

Summary

Housing is a basic need of society. A large number of poor people in different regions of Bangladesh, particularly in the rural areas, are spending their lives in untold misery for want of housing facilities. With the increase in prices of house building materials, it has become very difficult for the poor in the rural areas to build even a small house to meet the minimum needs of housing. Although there are provisions for the high income and middle income groups in urban areas to take out house building loans from the House Building Finance Corporation and other financial institutions, there had never been any institutional arrangement for the poor people in the rural areas to get any house-building loan until 1997.

Grameen Bank is the pioneer of providing rural housing loans. It has been giving housing loans among its member since 1984. To date 638,858 (October, 2006) houses have been built using this type of loan. The loan has to be repaid over a period of 5 years in weekly installments with an interest rate of 8%. During the last 12 months (from July'05 to June'06) 14,559 houses have been built with these housing loans. The repayment rate is 98.89%.

The "Grihayan Tahbil" was formed by the Government in 1997. The Tahbil was made operational with an allocation of Tk. 500.00 million for the 1997-98 fiscal year. To date 37,100 (June, 2006 figure) houses have been made. The loans provided have to be repaid over a period of 5 to 10 years. Poor people in the rural areas are now receiving house building loans from this Tahbil on easy terms (5% interest) and are becoming owners of

houses. The repayment rate is 89.08%.

The credit delivery system comprises of two stages; allocation of funds by Grihayan Tahbil to participating NGOs and the delivery of credit to the rural beneficiaries through those NGOs. Credit delivery to the beneficiaries is done in two ways; either through the construction of houses by respective NGOs directly and handing the houses to the beneficiaries later on or providing cash payment to the beneficiaries and supervising house construction.

The objective of the study is to make a comparative study of the housing funds of Grihayan Tahbil and Grameen Bank; to examine the performance of the two housing loan providers and to examine the differences between their methods.

The methodology for conducting the study was designed in the light of questionnaires which encompassed both qualitative and quantitative approaches and comprised of a number of steps like interviewing loanees, study of office documents and texts, discussion with management and beneficiaries, visits to websites and the perusal of articles in reviewed journals, departmental reports, organizational reports, and annual reports.

The Study areas were Jessore, Nowapara, Faridpur, Gazipur and Satkhira. 34 loanees of different NGOs, 15 NGO representatives and the Fund Manager of the Grihayan Tahbil (Government of the Peoples Republic of Bangladesh) were interviewed.

A significant finding of the study was that GB provides housing loans which reach the intended target group, but in comparison to the number of people in need of loans, their reach is insignificant. On the other hand, despite strong demand in the field for their loans, due to lack of proper supervision and monitoring, GT money does not reach the intended target group.

An increase in the prices of raw materials makes it impossible for loanees to complete construction of the house with the loan given. It is recommended that the loan granted take into consideration the cost of construction materials at the time the loan application is made. Furthermore, loans at a similar interest rate (5%) for income generating activities are a strong demand of stakeholders and can help in the repayment of the loans.

Bangladesh is the birthplace of micro credit and a large number of poor people are involved in income generating activities with these institutions. As such, they can play a vital role in disbursing the housing loans to the rural poor. However, what is needed is greater monitoring and closer supervision for the successful implementation of the programs.