

Sustainable housing for all

In the face of rapid urbanisation and climate change, the need for sustainable and affordable housing in India has never been more pressing. As the nation looks to build a greener future, the concept of green buildings is emerging as a critical solution. The housing finance landscape is evolving to promote and support these sustainable initiatives and practices, aiming to transform the way we build homes across the country.

Green buildings and sustainability

Green buildings are designed to minimise the environmental impact of construction and operation by using energy, water and materials more efficiently. These structures prioritise resource conservation, environmental responsibility and the well-being of residents. In India, adopting green building principles is critical for reducing carbon emissions and improving the overall quality of life. By implementing energy-efficient designs, sustainable water management practices, and effective waste disposal strategies, these buildings contribute significantly to the nation's sustainability goals.

The benefits of green buildings extend beyond environmental impact. They offer economic advantages by reducing utility costs for homeowners and enhancing property values. This makes them a preferred option for developers and buyers alike, prompting a shift in the housing finance sector towards supporting sustainable housing projects. As awareness grows, there is increasing pressure on financial institutions to integrate green building practices into their lending criteria, offering preferential rates for loans to developers who meet sustainability standards. This shift not only supports government objectives but also reduces risks associated with climate change, such as increased flooding and resource shortages.

Government objectives for green buildings

The Indian government's commitment to sustainable development is reflected in initiatives like the Pradhan Mantri Awas Yojana (PMAY), which aims to provide affordable housing for all. A key focus is promoting green buildings through funding schemes, policy incentives and partnerships with organisations such as the Indian Green Building Council (IGBC) and the Green Rating for Integrated Habitat Assessment (GRIHA), Excellence in Design for Greater Efficiencies (EDGE). These partnerships set standards for green buildings, enabling developers to access grants and incentives.

The government also encourages financial institutions to promote sustainable housing through green financing programs. This approach aligns with national and global sustainability goals, such as the United Nations Sustainable Development Goals (UN SDGs) and the Paris Agreement. By advocating for energy-efficient designs and sustainable



practices, the government aims to reduce the carbon footprint of the built environment and support the transition to a greener economy.

Several targeted policies and schemes have been introduced to promote green building practices:

• Green housing funding:

Launched to provide low-cost/subsidised loans to affordable housing developers integrating green building practices into their projects. This funding helps bridge the financial gap between conventional and green construction by offering affordable credit at lower interest rates, encouraging builders to adopt energy-efficient techniques.

• EESL scheme for energy efficiency:

Through the Energy Efficiency Services Limited (EESL), the government provides financial support for energy-efficient appliances and systems in green buildings, including LED lights, energy-efficient air conditioning systems, and solar water heating solutions. This helps reduce energy consumption in residential units.

• PM surya ghar:

Muft Bijli Yojana - Managed by the Ministry of New and Renewable Energy, this scheme offers subsidies to homeowners and RWAs for installing solar panels, promoting the use of renewable energy in residential buildings and reducing their carbon footprint.

• Multilateral agencies and development Financial Institution (DFIs):

Various agencies and DFIs started to provide loan facilities to Housing Finance institution for promoting green housing construction and sustainable practices. Here, focus is also on training, skill improvement, sustainable construction material and development of overall ecosystem for green affordable housing in India.

Role of housing finance in promoting green buildings

Housing finance institutions are increasingly recognising the value of incorporating green building practices into their lending criteria. By offering preferential loan rates to developers who meet sustainability standards, these institutions are helping drive the adoption of sustainable construction practices.

This shift not only supports government objectives but also mitigates risks associated with climate change, such as flooding and resource shortages.

For financial institutions, supporting green housing projects presents a significant opportunity to enhance their portfolios' resilience and contribute to a sustainable future. By focusing on energy-efficient buildings, these institutions can help mitigate environmental impact and provide better living conditions for homeowners. The integration of green building practices into housing finance is essential for fostering sustainable development and encouraging developers to adopt environmentally responsible construction methods.

Challenges and solutions

Despite the growing interest in green buildings, several barriers remain. High upfront costs, limited awareness among developers, and a shortage of skilled professionals are significant challenges. To overcome these hurdles, targeted education programs, financial subsidies and public-private partnerships are needed. These initiatives can help reduce costs and increase understanding of green building practices among all stakeholders. By providing financial support and technical guidance, the government and financial institutions can make sustainable housing projects more accessible, encouraging their adoption nationwide.

Redefining housing finance for a sustainable India requires collaboration across sectors—developers, financial institutions, government bodies, and the public. By prioritising green building practices and aligning with sustainability goals, the housing sector can lead the way in creating a resilient, sustainable housing ecosystem. As India continues its journey towards sustainable development, the principles outlined in this initiative will be key to building a future where housing is not only affordable but also environmentally responsible. By leveraging green financing, the housing sector can bridge the gap between economic development and sustainability, paving the way for a greener, more sustainable India.

(The author, Ajay Jaiswal, is the chief operating officer, at IIFL House Finance.)