

Mehta, Meera and Dinesh Mehta METROPOLITAN HOUSING MARKET : A STUDY OF AHMEDABAD (New Delhi: Sage Publications, 1989)pp. 208.

Housing investment is the largest single form of fixed capital investment in most economies, developing or developed. In developing countries, the housing sector comprises about 10 to 30 per cent of household expenditure, or 6 to 20 per cent of gross national product. In the market for housing services, inputs such as land, labour, construction materials, and infrastructure are combined by supply side agents, viz., landlords and developers, to produce housing services.

In India, despite recent increases in the share of GNP devoted to housing investment, the housing conditions are getting worse instead of improving. The recent report of the National Commission on Urbanisation describes this worsening housing situation quite candidly as follows:

“The stark reality of the urban housing scene in India is that more than two lakh urban households are without any shelter and as many as 45 per cent are living in just single room-houses, nearly 5 persons to a room, in a state of extreme over-crowding. Adding to their agony is the absence or inadequacy of the basic services.”

The crisis in the housing market, particularly in the metropolitan market, is leading to serious problems in urban areas; land prices are shooting up at the rate of about 30 per cent per year; proportion of population living in slum areas ranges from 20 to 50 per cent in large cities; the housing stock has not been able to keep pace with the needs and living conditions in cities are deteriorating continuously.

What are the causes of this distressing housing situation in the country? What policy measures need to be taken to improve the situation? Which are the factors that are adversely affecting the housing market? Answers to such questions require detailed empirical studies of the various segments of the housing market in different market situations. Unfortunately, the number of such studies on the country's urban housing market is negligible.

Viewed in this context, the study **Metropolitan Housing Market: A Study of Ahmedabad** by Meera Mehta and Dinesh Mehta is the first published econometric study based on household level data of an urban housing market. The study attempts to analyse the various aspects related to the processes of supply and demand in the city and discusses their implications for policy guidelines. The study provides a review of urban policies in India, describe the characteristics of population, economy and housing as well as the structure of

housing supply in Ahmedabad, analyses the demand for housing and housing preferences and constraints, discusses the housing adjustment processes and, finally, presents some policy directions in the light of the study findings. The study is based on primary data collected through a sample of 933 households in the city and collateral data taken from other sources.

While reviewing the housing policies in post-independence India, the authors point out certain contradictions in the entire approach to the policies for urban housing in India. They conclude that on the one hand, there is a recognition of the self-help approach and the need for support policies, on the other hand, most housing boards and other housing agencies continue to allocate a major share of the resources for regular public housing projects.

The major characteristics of the housing market in Ahmedabad as described in the study indicate that the housing situation in the city is probably as bad as in other metropolitan cities in the country. The study survey results show that in terms of per capita availability of built up space, 50 per cent of the households have less than 5.5 sq.m. of space. Further, more than 40 per cent of households live in dwellings of less than 25 sq.m. area. The slump in the textile sector and the general sense of despair about the city's economic well-being are adversely affecting the housing market.

One of the significant contributions of the study is the econometric analysis of demand for housing in Ahmedabad City. The analysis shows that the income elasticity of demand for owners is 0.20 and for renters, in the region of 0.17 to 0.40 depending upon the functional form of the demand equation (linear/log-linear). The results suggest a generally inelastic housing demand. However, the income elasticity of demand for various income groups shows that for lower and middle-income renters, the income elasticity of demand is close to zero, and rises to 0.36 for higher income renters. For the owner households, the income elasticity is 0.7 for the middle income groups. These results are similar to those found in previous research in the case of other developing countries. Previous research in a number of markets has shown that within particular markets, demand is income elastic, but across markets, demand is inelastic. A study by Stephen Malpezzi and Stephen Mayo estimates that, using city averages of housing consumption and incomes as the unit of observation, the very long run elasticity ranges between 1.0 and 1.6.

The analysis of housing preferences for ownership appropriate house-size, shelter quality and location and that of housing constraints and adjustments in the study provide some meaningful insights into the behaviour aspects of the city's households. However, the analysis of the constraints in the market and

their impact on the housing situation is very sketchy. The most important constraints identified in the study relate to availability of and access to housing finance and information. Under institutional constraints the analysis is limited to the impact of rent control as the major factor inhibiting residential mobility. Besides rent control which itself affects the housing market adversely in a number of ways, there are more than a dozen other legislations relating to land acquisition, tenure, taxation, land ceiling and land development which also affect the market in one way or the other. Moreover, access to developed land is probably more important factor than the access to housing finance. Some of these important aspects of the urban housing market have not been dealt with adequately in the study.

The final chapter of the book is a half-hearted attempt to relate the major findings of the study to policy directions. Like many other good analytical studies, this study also fails to take advantage of its empirical findings to make specific policy recommendations. The policy directions outlined are of a very broad nature, and therefore, their utility to urban policy makers is extremely limited.

The problem is a common feature of most of the research studies in public policy domain in the country. While the systematic analytical studies do not attempt to analyse policy implications by saying that the subject matter is 'beyond the scope of this study', the other studies, generally, get into policy analysis without any empirical findings. And thus, a lot of research just remains as a work of academic interest.

On the whole, this book by Mehta and Mehta presents the findings of a serious analytical research which provide meaningful insights into the housing market of a metropolitan city in the country. As such, the book will be of interest to urban researchers, planners and policy makers in enhancing their understanding of an extremely important component of the urban infrastructural system.

VINOD K. TEWARI