

WHATSINIT



WHAT is affordable housing anyway?

■ Affordable housing is back in the limelight after the government allocated Rs 4,000 crore to the National Housing Bank. This was followed by RBI's announcement that priority sector lending would cover lending under affordable housing. While no one disputes that such steps will strengthen the poor and the lower middle class, such moves could have adverse repercussions too. These moves may end up widening the gap between the poor and rich. The bane lies in the subjective concept of affordability. The concept is subjective to the income, time and geography of the potential asset owner. Given the fragile asset base of the banks and finance firms in the past five years, such moves can lead to more pain than pride for the stakeholders including the government and the consumers. Consider this: while Rs 50 lakh can only enable one to get a one room accommodation in the outskirts of Mumbai; Rs 40 lakh can buy a palatial place in a two or three tier city like Raipur or Surat. So a bigger question arises: what should the government and RBI do to revitalise the real estate segment and balance greater good with better financial sense? The first thing that needs to be done is to realign the limits to the realistic property rates prevailing in the top tier towns and non-metros. Second, with the priority sector lending available to the borrowers, there are chances of property prices galloping over the affordable mark – thereby advocating the need to control unnatural appreciation. This will deter investors and increase participation of resident buyers. Third and most important, the income earning capacity of the borrower should decide the concept of affordability and not a pre-decided slab or a one size that fits all.

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