SBI Research

How PMAY is impacting the spending of borrowers at lower income deciles

PMAY is now acting as a change agent with it becoming a catalyst for enhanced discretionary and even non-discretionary spending with a demonstrated wealth effect, financial stability & well-being; women borrowers in the EWS/LIG/MIG category are benefitting from higher discretionary spending reflected in spiraling transactions across value-volume matrix

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Executive Summary….

- Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) was launched on 01.09.2024 to provide Central Assistance to 1 crore eligible urban families, ensuring that citizens of urban India enjoy an improved quality of life. Eligible families belonging to the EWS, LIG, and MIG categories, living in urban areas, and without a pucca house anywhere in the country can purchase or construct a house under PMAY-U 2.0
- **Progress so far**: 1.2 crore houses were sanctioned so far (till 25 Aug) under PMAY-U and PMAY-U 2.0…Of all the houses sanctioned, the construction of 75% houses completed. **While most of the states have progress rate of 75% or more**, there are some states where progress is less than 60% (like Andhra Pradesh, Bihar and Haryana)
- **The normalized Shannon entropy score is 0.84, indicating spatial evenness in housing construction under PMAY. This suggests that housing benefits are broadly distributed across states…with even low-income states actively participating in the entire process**
- **Impact on Household Spending is positive for both non discretionary / debit card and discretionary spend */UPI transactions***
  - **Debit card spending increases for those households at lowest end of quintile spending indicating that access to subsidized housing loans provides greater financial freedom and flexibility**. While part of the loan is used for construction, these households experience a perceived wealth effect—recognizing that their housing costs are effectively lower than market rates. The lowest 25% households in terms of spending channelize their expenditure towards traditional sources such as debit cards
  - **Separately, higher-spending households at higher end of the quintile are better positioned to translate the perceived gain of subsidized interest rates into discretionary UPI payments, reflecting both increased liquidity and confidence in financial stability creating a sense of increased wealth**
- **Impact of discretionary household spending post disbursement of PMAY instalment is more pronounced for women borrowers**
  - **After taking the PMAY loan the average monthly UPI spending of the sample increases by Rs 5050 to Rs 45,081**
    - Discretionary / UPI spending increases for all the EWS/LIG/MIG category borrowers
      - **Within this cohort, female borrowers are more efficient in managing household spending**……This conditionality that house under PMAY should be in the name of the female head of the household or in the joint name of the male head of the household has positive aspect on spending. The average monthly change of UPI spending of female borrowers post disbursal of the home loan is almost double than the male borrowers
      - There is a spontaneous increase in UPI spending across all ages and urban and semi urban regions

PMAY (U) and PMAY (U) 2.0

Progress So Far

Backdrop

- Over the years, the need for housing has become prevalent in tandem with urban expansion. Urban areas continue to experience rising housing demand due to the creation of new cities/ towns coupled with rapid pace of urbanization. 'Affordable Housing' needs vary significantly among different income groups, including EWS, LIG and MIG segments across the country. It is necessary to support all these groups in realizing their aspirations of owning a house to lead a dignified life

- Hon'ble Prime Minister on the 77th Independence Day announced that Government of India will come up with a new Scheme to provide benefits to weaker section and middle-class families in owning a home

- Subsequently, in the Union Budget 2024, Finance Minister announced that under PMAY-U 2.0, housing needs of 1 crore urban poor and middle-class families will be addressed in the next 5 years

- Accordingly, Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) has been launched from 01.09.2024 to provide Central Assistance to 1 crore eligible urban families, thus ensuring that eligible citizens of urban India lead a better quality of life

- Families belonging to EWS/LIG/MIG category, living in urban areas, having no pucca house anywhere in the country, are eligible to purchase or construct a house under PMAY-U 2.0

PMAY-U (2): Scheme Guidelines

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Beneficiary Led Construction (BLC)
- EWS beneficiary to construct house on own land
- Provision of land patta/ rights to the landless by States/UTs
- Geo-tag the construction stages of the house by beneficiaries.
- Release of instalment is linked to construction stage
- Free of cost statutory approvals, if needed
- Upgradation of Tenable Slums with housing and infrastructure

Affordable Housing in Partnership (AHP)
- EWS beneficiary to purchase/avail alloted houses in Apartment projects by public/ private sector agencies/ parastatal agencies
- Redeemable Housing Vouchers for purchase of houses in whitelisted private sector projects
- Various State Incentives to public/private projects
- In-Situ Slum Redevelopment of tenable Slums or Slum Resettlement

Affordable Rental Housing (ARH)
- Model-1: Utilizing existing Government funded vacant houses by converting them into ARH under PPP mode or by public agencies.
- Model-2: Construct, Operate and Maintain rental housing by Private/Public Entities for urban poor, working women, employees of Industries, Industrial Estates, Institutions and other eligible EWS/LIG families.

Interest Subsidy Scheme (ISS)
- Max. Loan value ₹25 lakh, Max. House Value ₹35 lakh
- 5 Yearly instalments of Loan subsidy
- Annual household income:
  – EWS - up to ₹3 lakh
  – LIG - up to ₹6 lakh
  – MIG - up to ₹9 lakh
- EWS/LIG/MIG- Loan Subsidy upto ₹1.80 lakh

Achievement so far under PMAY-U and PMAY-U (2)

Achievement under PMAY-U & PMAY-U 2.0

[as on 25th August, 2025]

Overall Sanction- 1.20 crore Houses

120.33 Lakh Sanctioned	112.98 Lakh Grounded*	94.03 Lakh Completed*	91.41 Lakh Occupied*
₹ 8.24 Lakh Cr. Investment	₹ 2,02,449 Cr Committed	₹ 1,73,495 Cr Released	₹ 1,64,137 Cr UC Received

State-wise Physical Progress

- Total 1.2 crore houses have been sanctioned so far (till 25 Aug) under PMAY-U and PMAY-U 2.0
  - Almost 72 lakh houses were sectioned in only five states (60% of the total). Uttar Pradesh topped the table with ~20 lakh houses followed by Andhra Pradesh (~19.5 lakh) and Maharashtra (~12.6 lakh)
  - Of all the houses that sanctioned, the construction of 75% houses completed
  - While most of the states have progress rate of 75% or more, there are some states where progress is less than 60% (like Andhra Pradesh, Bihar and Haryana)

Physical progress under PMAY-U & PMAY-U 2.0

States	Project Proposal Considered	Physical progress (Number of Houses in lakh)		
		Sanctioned	Construction Completed	Completion rate
Uttar Pradesh	6,298	20.3	17.1	84%
Andhra Pradesh	1,677	19.5	10.9	56%
Maharashtra	2,278	12.6	10.0	79%
Gujarat	2,053	10.0	9.4	94%
Madhya Pradesh	2,364	9.8	8.7	89%
Tamil Nadu	5,282	6.7	6.1	90%
West Bengal	655	6.2	4.7	76%
Karnataka	3,199	5.8	4.0	69%
Bihar	971	4.4	1.9	43%
Telangana	423	3.6	2.2	62%
Rajasthan	1,404	3.3	2.4	72%
Chhattisgarh	2,177	2.9	2.6	88%
Jharkhand	525	2.4	1.6	66%
Odisha	1,273	2.2	1.7	74%
Kerala	910	1.6	1.3	83%
Punjab	1,262	1.5	1.0	66%
Haryana	449	1.3	0.7	54%
Uttarakhand	405	0.7	0.4	66%
Himachal Pradesh	458	0.1	0.1	81%
Goa	4	0.0	0.0	100%
NE	1,102	4.2	3.0	71%
UTs	549	1.0	0.9	83%
All India	**35,718**	**120.3**	**90.6**	**75%**

Source: PMAY; SBI Research

Spatial Dispersion of PMAY shows even active participation of smaller states that is ensuring an inclusive implementation …

- To assess the spatial distribution of housing construction across states under PMAY, we employed Shannon's Entropy Index, a widely used measure to quantify spatial concentration or dispersion. The index is defined as:

$$H = -\Sigma\,(pi * log(p_i)\,)$$

p_i= where pi denotes the proportion of houses constructed in state i relative to the total number of houses constructed nationally, and n represents the total number of states

- **The normalized Shannon entropy score is 0.84, indicating spatial evenness in housing construction under PMAY**. This suggests that housing benefits are broadly distributed across states, with some concentration in larger states such as Uttar Pradesh, Madhya Pradesh, and Maharashtra

- Importantly, the high entropy score also reflects the **active participation of smaller states**, In this sense, the participation of all states—not just the largest ones—assumes significance in achieving a geographically balanced and inclusive implementation of PMAY

Impact of PMAY 2.0 on Digital Payments: Generating wealth and financial stability

Household Spending Response to PMAY…

- To analyze the impact of PMAY home loans on digital payment behavior, we use quantile regressions with UPI spend and debit card spend as dependent variables, and the loan amount as the key independent variable. Unlike conventional cash transfers, PMAY loans are targeted toward house construction, which involves a large outflow of funds

- ***While this reduces immediate liquidity, it simultaneously generates a perceived wealth effect:*** households anticipate that the home is being constructed at subsidized interest rates, effectively lowering the cost of housing compared to market rates. This dual effect—reduced cash on hand but increased perceived wealth—may influence spending differently across households depending on their initial income and transaction behavior

- Our model specification is given as

$$Q_{FI}(\tau|X) = \beta_0(\tau) + \beta_1(\tau) * Home\ loan + et$$

- *where Qy(τ/X) represents the τth conditional quantile of the log of Debit card/ UPI spends*
- *The coefficients β(τ) across different quantiles will illustrate the impact of home loan on individuals with different spending habits*

Perceived Wealth and Behavioral Response of PMAY: Non-Discretionary / Debit Card Spends increases for households who were earlier spending at the lowest quantile

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- The quantile regression results for debit card transactions reveal a heterogeneous impact of PMAY home loans across the spending distribution. ***For the lowest 25% of households, debit card spend increases (elasticity: 0.4) indicating that access to subsidized housing loans provides greater financial freedom and flexibility.*** While part of the loan is used for construction, these households experience a perceived wealth effect—recognizing that their housing costs are effectively lower than market rates. The lowest 25% households in terms of spending channelize their expenditure towards traditional sources such as debit cards
- In contrast, median and top-spending households reduce debit card usage by 0.15% and 0.09%, respectively. This decline can be interpreted as a substitution effect

Quantile Regression Results: Impact on Debit Card Spending			
	(25^{th} Quantile)	(50^{th} Quantile)	(75^{th} Quantile)
	Debit_Card_Spend	Debit_Card_Spend	Debit_Card_Spend
Home loan under PMAY	0.461*	-0.150*	-0.09*
	[0.432]	[0.223]	[0.186]
Constant	8.33**	10.62**	10.73**
	[0.044]	[0.322]	[0.269]

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Perceived Wealth and Behavioral Response of PMAY: UPI Spends

- The quantile regression results for UPI transactions indicate a heterogeneous response to PMAY home loans across the spending distribution. Lower-quantile households in terms of spending (bottom 25%) exhibit a reduction in UPI spend (-0.17 elasticity), reflecting the immediate liquidity outflow required for house construction. Despite the loan, these households may face binding budget constraints, limiting discretionary expenditures such as UPI transactions
- Conversely, middle-quantile households show a modest increase (0.07), and high-quantile households (top 75%) show a substantial rise (0.18). This pattern can be interpreted through the lens of perceived wealth effects: **PMAY loans reduce the effective cost of housing through subsidized interest rates, creating a sense of increased wealth, particularly for households with more stable cash flows. Higher-spending households are better positioned to translate this perceived gain into discretionary UPI payments, reflecting both increased liquidity and confidence in financial stability**

Quantile Regression Results: Impact on UPI Spending

	(25^{th} Quantile)	(50^{th} Quantile)	(75^{th} Quantile)
	UPI_Spend	UPI_Spend	UPI_Spend
Home loan under PMAY	-0.177*	0.074^{**}	0.189*
	[0.023]	[0.012]	[0.026]
Constant	12.02^{***}	9.47^{***}	8.57^{**}
	[0.046]	[0.061]	[0.093]

Standard errors in parentheses

$^{*}\ p < 0.10$, $^{**}\ p < 0.05$, $^{***}\ p < 0.01$

Impact of PMAY 2.0 on Discretionary and Non-Discretionary Spending of Households

Approach to the Study

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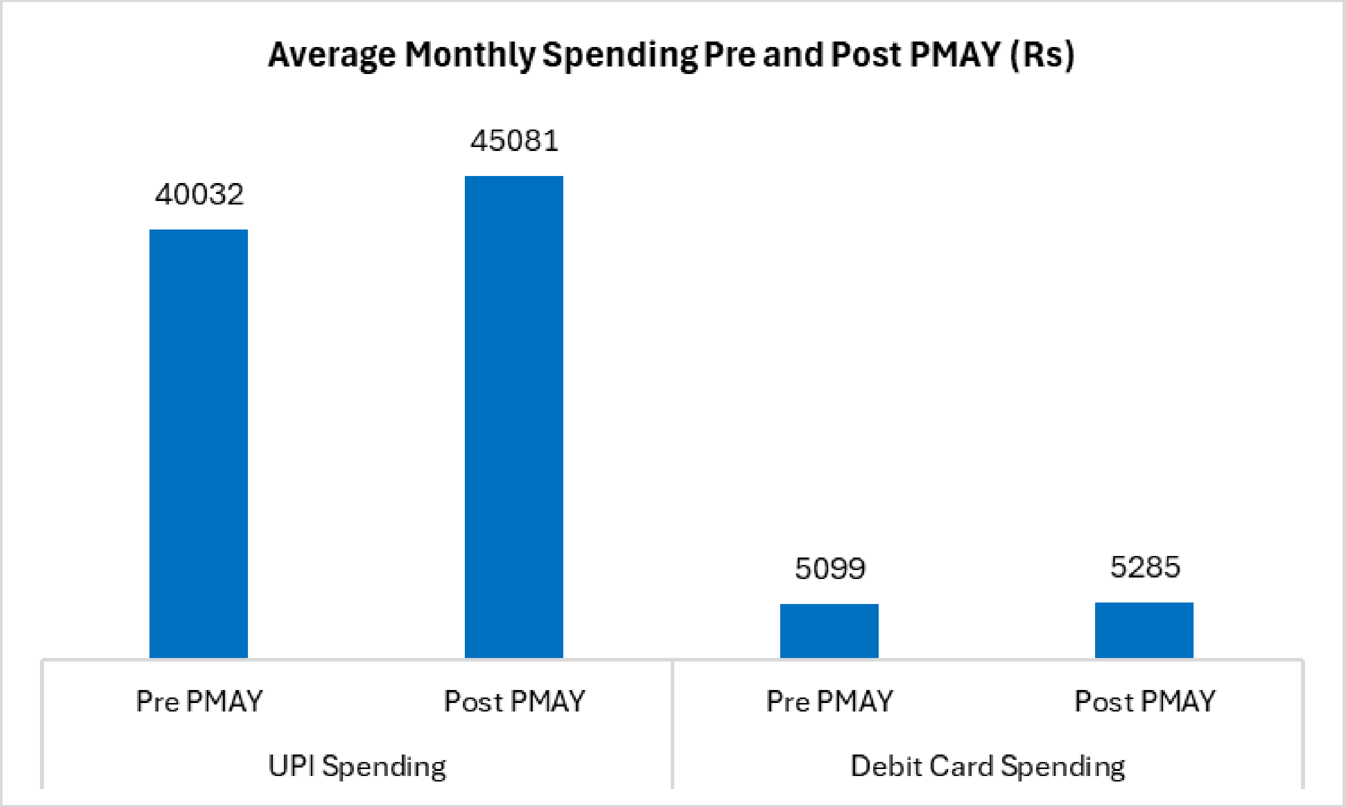
- It is normally assumed that taking a loan adjusts household spending as some portion of income goes to paying the EMI. However, this conjecture is not always true for every individual. Some individuals' spending don't impact much even after taking the loan while some have felt material impact of loan EMI on spending
- Owing a home is the most sought dream for an Indian and in this direction PMAY is fulfilling this aspirations of families belonging to EWS/LIG/MIG category, living in urban areas
- **As, the spending pattern of every individual is different and to appreciate the impact of loan on income of PMAY borrowers we have analyzed the spending pattern of PMAY borrowers based on a random sample and then suitably juxtaposed through adequate techniques for summarizing the overall results for ASCBs**
- We have bifurcated our Debit card and UPI spending as Pre and Post-PMAY in following manner:

	Debit Card	UPI
Pre-PMAY	Average 6-month spending **Before** the loan sanction	Average 6-month spending **Before** the loan sanction
Post-PMAY	Average 6-month spending **After** the loan sanction	Average 6-month spending **After** the loan sanction

Average Monthly UPI Spending post disbursement of PMAY loan increases compared to Pre PMAY indicating better spend rationalization….

- **As per our analysis of sample data, even after taking the PMAY loan, the average monthly UPI spending has increased by Rs 5050 to Rs 45,081..Thus there is a positive impact on discretionary spending**
- **Non discretionary Spending** / Debit card spending though remain flat even after taking the loan



..This increase is the maximum for the EWS/LIG/MIG – lower income borrowers

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- While the UPI spending exhibited an increase for all the EWS/LIG/MIG category borrowers, the borrowers having income of more than Rs 9 lakh exhibits monthly decline in both UPI and Debit card spending. **Probably, the unwanted expenditure was curtailed by the borrowers in this category**

Income Range	UPI Spending (Rs)			Debit Card Spending (Rs)		
	Pre PMAY	Post PMAY	Change	Pre PMAY	Post PMAY	Change
1-3L	42604	45903	3298	4703	4877	173
3-6L	34924	44087	9163	5375	6053	678
6-9L	40197	45718	5521	6639	5735	-904
More than 9L	38782	30603	-8179	5145	3544	-1601
Grand Total	**40032**	**45081**	**5050**	**5099**	**5285**	**186**

..Within this cohort, Female Borrowers witness the maximum increase in spending

- As the Guidelines, the houses constructed/ acquired/purchased with Central Assistance under the PMAY Scheme **should be in the name of the female head of the household or in the joint name of the male head of the household** and his wife and only in cases when there is no adult female member in the family, the house can be in the name of male member of the household
- **This conditionality has positive aspect on spending. The average monthly change of UPI spending of female borrowers is almost double than the male borrowers**

Gender	UPI Spending (Rs)			Debit Card Spending (Rs)		
	Pre PMAY	Post PMAY	Change	Pre PMAY	Post PMAY	Change
Female	29597	37120	7522	4134	4949	815
Male	44587	48557	3970	5521	5432	-89
Grand Total	**40032**	**45081**	**5050**	**5099**	**5285**	**186**

….Average Monthly UPI Spending Pre and Post PMAY shows an increase across all ages

- The borrowers have age of more than 55 are experiencing decline in debit card spending after taking the PMAY loan, which is expected as people after age of 55 or 60 leads to more frugal life on account of low income (post retirement, etc.)

Age	UPI Spending (Rs)			Debit Card Spending (Rs)		
	Pre PMAY	Post PMAY	Change	Pre PMAY	Post PMAY	Change
18-25	24121	24883	762	735	1438	703
26-35	44404	45271	868	2953	2867	-85
36-45	41731	48865	7135	4971	5006	35
46-55	28594	37835	9241	10269	11732	1462
More than 55	33570	39103	5533	8940	6429	-2511
Grand Total	**40032**	**45081**	**5050**	**5099**	**5285**	**186**

….Average Monthly UPI Spending Pre and Post PMAY shows an increase in Urban & Semi Urban regions

- Metro borrowers are experiencing marginal decline in both debit card and UPI spending after taking the PMAY loan
- Higher cost of living in Metro areas leads to low spending by PMAY borrowers

Region	UPI Spending (Rs)			Debit Card Spending (Rs)		
	Pre PMAY	Post PMAY	Change	Pre PMAY	Post PMAY	Change
METRO	34955	34012	-943	3595	3135	-459
URBAN	40821	46914	6093	5701	5898	197
SEMI URBAN	46167	55015	8848	5692	6607	915
Grand Total	**40032**	**45081**	**5050**	**5099**	**5285**	**186**

…..High interest rate leads to low Debit card spending

- While there is no impact on UPI spending of the borrowers as per the interest rate, the Debit card spending exhibited large decline for the borrowers that availed loan with interest rate more than 8%

Interest Rate Range	UPI Spending (Rs)			Debit Card Spending (Rs)		
	Pre PMAY	Post PMAY	Change	Pre PMAY	Post PMAY	Change
7.5% to 7.75%	45420	47471	2051	7448	6111	-1337
7.75% to 8.00%	27252	35991	8739	3326	4481	1155
More than 8.00%	44288	46369	2081	6652	4066	-2585
Grand Total	**40032**	**45081**	**5050**	**5099**	**5285**	**186**

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