

BUSINESS MODEL FOR THE BENEFICIARY LED CONSTRUCTION OF HOUSE UNDER PMAY

Introduction

“Housing for All” Mission for urban area will be implemented during 2015-2022 and this Mission will provide central assistance to Urban Housing Mission (Kudumbashree) through Government of Kerala for providing houses to all eligible beneficiaries by 2022. A beneficiary family will comprise of husband, wife, unmarried sons and/or unmarried daughters. The beneficiary family should not own a pucca house either in his/her name or in the name of any member of his/her family in any part of India to be eligible to receive central assistance under the mission. Mission has become effective from the date 17 June 2015 and will be implemented up to 31 March 2022.

The Beneficiary Led Construction (BLC) component of the mission give assistance to individual eligible families belonging to EWS (Economically Weaker Section) categories to construct new house or enhance existing houses, subject to the other conditions of the guidelines, on their own to cover the beneficiaries who are not able to take advantage of other components of the mission. Such families may avail of central government assistance of Rs. 1, 50,000 , government of Kerala assistance of Rs.50, 000 and municipality/corporation assistance Rs.50, 000 as for construction of new houses under the mission. Apart from the assistance from the government beneficiary also contribute their share of Rs.50, 000. Beneficiary desirous of availing this assistance shall approach the

municipality/corporation with adequate documentation regarding availability of land owned by them. Such beneficiaries may be residing either in slums or outside the slums. Beneficiaries in slums which are not being redeveloped can be covered under this component if beneficiaries have a Kutchha house. Central assistance will be released to the bank accounts of beneficiaries identified in projects through municipality/corporation. Government assistance will be released in proportion to the construction by individual beneficiary. The last installment of Rs. 30,000 assistance should be released only after the completion of the house.

The very purpose of this document is to construct a better house within the budgeted price. In this scheme eligible beneficiary can avail an amount of Rs.3,00,0000 (including beneficiary share) assistance for the construction of house. Final result of this assistance should be the creation of a useful asset, ie. House. But it is a challenge for the beneficiary to construct a house with Rs. 2,50,000 (excluding beneficiary share) considering current cost of construction. The role of this manuscript is to help to construct house in a cost effective manner that means to reduce the cost at its maximum and alternative source of fund mobilization to meet the cost in excess of Rs.2, 50, 000. First part deals with the things to be considered or precautions to be taken to construct a low cost house and second part discuss sources of additional fund mobilization, if required.

Construction of Low cost house

Basically the cost of a house depends upon the dream of the beneficiary. Apart from the dream, it is necessary to understand that a house is to be constructed

according to our need not our dream. Give preference to necessity than dream. Dream matters the cost of construction. In this scenario, one should think how the house will be completed at low cost but not at low quality. Low cost house doesn't mean you have to compromise on the quality and design of the house you are planning for yourself and your family. It is often found that people cross their budgets at the end, and sometimes due to unplanned construction, many jobs remain incomplete even after their families start residing. No one is ready to pay more or pay unnecessarily. In most of the cases, it is found that cost of the construction increases just because of the lack of a proper plan.

You can think of various low-cost house construction methods for your house, but always be careful to adopt the most suitable plan in commensurate with your budget, and average weather condition of your place. You need to keep in mind that Kerala falls in the tropical climatic zone, where rainfall is quite high, and the summer temperature rises as high as 40 degrees on an average. A low cost house in Kerala can be easily accomplished.

Tips for low cost house construction methods

You may get plenty of low cost house construction plans from different sources, but that doesn't mean that you'll end up within your budget. So, here are some low cost house construction methods you must follow.

1. Plan before you jump

Only a right plan can put you in a right track. People often make mistakes by starting a house construction job without a plan. So, plan according to your term,

and condition, plan with your family members, and well-wishers. Through different suggestions, many newer ideas will come out that will help you to design the best possible low cost house without compromising the quality. Planning at this stage need not to be technically correct. It is the primary blueprint that will show what you and your family needs, and how everything will be accomplished. A sure shot approach to reducing the construction cost will be to opt for simpler design. As you include unwanted complexities in the design, it will not only require more construction materials but, you will have to incur more expenses on labor charges for executing such designs.

2. Find a reputed contractor (labor)

This aspect is the most important part in any sorts of house construction process. Your low cost building construction can only be materialized with a professional support from an experienced contractor (labor). At the initial stages, you may need the help or advice of an engineer, but a good contractor (labor) can take this responsibility too. These days, most of the contractor (labor) is familiar to offer packaged services that means, they will give you a budget and they will take the overall responsibility to complete the construction job within the deadline.

3. Find a reputed supplier and buy low maintenance building materials

You will find a plenty of building material suppliers in your town or city, but choose the one, whom the majority of people rely, and who has a long experience in this field. This is not a tough job; you can consult with local people, and friends to get the addresses of the reputed suppliers in your place. Choose from at least 3-4 reputed suppliers after discussion with all of them. A good

supplier and a good contractor will help you to procure inexpensive, but low-maintenance building materials. If possible, ask the supplier to provide some products on a long-term credit. A professional supplier will agree. This will help you to invest money in some other jobs. If you have to complete the construction within competitive budget, you require select those construction techniques that will require the minimum construction materials. Likewise, you should opt for the durable and low maintenance materials. For e.g.: if you are looking for the most effective low cost house construction method, you should opt for the hollow concrete blocks for the load bearing walls. This will require half the construction material and hence, you can reduce the construction expenses by a significant amount.

4. Collect some salvaged materials from demolition sites

You may have noticed many old houses are demolished and the salvaged materials are carried away by the contractors. In fact, these materials are sold in the market and reused in similar types of jobs. Find out where these materials are available, and procure some salvaged materials that can be used in your construction work. This is another secret behind the low cost housing technology. In this way, you can save money, and lower down the cost of construction. In this matter you need to look for these products all by yourself or with the help of very reliable persons.

5. Buy accessories from reputed sources

You need to buy lots of accessories, apart from building materials, for completing the house, and making it livable. Products like electric wirings, and fittings, glass panes, kitchen and bathroom fittings, flooring materials, etc. need to be purchased at the right prices from a reliable merchant. It is better to buy these

products directly from a hub, where many merchants deal in such products. In any low cost construction methods, experts advise to not indulge in any costly accessories. Spend only on those things which are essential, and it is not a sign of upper classes.

6. Monitor every bit of the construction job

It is very important if you want to save money to follow the job on a day-to-day basis. Though, you will have an excellent contractor for accomplishing the job still, track the construction workers. It will keep them, including the contractor under pressure to use right quantity of products, avoid damage, and work as per the schedules. Labor cost covers up a major part of the total construction expenses and hence, it will be wise to collaborate with this workforce to accomplish the construction work to some extent. This way, you can significantly reduce the construction expenses.

7. Keep the purchased products securely

Keeping cement bags, bricks, chips, sand in any open space, or just casually may not be safe. There always remain a chance of damage and spoilage. So, prepare a safe place for building materials. If that is not possible, ask the suppliers to deliver products in small quantities.

8. Buy materials collectively, if possible

It is possible only if you, and your neighbors or friends, or colleagues are constructing the houses at the same time. When you purchase a product in bulk, the supplier is sure to provide some extra discount. Ward council and ADS/CDS can perform a vital role by grouping the beneficiaries.

9. Buy less costly woods for doors and windows

There is a common notion among the 'Malayalees' that teak doors and windows are the best ones for security and safety of a house. There is no science behind this concept. Go for less costly woods that are abundantly available in the market, and that would be equally effective. Ask your carpenter to make them pest free, so that they remain strong for years. As for the windows and doors, you should also adopt the prefabrication technique as it comes as a speedy construction technique and involves much lesser expenses. Hence, adopting these techniques, you can keep the expenses within control, without doing the minimal compromise on the quality of construction.

10. Don't go for a show kitchen or a majestic bathroom

People like to design kitchen, and bathrooms with the best of their imaginations, but in case of low budget houses, you need to avoid such habit. The cabinets, flooring, furniture & fixture, etc., all add up to the expenses in the construction of kitchen and bathroom. It is important to keep everything simple, with affordable kitchen, one common bathroom. More you keep them simple, more you will save hard-earned money. While buying taps, shower sprays, basins, etc. never buy expensive brands. There is nothing wrong in the inexpensive brands, except that they are less known in the market.

11. Keep the staircases and pavements as simple as possible

Once the house is completed, it is almost a common custom among the 'Malayalees' to go for expensive pavement tiles, and expensive staircase designs. Besides adding some beauty elements, these products don't have any utility. Pavements made of tiles don't allow water to go back naturally, which is also a problem in a tropical region like Kerala. It is found that in almost every Kerala

house construction steps and pavements take much of the budget, which should be avoided in a low cost house construction. You should opt for the precast versions as this construction can be carried quickly and it involves the minimal expenses. As it is not a labor-intensive construction technique, you will require the minimum labors to execute this construction and hence, save a considerable amount.

In any low budget house construction, two things are really important: simplicity of the design, and speed of work, which make a construction process affordable, effective, and perfect. Good contractor (labor) and suppliers can make your job easier and faster too. So, always make these selections as suitable as possible. An efficient contractor (labor) can speed up the process, make the job more stable, and keep focus on your budget. If your planning is full-proof, and you are ready to control everything from the front, then your house will be established right in front of you and your family, within the budget. The Low budget house construction suggests that you should focus on points like the structural design, budgeting & cost cutting method as well as use of materials. Keeping the right balance between these attributes, you can keep the construction expenses within your budget, even though the quality of construction stays to the perfect standard. This way, you win the deals on the aspect of construction quality as well as the construction cost. Square footage is the key contributor to the *construction cost* and hence, you need to use every inch of the floor area wisely and efficiently.

Sources of additional fund mobilization

1. CSR (Corporate Social Responsibility)

Corporate Social Responsibility is an element of charity by corporate institutions in the country, it is mandatory that a certain portion of their income to be expended to the benefit of the society. The concept of CSR is since the institutions are exploiting the nature by procuring raw materials and by emission of pollution they are responsible to give back something to the society as well. Here we can use this aspect for funding the BLC model. Individual beneficiaries cannot do anything in this, municipalities/corporations, ward councils, CDSs and other community organizations can play a vital role to make use of the CSR element effectively to help in the completion of houses of a group of beneficiaries in a particular area.

2. Sponsorship

Another aspect of funding without additional burden to the beneficiary is sponsorship. It is a part of publicity of the business group and other type of organizations like clubs, cultural groups, charitable societies etc. Here also municipalities/corporations, ward councils, CDSs and other community organizations can play a vital role to make use of this opportunity in an effective way. The most important aspect of this concept is that the assistance goes to the right person, i.e., the person who is not in a position to complete home with the government assistance.

3. Linkage loan

It is available to members of Kudumbashree neighborhood groups. If a member of the group or member's family is a beneficiary of BLC who can avail the linkage

loan facility. Linkage loan is a loan facility available to the neighborhood groups based on the thrift deposit of the group in the bank. Here Kudumashree is providing interest subsidy to the group based on the loan repayment. If the beneficiary/beneficiary's family member is not a member of the group it is an option to beneficiary/beneficiary's family member to become a member of the group and makes use of this facility subject to the terms and conditions of Kudumbashree. Linkage loan repayment period is short compared to house loan but savings in interest is considerable.

4. Bank loan

In order to complete the house construction, beneficiary can avail housing loan from banks. Interest rate may vary based on the period of repayment. It is important to find the correct gap in fund before availing loan because loan is a long period liability, so reduce the loan amount to the minimum as you can. Another aspect is to be considered is the repayment capacity of the beneficiary, it better to extend loan period to the maximum because it will reduce the amount of monthly repayment. Since the original document of the land is with municipality/corporation for a period of 7 years it is required to make a tri-party agreement among beneficiary, municipality/corporation and lending institution. After completing loan bank will give the original document of the land to the secretary of municipality/corporation.

5. Sale of property

If there is vacant land after allotment for house it is better to sell the land to meet the balance amount to complete the construction of house. This choice is suitable only when other options are not possible. Ornaments like gold are another source of fund generation by sale or pledge for loan. But most important

is that before taking decision for sale one should make sure that the property going to sell is not essential in beneficiary's future life.

In short, beneficiaries in this element are economically weaker section therefore they may not be in a position to make use of the above mentioned techniques and sources individually. Therefore municipalities/corporations, ward councils, Area Development Societies (ADS) and Community Development Societies (CDS) should actively participate in the formation of group of beneficiaries in their respective areas. This group formation will help them to make use of bulk purchase, assign group construction to a contractor, approach bank, participation in neighborhood groups etc. This will also help to make sure active participation of business groups, clubs and other community organizations in funding to complete the houses of those beneficiaries, who are not in position to complete due to shortage of fund, under PMAY project.