How Changes in Government Programs Affected Affordable Housing- A Case Study of Maharashtra

Udiyansh Yashasvi[1] and Suraj Nair[#]

[1]Cathedral and John Connon School, USA
[#]Advisor

ABSTRACT

The Indian real estate sector has evolved significantly in recent years, with millennials playing a major role in this evolution. Millennials are now the largest demographic group in India, constituting as much as 34% (or 440 million) of India's overall population and are increasingly becoming homebuyers. Recent surveys revealed that 61% of millennial property buyers in emerging cities are end-users, seeking spacious living environments and enhanced work arrangements.[1] This has led to several changes in the way that real estate is marketed and sold. The buyer goes through a complex decision-making process while buying a house which is based on several factors influencing consumer buying behavior. The purpose of this study was to explore these factors with a special emphasis on government schemes and regulatory changes in Maharashtra. Primary data collection through comprehensive questionnaires and subsequent data analysis led to a deeper understanding of the impact of the government schemes on consumer buying patterns in the real estate segment. Our survey form was sent to approximately 300 people across the country digitally. The data collection of consumer responses helped in gaining important insights across gender, age, and location. The resulting data has helped in concluding that initiatives of the government and landmark regulatory changes have boosted the confidence of consumers leading them to become homeowners.

Introduction

The Real Estate sector is a diffracted market and one of the most globally recognised sectors comprising of various types of real estate, each with unique purpose and utility. The main categories comprise of land, residential, commercial, and industrial. The different segments have different metrics used by investors and other stakeholders to gauge the health of the real estate sector. The global real estate market size was valued at USD 3.69 trillion in 2021 and is expected to expand at a compound annual growth rate (CAGR) of 5.2% from 2022 to 2030.

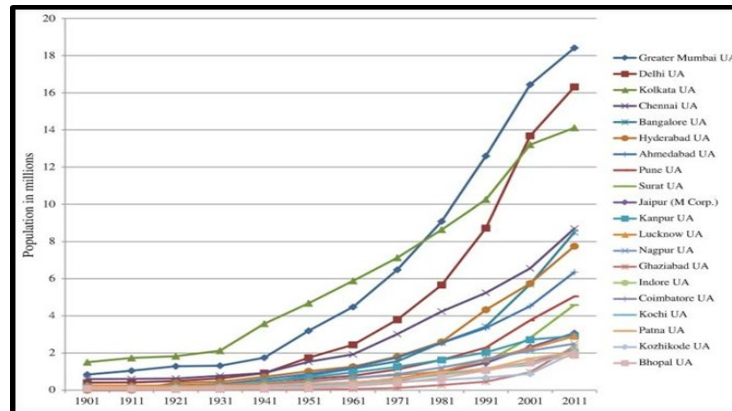[1] Millennials are the new influential home buyers - Construction Week India (constructionweekonline.in)

Figure 1. Population growth trend for major cities of India. Source: (IIHS, 2011)

The Real Estate Sector in India is one of major contributors to the transformation in Indian economy. Hence, the role of government policies, allied and interlinked sectors play a huge part in determining the growth trajectory and potential for the real estate sector. The economic liberalisation that happened in the year 1991 caused mass migration of population from rural to urban setting. This is evident from figure 1 which shows the population growth trend in the major cities of India including Greater Mumbai, Delhi, Kolkata, and Chennai. These cities provided job and business opportunities because of rapid industrialization.

The millennials, those born between 1981 and 1996 are in their peak buying years and have established jobs. With the pandemic causing the millennials to work from home, their needs in terms of living changed drastically. In a study by Pharande (2022) the changing housing needs for millennials have been explained. Larger spaces became a priority instead of the location in the inner city since the traveling element of their job was eliminated. The most conducive living situation for millennials turned out to be low-cost residential places at the periphery of the city with large spaces.

It is pertinent to note that this sector has also benefitted largely by the Government of India initiatives such as the Smart City projects, Housing for All, Pradhan Mantri Awas Yojana, etc., which have exposed real estate developers to new opportunities in the sector. In recent years, the Government has taken several regulatory initiatives such as the establishment of the Real Estate Regulatory Authority in 2016 which thrives for customer-centric approach toward addressing issues arising in the real estate sector.

All these initiatives are boosting the real estate sector and growing demand in the country. Therefore, the demographic shift in the market, rising demand, and economic growth makes this an opportune time to study the real estate sector and see what it entails for the future.
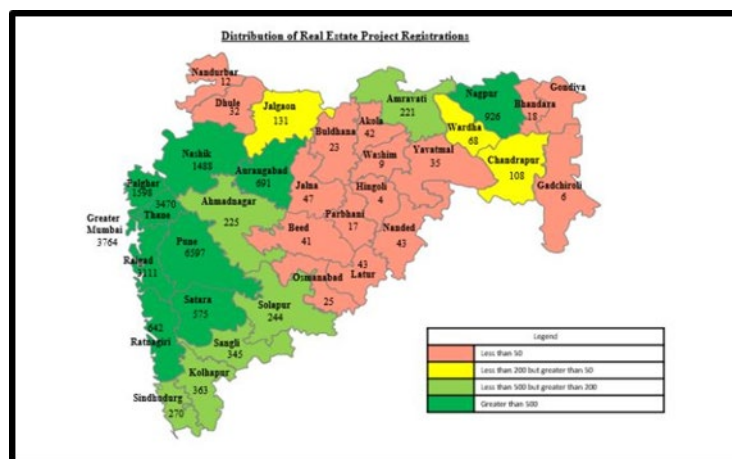
Figure 2. Distribution of Real estate projects across Maharashtra. Source: (MahaRERA, 2020)

Figure 2 shows the distribution of real estate projects across the state of Maharashtra (MahaRERA,2020). The Western part contributes to the greatest number of real estate projects in the State. Pune being the IT hub of Maharashtra, attracted millennials across the State to look for job opportunities in the city. This has skyrocketed the demand for real estate in the city. Mumbai is the financial hub of India, and it has always been in high demand of real estate. Central and Western parts of the State have seen the least growth in terms of real estate because of the weak local economy and infrastructure deficiency.

Research Question

The basic objective of this study is to study the various factors affecting consumer buying patterns of housing in the country and how have some of the recent Government Programs impacted the market. As various studies have quoted, real estate has a strong correlation with the GDP growth. One study pointed out that the "correlation of home prices to GDP growth is nearly 63% and nearly 55% to employment growth". [2]As the country's demographic dividend majorly consists of working population, various entrepreneurship initiatives such as 'Startup India', 'Make in India', etc. have also impacted the sector positively by growing the need for office spaces. In our study, we firstly intend to study the various factors affecting consumer buying patterns and secondly, understand how the Government Policies/ regulatory changes have impacted the real estate sector.

Literature Review

The Indian real estate sector faces a substantial disconnect between the supply of formal housing and the evolving demand in its cities. Initiatives by the government, including Central and State policies like RERA (2016) and the impact of FDI reforms, have bolstered consumer confidence. The introduction of RERA has significantly enhanced transparency in real estate transactions and improved grievance redressal mechanisms, instilling trust in the industry. India's rapid population growth, driven by millennials accounting for 34% of the population and rural-to-urban migration, fuels the demand for urban housing. Moreover, increasing Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) are expected to boost the Indian economy and real estate sector, thanks to rising incomes and growing disposable incomes, as highlighted by the IMF (2022).

Neelam Chawla & Basanta Kumar (2022) note that RERA's contribution to economic growth is significant, promoting openness and accountability in real estate and housing. The OECD economic survey (2019) underscores the impact of government programs like "Housing for All," which has improved housing affordability and reduced speculation. However, disparities persist between lower and higher-income groups. Gandhi et al. (2022) shed light on urban vacant housing in India and advocate for changes to rent control laws to alleviate housing shortages. ANAROCK-CII (2022) reports that millennials increasingly invest in real estate due to its perceived security, with a majority looking to buy homes for self-use and long-term investment.

The FICCI (2015) survey indicates a positive impact of FDI reforms on the real estate industry, with a significant portion of respondents expressing satisfaction. Building on these insights, further research should delve into the outcomes of government schemes like Pradhan Mantri Awas Yojana – Urban (PMAY-U) and

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[2] Correlations based on quarterly data from Q1 1975 through Q1 2019 between FHFA All Transaction Home Price Index. Nominal GDP from the Bureau of Economic Analysis, and Non-farm employment from the Bureau of Labor Statistics.

Housing for All, spearheaded by the Ministry of Housing and Urban Affairs (MoHUA). Additionally, conducting a primary survey targeting millennials can provide valuable insights into their evolving buying patterns and preferences in the dynamic Indian real estate market.

Research Methodology

This paper will follow both quantitative and qualitative tools for presenting the research and understanding of the factors affecting the consumer buying patterns and impact of government schemes on the real estate sector. These methods have been used to frame questionnaires, data collection, data entry, data analysis and data presentation. The study employs a research design which provides a holistic and comprehensive analysis of the study. Further, a structured questionnaire has been developed to collect data to analyse the trends of housing among individuals. The study aimed to analyse the consumer preferences of housing sector and how government policies are impacting the real estate sector.

Secondary Analysis

Secondary analysis involves examining data by researchers who were not involved in its initial collection, and for purposes that were not envisaged by those responsible for collecting the data. In this paper, various studies on real estate have been quoted for the purpose of understanding the impact of this sector and its growing demand (Bryman,2008). This approach is commonly used due to its cost-effectiveness, high data quality, its ability to facilitate long-term trend analysis, and its suitability for cross-cultural comparisons and new interpretations.

In our study, we have analysed nationwide (PAN India) reports to gain insights into the real estate sector. However, relevant limitations of secondary research, as cited by Alan Bryman, include a lack of familiarity with data, complexity of data, a lack of authorial control over data quality, and absence of key variables in the research process, which can necessitate multivariate analysis (Bryman, 2008). These aforementioned factors may potentially impact the reliability and accuracy of conclusions drawn from secondary research studies.

Stratified Sampling

Stratified random sampling is a probability sampling technique in which the total population is divided into various strata to complete the sampling process (Bryman,2008). In this study we opted for stratified random sampling because our survey targeted individuals from diverse demographic categories, including gender, income level, age group, and geographical location. The questionnaire was sent through mails, via google forms and responses were collected from different parts of the country.

Qualitative Research

Qualitative research methods are designed in a manner that help reveal the behaviour and perception of a target audience with reference to a particular topic (Bryman,2008). There are various types of qualitative research methods, including ethnographic research, content analysis and case study research. In the present complex world, gaining insight into people's beliefs and perceptions is crucial. Consequently, we utilized case studies and qualitative inquiries as tools to gain a deeper understanding of consumer perspectives regarding the real estate sector.

Quantitative Methods and Tools

The quantitative method employed for analysing the responses is based on numerical data, which is utilised to comprehend the Structured Interviews. It consists of questions within a pre-set theme framework to collect data (Bryman,2008). The questions were arranged, and the analysis aimed to identify patterns, calculate averages, and determine the most commonly occurring ratings.

Primary Survey Findings

Our survey form was sent to approximately 300 people across the country digitally. 195 responses gathered were from male (65%) and the rest (35%) were from females. Most responses were attained from people living in towns and cities and only 3 responses (1%) were received from individuals living in village.

Various tools were used for quantitative analysis such as a bar graph for representation of numerical data by rectangles (or bars) of equal width and varying height. Additionally, Pie chart was used as it is an important type of data representation. It contains different segments of real estate sectors in each segment and sector of a pie. Trend analysis was shown through line on various bar graph.

Results

Various Central and State Government schemes have helped to address the problem of homelessness, improve living conditions, generate employment, and boost the economy. Secondary research and analysis of Pradhan Mantri Awas Yojana was done to understand the roles, objectives and results of the scheme. It was seen that more than 15 lakh houses have been constructed under this scheme in Maharashtra. The achievements of this scheme have been covered in this section. A survey was conducted to understand how millennials respond to various schemes and regulations in the real estate sector and the changes in the buying pattern post the pandemic.

Pradhan Mantri Awas Yojana - Urban (PMAY-U), Maharashtra

About the scheme: Pradhan Mantri Awas Yojana – Urban (PMAY-U), a flagship Mission of Government of India being implemented by Ministry of Housing and Urban Affairs (MoHUA), launched on 25th June 2015. The Mission addresses urban housing shortage among the EWS/LIG and MIG categories including the slum dwellers by ensuring a pucca house [3](to all eligible urban households by the year 2022.)

According to MoHUA (2022) The main objective is to build and provide 'pucca' houses to improve the existing living conditions of Economically weaker sections/Lower Income groups (EWS/LIG). Under this mission, the government provides assistance at the rate of INR 1.5 lakh per EWS/LIG house being built under these partnerships. There has been a steady increase in the supply of affordable housing. Under this mission, a staggering 2.43 crore houses have been sanctioned out of which 1.86 crore houses have been completed over a period of March 2016 and June 2022.

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[3] A pucca house is one, which has walls and roof made of the following material. Wall material: Burnt bricks, stones (packed with lime or cement), cement concrete, timber, ekra etc
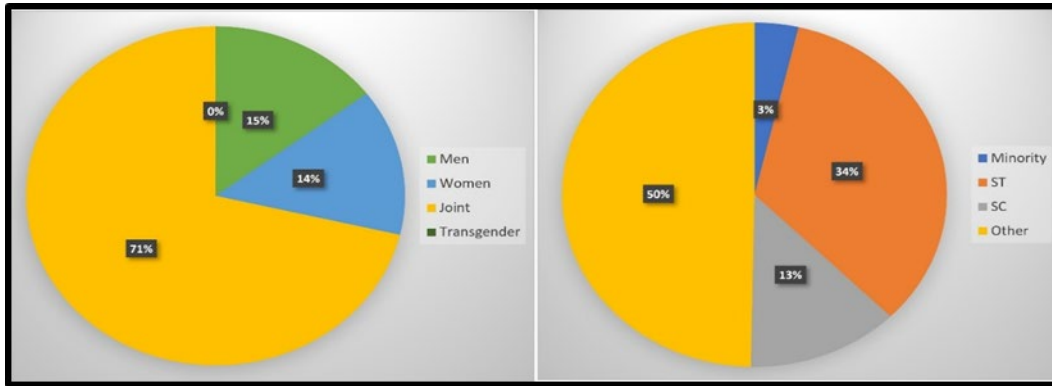
Figure 3. Beneficiary Distribution of Maharashtra, Source: (MoHUA, 2022)

PMAY in Maharashtra

As per MoHUA (2022), with 12,43,023 dwellings approved between March 2016 and June 2022, the state of Maharashtra notably benefited from the programme. 11,12,719 families received the first instalment under the programme, or roughly 90% of the authorised total. 8,25,395 homes were completed under the programme within the period mentioned.

      According to MoHUA (2022), Figure 3 shows the demographic distribution of the beneficiaries of PMAY-G in Maharashtra. 14% of the completed houses are in the name of women while more than 71% of the completed houses are jointly owned. Further, about half the total number of beneficiaries of completed houses are SCs, STs and minorities. This highlights the fact that the scheme has touched all sections of society, including the marginalized.
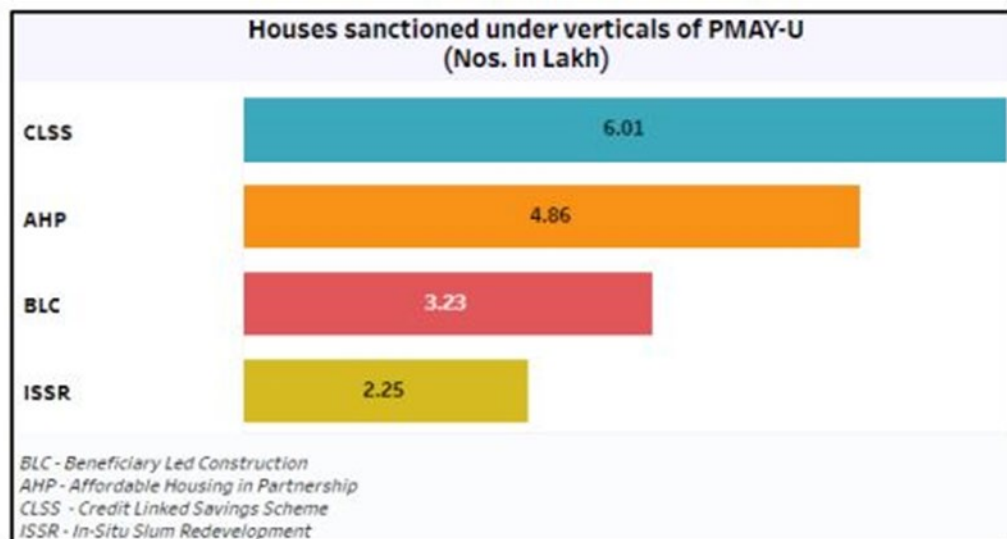

Figure 4. Distribution of sanctioned houses as per PMAY verticals in Maharashtra, Source: (MoHUA, 2022)

Table 1. Maharashtra State performance under PMAY mission, Source: (MoHUA, 2022)

Maharashtra state performance under PMAY mission	
Demand	1,350,000 units
Sanctioned	1,634,553 units
Houses grounded for Construction	9,32,219 Units
Completed/Delivered	6,81,299
Financials for Maharashtra under PMAY mission	
Central Assistance Sanctioned	INR 28,620 crores
Central Assistance released	INR 13,917 crores
Investment by State/UT	INR 15.856 crores

According to MoHUA (2022), Under the scheme, 2.43 crore dwellings have been sanctioned to bene-ficiaries out of which 1.86 crore have been completed between March 2016 and June 2022. The initiative en-couraged women's empowerment by allowing female members to purchase homes in their own names. On January 24, 2022, 66.90% of houses were either in the name of female beneficiaries or in the joint name of both husband and wife. In this, Maharashtra has emerged as one of the best-performing states under Pradhan Mantri Awas Yojana-Urban. 16.35 lakh houses have been sanctioned in the State, underscoring the excellent demand saturation in implementing the scheme. The same has been shown in figure 4. Of these, 6.8 lakh houses have been completed and 9.32 lakh houses are under construction, as of June 2022.

Case Study On Real Estate Sector Trends in Recent Years

This case study focuses on changes in trends in the real estate sector in two major real estate markets in Maha-rashtra i.e., Mumbai Metropolitan Region (MMR) and Pune. The researcher shall look at these trends through the lens of impact of government schemes on the housing trends.
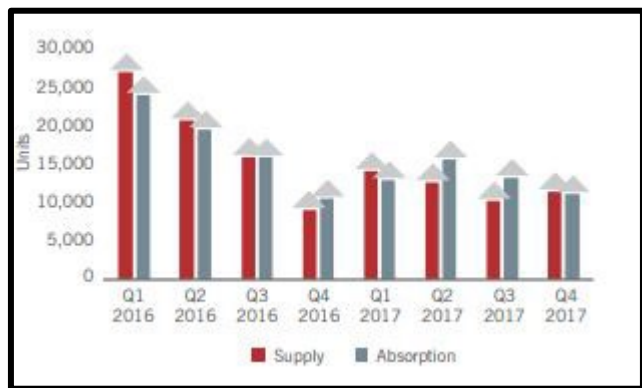
2017

Figure 5. MMR supply absorption dynamics, Source: (Anarock, 2017)

Figure 4. Pune supply absorption dynamics, Source: (Anarock, 2017)

As per ANAROCK (2017), MMR recorded a 33% drop in new launches, while Pune witnessed a 67% drop in new launches owing to the introduction of RERA. The developer community was awaiting the full-scale deployment of the RERA laws to be better prepared for the new launches since the laws' customer-centric nature. While the developers had their doubts, the laws boosted the buyer confidence and the sales started crossing the new launch numbers in both Pune and MMR as evident from Figure 5 & Figure 6.

2018

According to ANAROCK (2018), with PMAY implementation in full swing, the requirement for affordable housing saw a great rise in demand which eventually reflected in the new launch numbers in affordable housing segment. As a result, MMR witnessed a 12% increase and Pune witnessed a 29% increase in new launches in 2018 compared to 2017. The sales growth achieved by Pune and MMR stands at 12% and 14% respectively in 2018 compared to 2017. Affordable housing held a share of 40% of the total launches in MMR in 2018.

Figure 6. Pune supply sales trend 2015-18, Source: (ANAROCK, 2018)

Figure 7. MMR supply sales trend 2015-18, Source: (ANAROCK, 2018)

2019

As per ANAROCK (2019), In April 2019, the GST rates on under construction projects were revised for the affordable housing projects and the income tax deduction limit on interest paid on loans was increased for affordable housing projects. This shows the positive effect of relaxations provided by the Government in terms of taxation and interest rates to the stakeholders in the real estate sector.

2020

As per ANAROCK (2020) In 2020, MMR was the most active real estate market of India accounting for nearly 24% and 32% of the supply and absorption. The strong sales led to reduction in unsold inventory by 12% in 2020 as compared to 2019. 33% of the new launches came in the affordable housing segment during 2020, which was later impacted adversely has the purchasing power of the MSME segment went down post the pandemic.
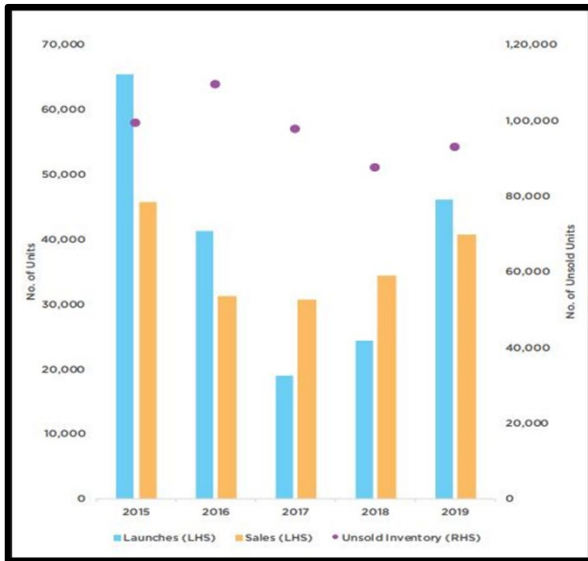
Figure 9. Pune supply sales trend 2015-2019, Source: (ANAROCK, 2019)
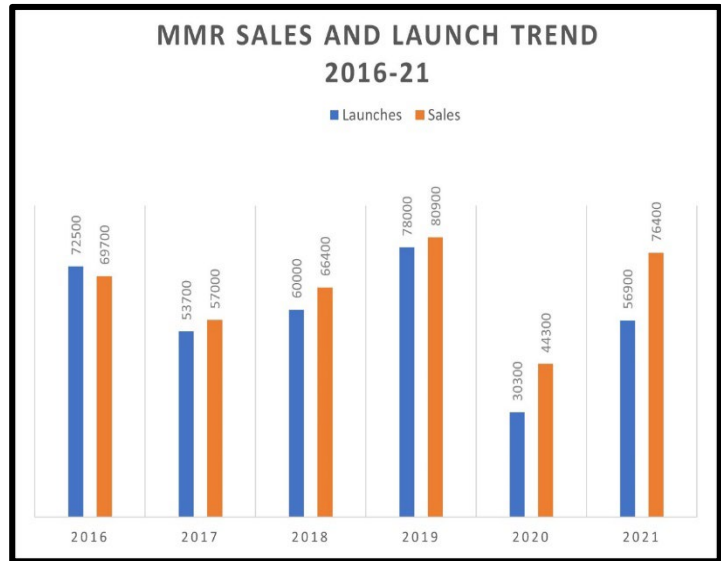

Figure 10. MMR sales and launch trend 2016-21, Source: (ANAROCK, 2021)

2021

According to ANAROCK (2021), the real estate market growth started gathering pace post COVID-19 relaxations in restrictions which is evident from MMR real estate market growth shown in Figure 9 and 10. The Year-on-Year growth experienced by MMR stands at 88% and 72% for launches and sales respectively over 2020. Government initiatives such as reduction in guidance value, housing schemes and infusion of liquidity through the government played a huge role in appreciation of numbers for sales and launches in MMR.
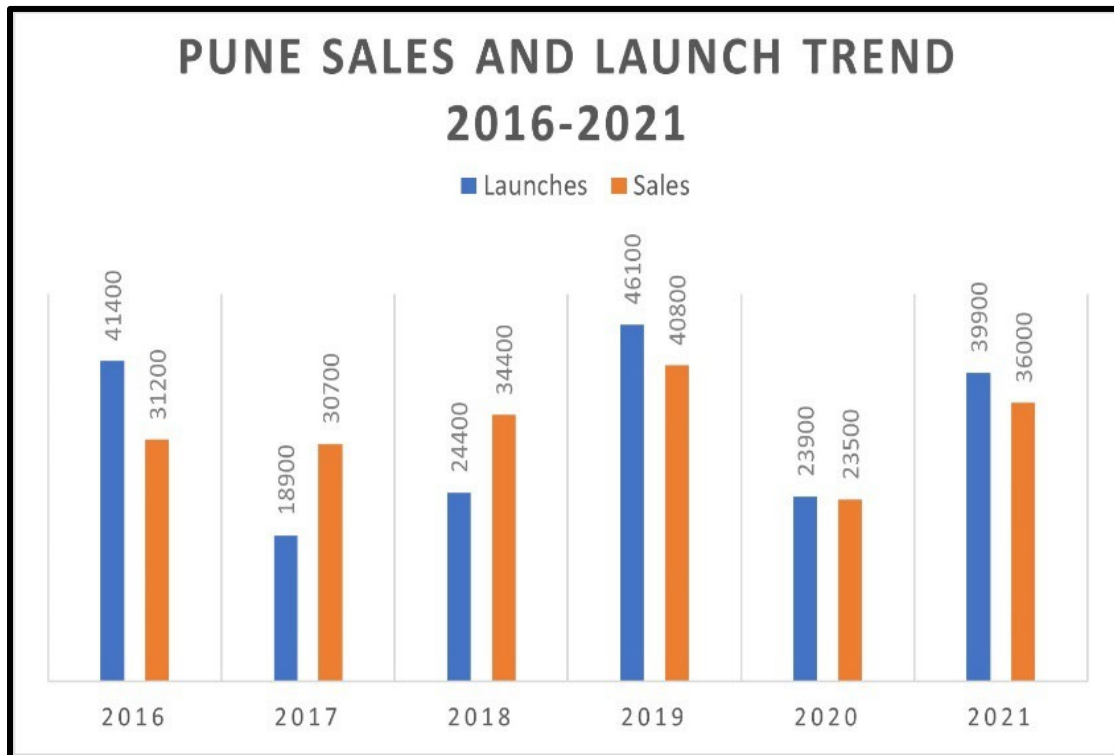
Figure 11. Pune Sales and Launch Trend, Source: (ANAROCK, 2021)

2022

As per ANAROCK (2022) With nearly 1.10 Lakh units sold (comprising 30% share of total sales), MMR was the frontrunner amongst the top 7 cities in 2022. Along with sales, the new launches in the region also witnessed robust growth (119%) on an annual basis. MMR registered new launches of around 1.25 lakh units in 2022, with one of the highest contributions of approx. 35% of the overall launches across the top 7 cities in India. This year, the affordable segment (<INR 40 Lakh) supply took a back seat and contributed only 25% in the overall MMR market new supply which is 7% lower as compared to 2021.

Survey Findings

Online surveys are an effective way to collect information as its less time consuming and faster responses can be attained. Our survey form was sent to approximately 300 people across the country digitally. 195 responses gathered were from male (65%) and the rest (35%) were from females. Most responses were attained from people living in towns and cities and only 3 responses (1%) were received from individuals living in village.

The majority of survey participants fell within the income range of INR 15 lakh to INR 30 lakh annually and had more than 5 years of work experience. About 30% of the survey respondents, totalling 210 responses, reported family incomes of up to INR 15 lakhs, primarily consisting of individuals with less than 5 years of work experience. Additionally, 10% of the participants had annual family incomes exceeding INR 30 lakhs.

Among all the respondents, 65% resided separately from their parents, and the largest portion, accounting for 53% of the group, lived in rented accommodations. Furthermore, 45% of the total respondents owned their homes.
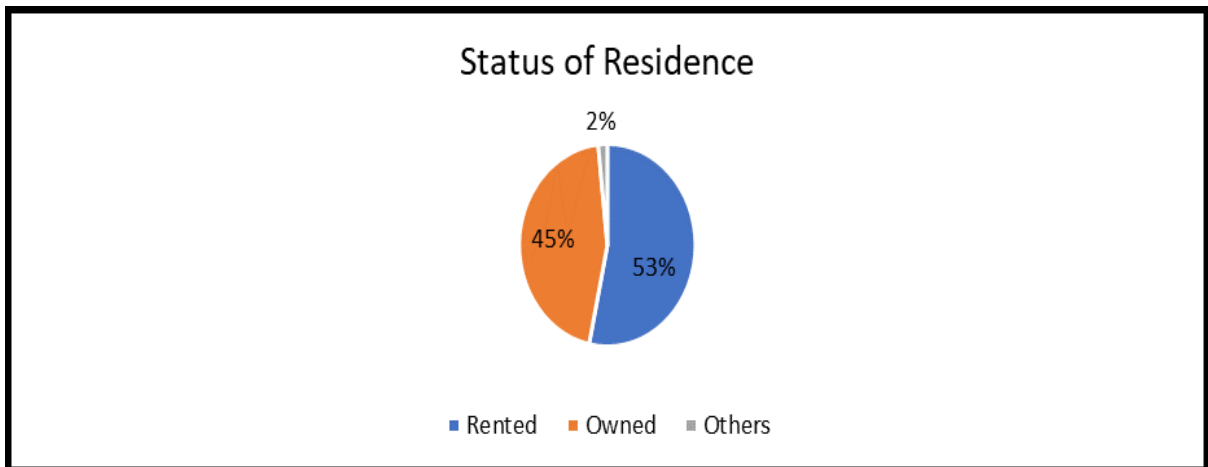
Figure 12. Status of residence, Source: - Author's own research based on questionnaire.

Over 31% respondents have cited a reason to shift from parental home to another city for employment, 23% had to move to another city after marriage, 19% shifted in same city as parents to be near workplace, 11% shifted in same city as parents for more space, while 11% shifted to other city for education.
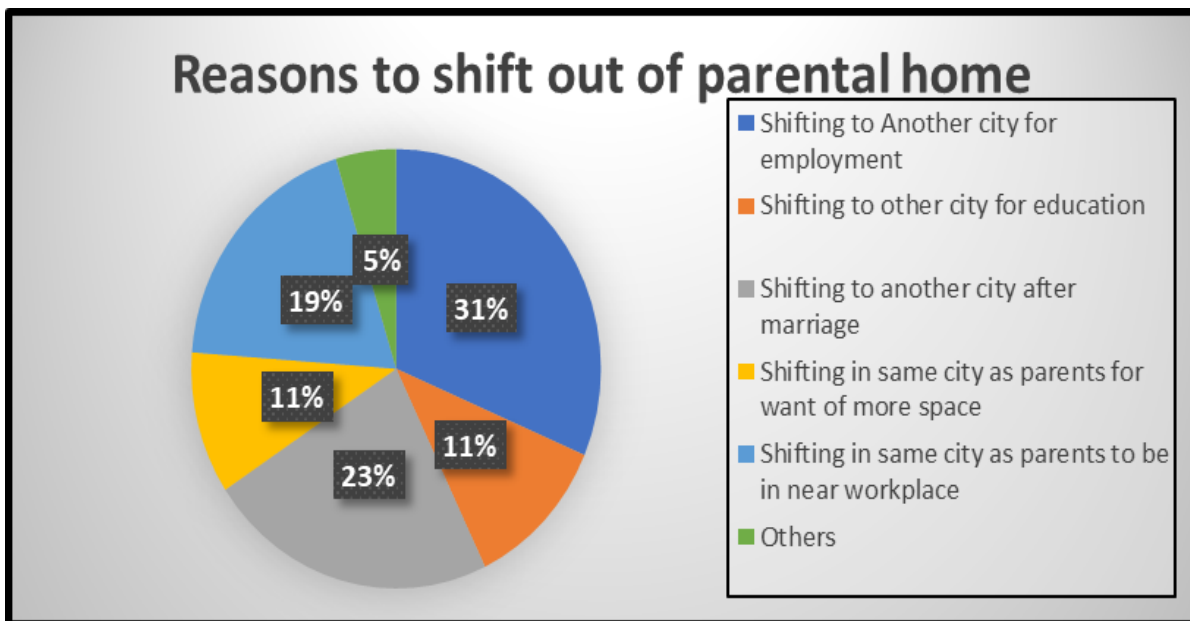

Figure13. Reason to shift out of parental home, Source: - Author's own research based on questionnaire. The important factors affecting buying decisions were developer credibility (68%), Closeness to place of work (66%) and amenities provided in the society (67%).
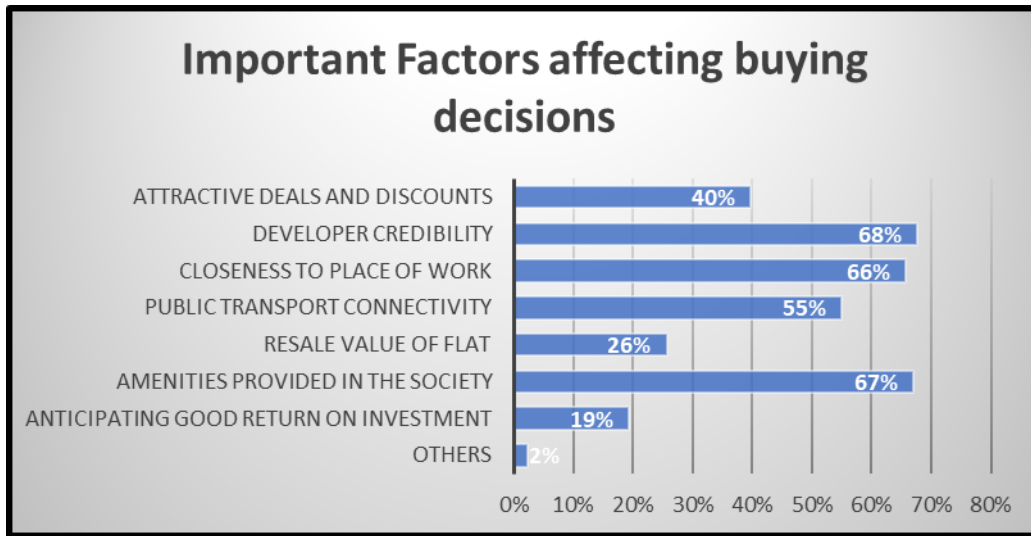
Figure 14. Important Factors affecting buying decisions, Source: - Author's own research based on question-naire.

According to the survey findings, a significant portion of respondents, totalling 36%, are inclined to own property in their current location, either presently or in the future, while a majority of 64% do not harbour such intentions in the near term. Looking at broader property ownership aspirations, 65% of the surveyed individuals express a desire to own residential real estate, whereas 35% have no immediate plans to become property owners. Delving into the timeline for property acquisition, 39% aim to purchase residential property within 5 to 10 years, 26% plan to do so within 2 to 5 years, 16% wish to own property in less than 2 years, and 19% are willing to wait for more than 10 years before making a residential property investment.
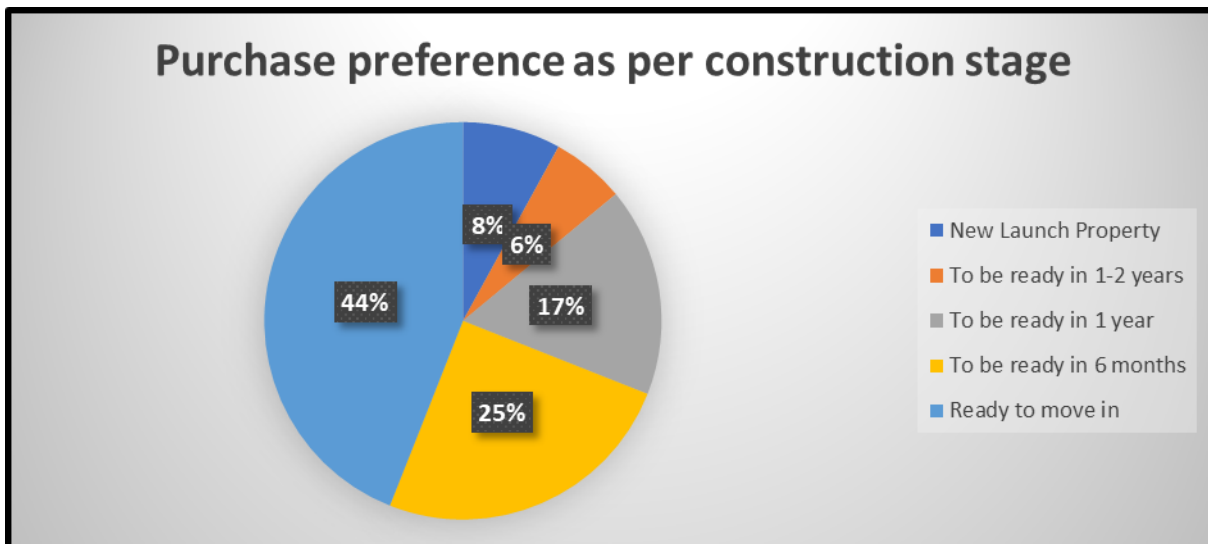

Figure 15. Purchase preference as per construction stage, Source: - Author's own research based on question-naire.
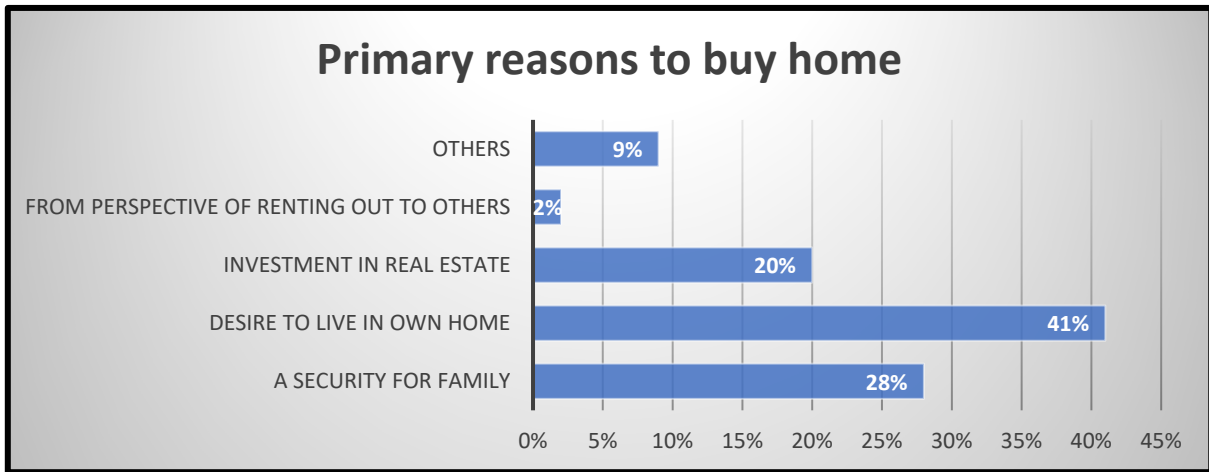
Figure 16. Primary reasons to buy home, Source: - Author's own research based on questionnaire.
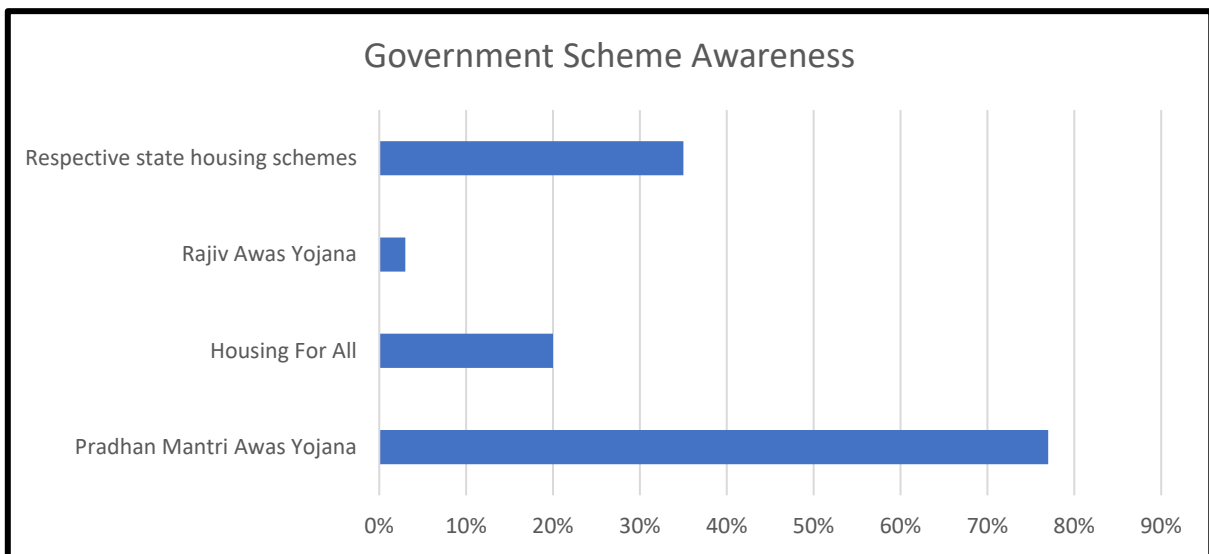

Figure 17. Government scheme Awareness, Source: - Author's own research based on questionnaire.

The primary factors influencing the majority of respondents' decisions to purchase residential property were the implementation of RERA, which played a role in 42% of cases, and the reduction in stamp duty charges, which contributed in 37% of cases. Additionally, 16% of respondents cited the PM Awas Yojana as a factor influencing their decision to buy residential property.

In conclusion, the survey conducted digitally among 300 participants across the country revealed valuable insights into demographics, housing preferences, and property ownership aspirations. Notably, a gender imbalance was observed, with 65% male and 35% female respondents. The majority of respondents hailed from urban areas, earning between INR 15 lakh to 30 lakh annually, and possessing over 5 years of work experience. While a substantial 65% of respondents lived separately from their parents, the desire to own residential real estate was evident in 65% of participants, with 39% planning to do so within 5 to 10 years. Key influencers for property purchase decisions included RERA implementation, stamp duty reductions, and the PM Awas Yojana, shedding light on the factors guiding property investment choices in the surveyed population.

Conclusion

The requirement for affordable housing has seen great rise in demand which is ultimately reflected in the new launch numbers within the affordable housing segment. As a result, MMR witnessed a significant increase. Majority of the respondents have cited a reason to shift from parental home to another city for employment. There is also a response towards an inclination to invest in property within the next 5 to 10 years, supporting the increasing demand of real estate sector. The decision to buy residential property has a positive correlation with establishment of RERA (2016) and reduction in stamp duty charges, emphasizing a strong demonstration effect accompanying positive regulatory changes. 'Credibility' and 'Proximity to work' have been reported as the most important factors affecting investment decisions of potential customers.

One of the major challenges faced in undertaking the survey is to maintain data accuracy. This is because people were reluctant to share their personal information or were not aware of the true value of their property. It was difficult to communicate the results of a real estate survey to the consumers. This is because the results are complex, and people may not be interested in the details. Also, getting information from various stakeholders was a challenge. It was difficult to get data from officials of the Government including RERA, Housing department, consumers etc.

From this study, we can conclude that the Indian government is taking effective steps to promote the real estate sector, such as providing tax breaks and subsidies for investors, which are generating impact effects in sectors like construction and manufacturing, boosting employment through investment multipliers. Further, the growth of the real estate sector is also having a positive externality on other sectors of the economy, such as construction and manufacturing.

Acknowledgments

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