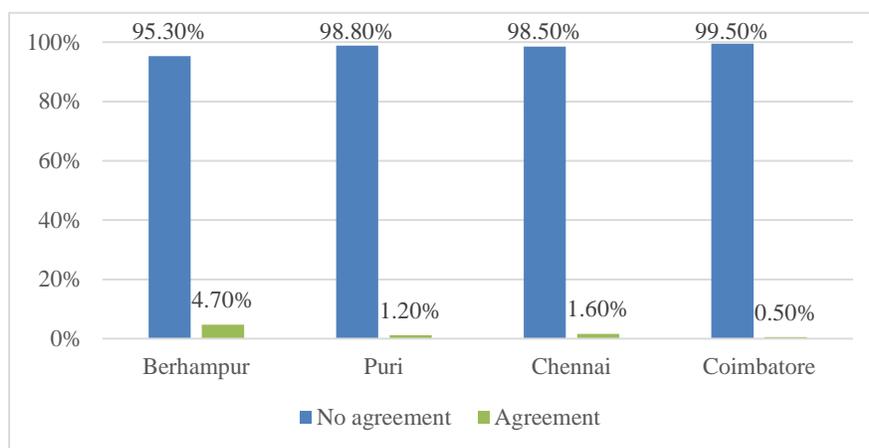
## 5.2. The urban poor rental market in all four cities is characterized by high informality and has high instances of access to housing through a referral

This section highlights the extent of informality in the four cities as rental arrangements without any contractual agreements form the majority in the rental markets. Further, it also discusses the ability of a tenant to access rental housing in the lower-rent category and the factors that affect the same.

### 5.2.1. Rental markets are highly informal among the urban poor in all four cities.

Through study findings, approximately 99 percent of urban poor tenants in Tamil Nadu and 97 percent in Odisha have an informal rental arrangement, i.e., without any contractual agreements (Figure 14). As in the absence of formal agreements, there is no legal recourse available to the landlord, and the tenant, any conflict between the two parties is resolved directly in majority of the cases, without any third-party intervention. Both tenants and owners find it viable to continue without an agreement, which shows the failure of the policy paradigm in formalizing the rental market and enabling the most vulnerable sections of the society to have access to adequate and affordable rental housing.

Figure 14: Type of rental arrangement

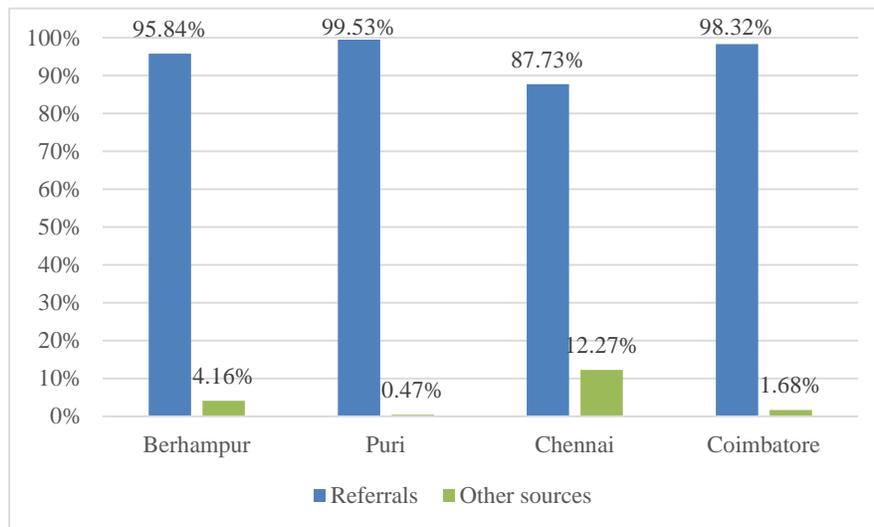




### 5.2.2. In all cities, low-rent housing was primarily accessed through referral contacts.

Social relations and references significantly impact an individual's ability to find rental accommodation. An analysis of the likelihood of getting access to a low-rent category house is interrelated with the presence of social links between the landlord and the tenant. As observed in the case of Tamil Nadu, if the tenant has a referral contact, the odds of finding an accommodation in the low-rent category increase by approximately three times, in comparison to finding a house in the same category through other sources like advertisements, to-let boards among others (Figure 15).

Figure 15: Source of finding the rental accommodation



### 5.3. Access to individual toilet facilities was limited across all four cities, with majority of the population relying on shared facilities for use

Puri and Chennai show a high proportion of shared toilets, while Public Toilets (PTs)/Community Toilets (CTs) are more common in Coimbatore. 40% of the sampled HHs in Berhampur had no access to the toilet. It can also be observed that the instances of individual toilets are higher in Odisha, in comparison to Tamil Nadu. In contrast, an opposite trend can be observed in the case of PTs/CTs (Figure 16). These findings corroborate to the presence of high city-wise variations, and the need to assess every state at the city-level for designing an appropriate policy framework.

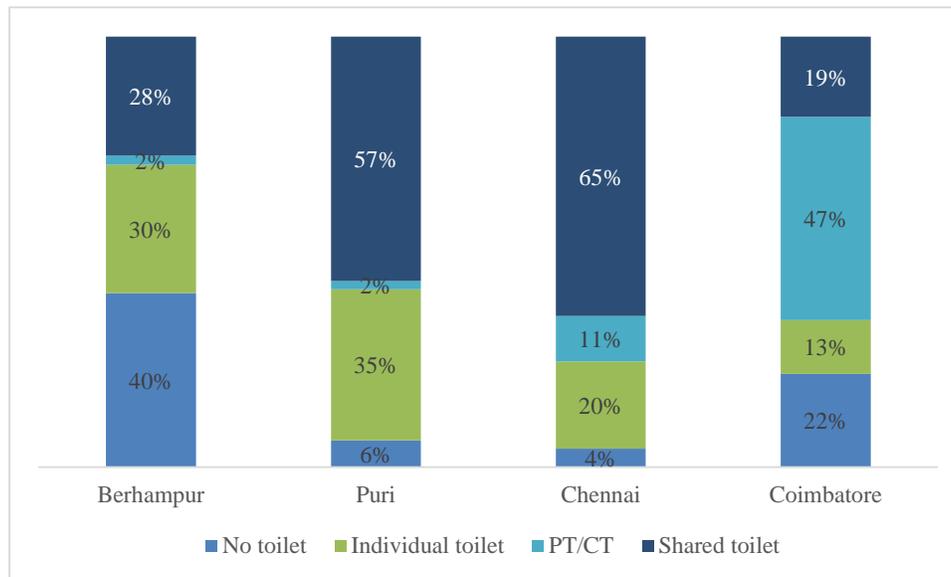


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Figure 16: Access to toilet in across the four cities



Further analysis shows a significant increase in access to services as the rent amount increases. As observed in the case of Tamil Nadu, the odds of having access to a toilet increase by approximately two times in case of a higher rent paid, in comparison to those paying a lower rent, and these results are significant. A similar trend can be observed in Odisha, where the odds of having access to a toilet facility increase by almost ten times, if the tenant pays a higher rent, in comparison to those paying a lower rent (Table 7).

Table 4: Logistic regression for access to toilet across different rent categories for Tamil Nadu and Odisha

Outcome: Access to toilet						
Predictor: High rent category vs. low rent category						
	Odds Ratio	Std. Err.	z-value	P > z	[95% Conf. Interval]	
Tamil Nadu	2.025	0.525	2.72	0.007	1.217	3.368
Odisha	9.964	3.122	7.34	0.000	5.391	18.415



#### 5.4. Access to Individual Water Supply (IWS) was relatively better in Odisha compared to Tamil Nadu, however, majority of the population across all four cities relied heavily on public stand posts

In Behrampur and Coimbatore, public stand post is the predominant source of water supply. As Chennai is a drought-prone area, 64 percent of the sample relies on water tankers provided by the Urban Local Bodies (ULBs). Among the four surveyed cities, Puri is an exceptional case as it has the highest instances of individual water supply as well as privately procured water (Figure 17 & 18).

Figure 18: Access to IWS in Odisha

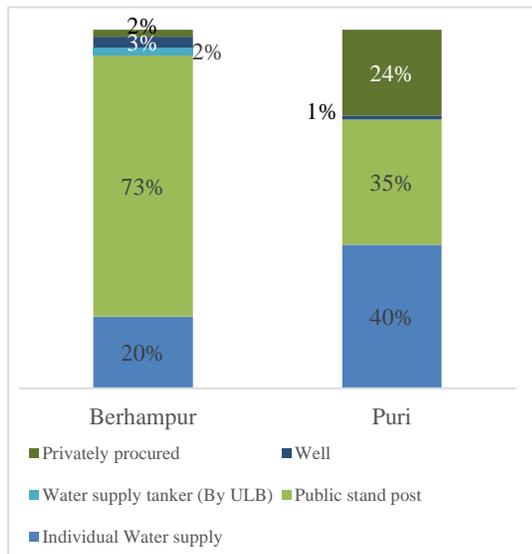
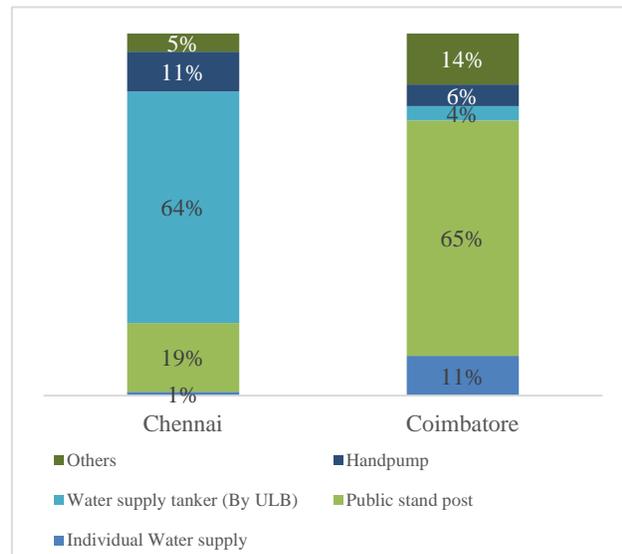


Figure 17: Access to IWS in Tamil Nadu



The urban poor renters face a dearth of supply of basic amenities and remain the most vulnerable group among the rental housing segment. They lack authority and remain at the mercy of the landlords to ensure basic service provision. Additionally, as they remain informal, the supply of these amenities further becomes cumbersome.

#### 5.5. Most renters are able to access predominantly semi-pucca housing in all the four cities

The houses surveyed are predominantly semi-pucca across all four cities, and a high rent effect can be observed for all four cities, as the share of pucca houses increases in the high-rent categories. The only exception can be observed in the case of Chennai, where 86 percent of the houses are pucca. These findings attest to the substandard conditions of renters, especially those residing in the low-rent categories (Figure 19 & 20).



Figure 20: Housing condition in Odisha

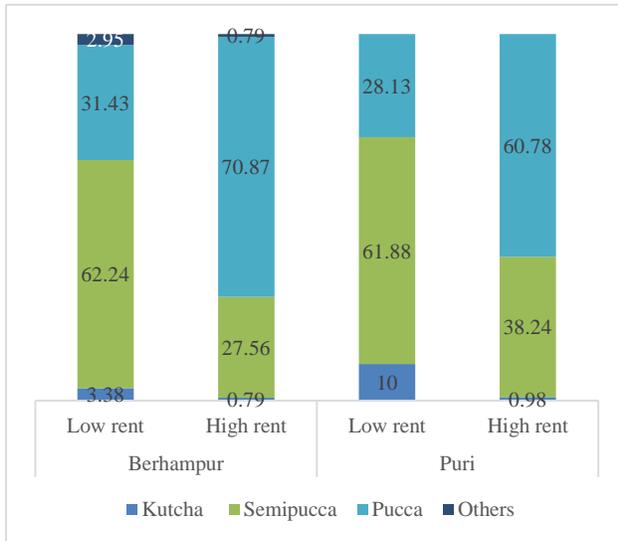
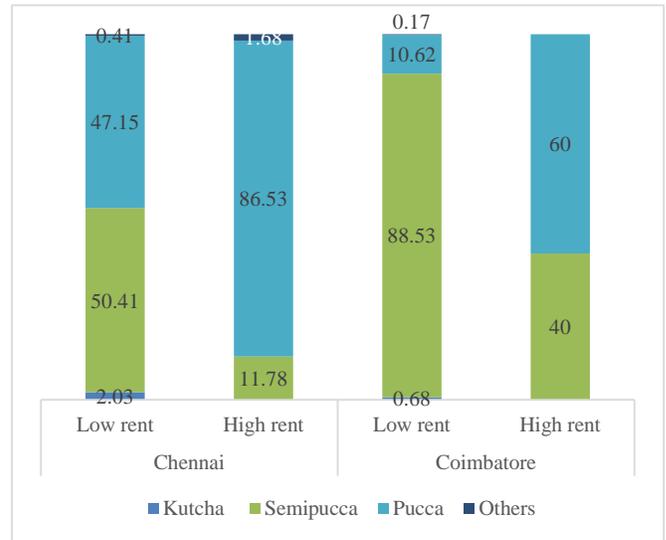


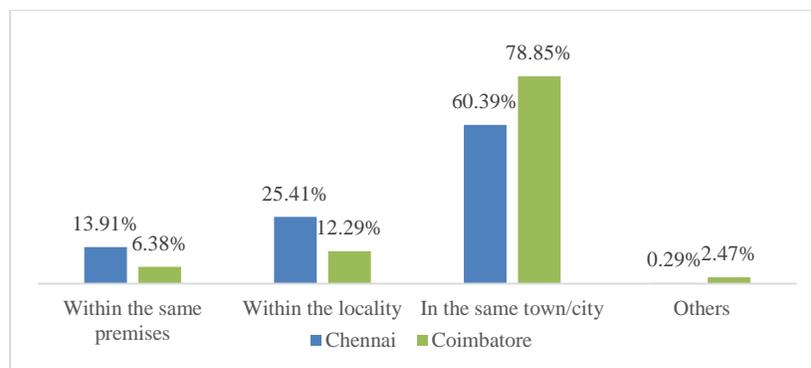
Figure 19: Housing condition in Tamil Nadu



**5.6. In both the cities surveyed in Tamil Nadu, majority of the landlords resided in the same city as that of their rental premises.**

Among the tenants interviewed, the majority of them reported that the owner of the premises lived in the same city. In Tamil Nadu, the owners usually lived in the same locality as his/her rental unit. The prevalent occupation of these landlords/owners has been reported as a business, followed by casual labor and private salaried (Figure 21). The landlords who lack additional premises on offer for rent also follow a similar occupational pattern.

Figure 21: Residence of the landlords in Tamil Nadu





This underscores the evidence put forward by other research studies that the subsistence landlords serve the rental housing market for the urban poor. It is necessary to understand the dynamics between the owner and the landlords in such cases, and the extent of vulnerability faced by both the parties. It is incredibly challenging for national-level policies to account for such nuances, which often results in a gap that is bridged by informality.

**5.7. Lack of affordability remains a primary reason for not owning a house in both states with mobility and the consequent uncertainty of the duration of residing in the city also being cited as reasons for unaffordability in Tamil Nadu**

Merely 15 percent and 25 percent of the sample surveyed in Odisha and Tamil Nadu respectively were willing to buy a house. In the case of Tamil Nadu, 72 percent cited affordability as a reason for not opting for homeownership, and 42 percent were unsure about the duration of their stay in the city. Mobility was a more popular reason in Tamil Nadu in comparison to Odisha for deciding to stay in a rented house.

Rapid urbanization and emerging employment opportunities are resulting in increased mobility in the country. The new entrants in the city not only find homeownership unaffordable but also may opt for renting as a preferred choice of tenure given the ambiguity about their duration of stay in the city. Moreover, investing in a house is a significant leap for the urban poor segment of the society, and is only feasible after accumulating a considerable amount of savings. This reiterates the reality that the goal of affordable housing for all will not be achieved unless rental housing, especially for the migrant population, is made central to the policy paradigm.

**5.8. 60 percent of the renters in Odisha suggested that there is a need for a group housing scheme that provides for reservation of housing units for rental purposes**

*Table 5: Policy expectations of the urban poor renters*

	Behrampur	Puri	Overall (Odisha)
<b>Promote access to find rental properties</b>	29%	34%	31%
<b>Reserve houses for rental purposes in all government group housing schemes</b>	55%	66%	60%
<b>Subsidies to private builders for constructing affordable rental housing</b>	2%	0%	2%
<b>Others</b>	18%	0%	11%

In an assessment of the policy expectations of the demographic surveyed, it was revealed that the utmost requirement is that of a policy that provides for a reservation of housing units constructed by the government



for rental purposes. While this was advocated by the group residing in the low-rent category, those residing in the high-rent category also recommended policies that assist them in finding an affordable house. Though the urban poor tenants do not find it difficult to find a house for rental purposes, they require a policy that enables them to get access to a rental house along with basic services, and which shadows them from vulnerability (Table 5).

## **6. Conclusion: Deeping the understanding of the fabric of Urban Poor Rental Housing to reset the goals for policy action**

Recognizing and supporting the supply of urban rental housing remains an under-addressed and inadequately understood component in housing policy, as this paper elaborates. The paper paints a broad understanding of the rental housing sector in India, identifying the steady increase in homeownership in urban areas, identifying the states and the cities that house the most substantial proportion of residents on rent. It also finds that rental housing is often lower in quality than ownership housing and that renters often have inadequate access to basic services. It finds that half of the new migrant population and the lion's share of short-term migrants to the city are from the urban poor segments and have to resort to rental housing in slums. It further finds that there is a complete lack of data, which creates a very dark spot when it comes to understanding rental housing in slums. It proposes that this lack of information and understanding is an important reason why urban rental housing for the poor has not been incorporated in housing policy thus far. The key takeaway from the secondary data analysis shows us that rental housing is an essential tenure option that the poor seek in cities. This option, as shown in the evolution of policies, is inadequately understood by the national government and not addressed in housing policies and programs appropriately. In the absence of this tenure type, vulnerable groups such as the urban poor migrant who consist of half of the total urban migration in India today are pushed to live in slums with inadequate housing and abysmal access to services. The uncertainties are further compounded due to significant risks arising out of informal and unregistered rent contracts.

The paper also attempts to address this gap in understanding by analyzing data from a primary survey of rental households in slums in two cities in Tamil Nadu and two cities in Odisha. The survey results show many similarities in a) physical conditions including inadequate access to housing and services, b) tenure informality, c) insecurity due to informality in the contracts between the tenant and landlord, and d) the choice and perceptions of these tenants. It also finds particular differences in landlord-tenant relations and affordability. These findings, based on an empirical study, are among the earliest surveys of the specific



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circumstances of urban poor renters and their housing conditions in slums. They also provide some insights into this large segment of the housing sector in India.

The policy and program interventions thus far concerning rental housing as in rent control regulation, public provision of rent to own houses or the liberalization of rent control have been a small part of housing policies over time. However, there has been not enough effort to expand rental housing in a circumstance where the goal of "Housing for All" is understood as ownership housing. However, as housing ownership increases, increasing the mobility and migration in the workforce in the country, the policy focus on rental housing is expected to rise forthwith in India. Several states have already initiated some attention with legislative measures and rental housing as part of public housing programs, and this is expected to spread across other states too.



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