

**“Role of Micro-Finance in Rural Housing in Bangladesh: A
Comparative Study of the Housing Fund (Grihayan Tahbil)
and Grameen Housing Loan.”**

A dissertation

By

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ID No.05272025

**Submitted to the
Center for Governance Studies
BRAC University
Dhaka.**

**In partial fulfillment of the
requirement for the degree of
MA in Governance and Development Studies**

**Center for Governance Studies
BRAC University, Dhaka, Bangladesh.**

September, 2006

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September, 2006

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Abbreviations

ASA	-	Association for Social Advancement
ADB	-	Asian Development Bank
BB	-	Bangladesh Bank
BHBFC	-	Bangladesh House Building Finance Corporation
BRAC	-	Bangladesh Rural Advancement Committee
BBKS	-	Bhawal Bhumihin Kallayan Samity
CGI Sheet	-	Corrugated Galvanized Iron Sheet
FMU	-	Fund Management Unit
GT	-	Grihayan Tahbil
GB	-	Grameen Bank
GOB	-	Government of Bangladesh

MFI	-	Micro Finance Institution
NGO	-	Non Government Organization
NHP	-	National Housing Policy
NCB	-	National Commercial Bank
PDKS	-	Pally Daridra Kallyan Sanstha
RCC	-	Reinforced Concrete Column
RRF	-	Rural Reconstruction Foundation
USA	-	Unite for Social Advancement
DMP	-	Daridra Niroshon Prochesta
FDA	-	Faridpur Development Agency
NUF	-	Nari Unnayan Foram
RAJUK	-	Rajdhani Unnayan Kortripakkah

CDA - Chittagong Development Authority

KDA - Khulna Development Authority

Acknowledgement

I would like to take this opportunity to thank Dr Akbar Ali Khan, Director of Governance and Development Studies, who inspired me and always provided proper guidance and support from the very beginning. His presence was a blessing for me. I would also like to thank my supervisor, Dr Anwarul Hoque who gave me guidance and helped me to write my dissertation. Their contributions are gratefully acknowledged.

Special thanks are due to the loanees of various NGOs as well as loanees of Grameen Bank. Without their contribution writing this dissertation would never have been possible. The cooperation of the fund manager of Grihayan Tahbil and the managers of various NGOs is also mention worthy. I thank them.

I would also like to thank BRAC and BRAC Training Division for their support. I thank them also.

15th September, 2006

Monoara Begum

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.

Chapter 01

Introduction

Housing for the poor is an absolute necessity for survival. It is not just a commodity to be consumed. It is also a productive asset for the poor. In fact it is a vital investment in health leading to increasing productive capacity and overall wellbeing of a person and his/her family. Living under leaky roofs in a house made of jute sticks in the cold winter months and heavy rains in the monsoon season does not equip a person to be meaningfully engaged in any income generating activity.

As a focus of economic activity, as a symbol of achievement and social acceptance, and as an element of growth and income distribution, housing fulfills a social need and satisfaction criteria for remunerative urban and regional investments (Grimes, 1973).

Per capita income in Bangladesh is estimated to be around US \$440, one of the lowest in the world. One can imagine what the income of the bottom half of the population could be. It is a struggle for mere physical survival and basic human dignity. Some of these families do not even have a piece of land to build a house on. They are homeless. It is extremely difficult, if not impossible, for us to fully comprehend the physical and psychological hardship, the instability, uncertainty, anxiety and loss of self-esteem which the homeless poor undergo each day.

Many of those who do own a piece of land find it beyond their means to build even a rudimentary house. Most often the only building material they can afford is jute-stick.

These are placed side by side and woven together with jute fiber to form the “walls” and “roof” of a “house”. Except for providing some visual image of a hut, it serves virtually no purpose in protecting the inhabitants from the soaking rain during the monsoon months and incessant chilling wind in winter. These huts cannot withstand even the moderate onslaught of nature. The cost of such a “house” ranges from 600 taka (\$15) to 1,000 taka (\$25).

The next step up from jute-stick is bamboo for sidewalls and hay or thatch for roofing. Hay and thatch are better roofing materials than jute-stick but not much more durable. As a result almost every year, just before the monsoon sets in, families who live in such houses have to find 1,000 taka (\$25) to 15,000 taka (\$ 37.50) to repair or replace worn out hay and re-thatch the roof (Hasan, 1994: 6)

For the same amount of money (taka 1000 to 1500) which is to be repaid in installments of 20 to 30 taka a week the Grameen Bank Housing Program provides loans to construct a basic house with strong reinforced concrete (RCC) pillars, a tin roof, bamboo walls, and a sanitary latrine. For more established borrowers the program also provides larger loans for bigger and better houses. Thus, in most cases it is access to capital rather than their capacity to repay that keeps the poor exposed to the savagery of weather. Resulting illness and sleeplessness constantly erode their earning potential. This is what is called a ‘poverty trap’.

The justification for providing housing loans to the poor is to improve their quality of life and economic sustainability. Since NGOs are trying to improve the income generation of the poor by various income generating activities, growth of income has really occurred. A safe and protective house is needed for the poor. It is proved that the house of the poor is used for not only dwelling but also for the purpose of daily income generating activities like weaving, sewing, rice husking, small scale trading, pottery, rope making, black smithy, bamboo treatment, bamboo and cane work, embroidery, katha sewing, making of flattened and fried rice, poultry and livestock raising and so on the year round besides protection during the monsoon and natural calamities. It is a productive asset for the poor. It brings social respect, social security, human dignity, self-confidence which enhances the mental strength of loanees to be engaged in daily activities.

One of the loanees stated in very simple terms "Now I can go out to work without any worry about my valuable things by keeping my home under lock and key". Another loanee said, "Since I now own a home, I was able to recently arrange the marriage of my two daughters." In response to a question of what are the advantages of having a house, one of the loanees answered "Things do not get damaged due to rains; the occupants are now free from diseases". To build a better future for their children a secured house is vital. In fact it is a vital investment in increasing productive capacity and overall well being of a person and his/her family.

As Grameen Bank has been trying to improve the socio-economic situation of its members and to assist them to move out of poverty since 1976, the Bank introduced housing loans among their own members from 1984. The Grameen Bank (GB) recognized that a secure house was an important element in the income generating process and in the improvement of the quality of life, since the house, for most rural landless Bangladeshis, provides the place not only for sleeping and living in healthier conditions, but also for working and for storing valuable possessions and materials. A housing loan was made available to only those GB members whose past repayment performance was impeccable.

Housing has long been a vital concern in Bangladesh. The government maintains an urban housing program but does not have any housing development program for villages. In the early days, indigenous house building materials like bamboo, jute-sticks, forest leaves etc. were available to the poor, in abundance in the rural areas. However, with the passage of time these have become scarce. With the increase in the prices of house building materials, it has become very difficult for the poor in rural areas to build even a very small house to meet the minimum needs of housing. There had never been any institutional arrangement for the poor people in rural areas to get any house building loan.

The Government of the People's Republic of Bangladesh is committed to ensuring housing facility for every citizen. With that end in view, the "Grihayan Tahbil" was formed by the Government in 1997. The Tahbil was made operational with an allocation of Tk. 500 million for the 1997-98 fiscal year. Poor people in rural areas are now

receiving housing building loans from this Tahbil on easy terms, that is, at 5% interest rate and are becoming owners of houses. The Government alone cannot provide houses to all and realizing this, they decided to share the task of providing safe decent places to live with the assistance of NGOs to make these people a productive resource. Many NGOs are promoting low cost safe housing schemes through skills enhancement, networking, technical assistance, advocacy, credit, and access to government land.

This is the first time in Bangladesh that the Government has taken an initiative to provide housing loans to the rural poor without collateral through NGOs. In the past, the Government has not had the best experience in the housing loan sector. Its forays into this sector have been marked by mismanagement, corruption and a large number of defaulting loanees. Therefore, it is a challenging and courageous initiative of the Government. Whereas the HBFC continues to fail to recover the loans given to a selected and limited number of the rich and middle class it is a wonder how they expected to recover the loans from the poor or low income groups. It made me interested to look at the performance and methods of the Government run housing fund and make a comparative study between it and the Grameen Bank housing loan scheme.

The aim of the dissertation is(1) to find out whether the fund is being effectively utilized or not, whether the poor are being really benefited or not, what methods these NGOs follow to provide loan for housing and (2) to compare the performance of Grihayan Tahbil and Grameen Bank provided housing loans.

The research is intended to contribute findings for the Government for making extensive policies for the rural poor alongside NGOs and for coming forth with more comprehensive manners of cooperation in this social venture.

1.1 Problem Defined

Housing is one of the basic needs. The lack of finance exacerbates the housing problem in Bangladesh. The private development sector is only interested in building houses for middle to high income households, which have also been under-served until now. NGOs are beginning to make plans for the development of new lower income housing projects in peri-urban areas.

The housing sector is highly financing dependent. However, the banking system of Bangladesh is troubled by bad debt and cannot provide wholesale or individual long-term funds at an efficiently low rate for housing finance. Debt markets are not well developed either and are dominated by the government, eliminating another potential source of housing funds. Solving the problem of housing, be it urban or rural areas, is going to be tough. No proper authority and adequate plans have originated in this sector.

In this critical situation, Grameen Bank has been providing housing loans to its members since 1984 and Bangladesh Government has also come forward to help the low income households in rural areas for their housing finance through NGOs since 1997. With these two players involved in solving the housing problem, it is important to see which mechanism is more effective and why.

. 1.2 Objectives

- 1 To analyze whether the Housing Fund (Grihayan Tahbil) is effectively utilized to provide housing for low income rural households.
- 2 To make a comparative study of the Housing Funds (Grihayan Tahbil) and Grameen Housing Loan.
- 3 To examine the performance of the two Housing Loan providers.
- 4 To examine the differences between their methods.
- 5 To make suggestions for further development and expansion of these housing programs.

Chapter 02

Housing Requirement and Micro-Finance Housing Lenders for Rural Housing in Bangladesh

2.1 Urban and Rural Population Trends and Housing Requirements

From 1960 to 1981 the national rate of household formation remained at the same level at 2.1 percent. (See Table 2.1) However, as a result of rural to urban migration during that time the rate of household formation decreased in rural localities and increased in urban ones. After 1981 there was a reversal of this trend and the rate of rural household formation has increased while the urban rate has decreased. It goes without saying that this rate strongly determines the need for housing and the rise in the rural rate indicates a greater need for housing in the rural areas in Bangladesh.

Table 2.1

Urban and Rural Population Trends and Housing Requirements

Rate of household formation by locality, 1960 to 1991			
Locality	1960—73	1973—81	1981—91
Bangladesh	2.1	2.1	2.6
Rural	1.8	1.3	2.0
Urban	6.2	8.9	5.7

Source: Population Census of Bangladesh, 1991.

2.2 Housing sector characteristics of Bangladesh

Table 2.2 shows the number of dwelling units in Bangladesh (1991 figures). What is significant here is that only 21% of the dwellings in rural areas are permanent structures.

Table: 2.2**Housing sector characteristics of Bangladesh**

	Total	Rural	Urban
Total no. of dwelling units	19,020,489	15,474,566	3,545,923
Per capita floor space	54.9 sq. ft.	53.5 sq. ft.	62. sq. ft
Occupancy level in 1991	5.48 pp/dwelling unit		
Proportion of permanent structures in 1991		21 percent	46 percent
proportion of rental units in 1993		5 percent	40 percent

Source: Population Census of Bangladesh, 1991.

2.3 Housing Characteristics in Rural Areas

The reason for the temporary nature of the houses could be because in 75.2% of the cases the walls are made of jute and bamboo and in 31.8% of the cases the roof is made of bamboo or thatch. (See Table 2.3)

Table 2.3
Housing Characteristics in Rural Areas

Roofing material	%	Wall material	%
bamboo/thatch	31.8	Jute/ bamboo/mud	75.2
Tin	59.3	wood	2.6
Brick/cement	2.0	Brick/cement	6.6
Others	6.9	Tin	12.2
		Others	3.3
Total	100.00	Total	100.00

Source: Population Census of Bangladesh, 1991.

2.4 Existing Rural Housing Situation of Bangladesh:

1. There are no longer term plans for the development of the rural areas, as a result, rural areas lack planned actions for comprehensive development.
2. Separate actions and development programs are taken up by individual agencies. Lack of concerted efforts fails to bring significant changes in the rural scenario.
3. There is no rural development authority, similar to RAJUK, or CDA, or KDA.
4. There is no housing authority for the rural areas which can coordinate hazard-free and healthy house building in the rural areas.
5. Housing are too scattered due to lack of coordinated and adequate planning which consequently results in the loss of valuable land.
6. Lack of bodies to advice on planning, building and construction.
7. Lack of institutions to encourage production and use of local materials, use of local technologies and skilled labor.
8. There is no effort to provide year round safe drinking water during emergencies or otherwise. Similarly, there is no concerted effort to provide safe sanitation.

2.5 Impediments to Supply of Housing in Bangladesh:

The problems stated above all add up to the obstruction of the supply of affordable and adequate housing.

1. Lack of an efficient National Housing Authority to deal with problems at rural level.

2. Lack of communication among development agencies, inadequate land supply and inefficient land market, acute inequality in landownership.
3. Laxity of tax collection and lenient regulations.
4. Lack of adequate finance/ credit
5. Inefficient rural services
6. Lack of building materials, specially prefabricated building materials, to bring down cost and provide safe housings.

2.6 Financing of Rural Housing in Bangladesh

Although there is no private agency for **House Building Finance** in the country outside the metropolitan cities, some NGOs including the Grameen Bank and BRAC have been providing limited finance for low cost but hygienic houses in the rural areas. The commercial banks of the country also provide some housing finance but the Government-patronized **Bangladesh House Building Finance Corporation (BHBFC)** still remains the single largest institution for housing finance.

The Grameen Bank pioneered a housing loan program that provided basic building materials for a simple new house for which repayment could take place over a 5 to 10 year period. Other NGOs have followed this example.

2.7 Micro-finance Housing Lenders for Rural Housing

Grameen Bank

Grameen Bank introduced housing loans in 1984. It became a very attractive program for the borrowers. The maximum amount given for a housing loan is Tk.25,000/- to be repaid over a period of 5 to 10 years in weekly installments. Interest rate is 8 percent. 638,858 houses have been constructed with the housing loans averaging Tk. 13,241 (US \$ 190). A total amount of Tk. 8.45 billion (US \$121 million) has been disbursed for housing loans. During the past 12 months (from October '05 to September '06) 13,578 houses have been built with housing loans amounting to Tk. 142.10 million (US \$ 2.08 million). The vast majority of borrowers were women, and this is in keeping with the GB belief that women are a potential and reliable economic force amongst the poor. The decision to start the Housing Loan Program was made at a national workshop in 1983 in which GB workers exchanged their views and ideas.

The Grameen Bank field workers reported that as income rose, so did the demand for better and safer housing and the potential for achieving it. In response to this demand, the GB launched its Housing Loan program in 1984. The GB recognized that a secure house was an important element in the income generating process and in the improvement of the quality of life

BRAC

BRAC was established in 1972 as a relief organization to resettle households after the

liberation war. In 1976, it started focusing on the improvement of the living conditions of the landless rural people through a system of village organizations, savings programs and micro-credit.

A loan from the government of Bangladesh of Tk. 54,000,000 was obtained to disburse among VO (village organization) members as housing loan, and bears interest at 1% per annum. An amount of Tk.10.00crore was sanctioned to BRAC for the construction of a hostel in Dhaka for women workers.

The housing loan program started after the flood of 1988 and focused on the same rural poverty group. Only members who have successfully repaid an income generation loan and saved for 6 months an equivalent amount to the monthly repayment for a housing loan, are eligible.

This program is on going in the districts of Mymensing (Gouripur), Nator Sadar, Coxes Bazaar (Ramu), Hobigonj (Bahubal) and B.Barua (Bancharampur). Interest rates on housing loans are 5 percent and repayment is over a period of 3 years. Housing loans were only 2.25 percent of the total loan disbursements at the end of 1997. BRAC also has a home loan program for its own staff members. It provides fifteen year loans at a flat rate of 10 percent for housing of a maximum size of 500 sq. ft.

Proshika

Proshika is one of the largest national NGOs involved in micro-credit. It was established

in 1976 and focuses on education, organization and income generating activities for hard-core urban and rural poverty groups.

Proshika started a housing program for rural areas in 1988 and has provided assistance for the construction of more than 31,757 houses to date. The total amount disbursed for housing is Tk. 193 million. Housing loans are based with the group and the group selects the member most deserving of a housing loan under strict allocation rules, i.e., only three housing loans per year per group. Housing loans can only be provided to groups that have existed for at least three years. Loans have a maximum ceiling of Tk. 10,000 with an equity contribution of Tk.1000. Loans carry a 5 percent flat interest rate and there is no collateral to the loan. Loans have to be repaid in 75 months (6.25 years) in installments of Tk.144. The program works with a specific house design and part of the loan is disbursed in building materials (pillars, treated bamboo materials and a sanitary latrine) from one of the production groups set up by the program. The group, with assistance from a Proshika technical worker, supervises construction. Only those that have a loan for income-generating activities are eligible for a housing loan in order to ensure repayment capacity. However, this requirement increases the burden for the borrower, who now has to repay both loans. She must involve herself in income generating activities as well as house building activities. The performance of the housing loan portfolio is not as good as that of the income- generating loans.

ASA

ASA started a rural housing credit program in 1989/90. Loans with a maximum ceiling of

Tk. 9,000 were issued at a flat rate of 10 percent. It issued about 2000 to 3000 loans but it did not have satisfactory results as far as repayment is concerned. The target group for its lending programs are poverty groups that earn less than Tk.2,000/- in rural and less than Tk. 3,000/- in urban areas and these groups can only afford to repay Tk. 25/- per week for their micro-credit. ASA's management considers housing loans to the lowest income group unfeasible and intends to target the rural middle class farmers for that lending activity.

2.8 HBFC

The Bangladesh House Building Finance Corporation was established in 1952 to stimulate middle income house construction for civil servants in urban areas and Bangladesh HBFC was recognized in 1973 after independence. While the majority of its clients are still civil servants, its mandate has broadened to include all eligible private citizens or citizen groups. It does not lend to developers or builders.

BHBFC's main sources of funds are government bond issues specifically floated for their programs. Additional transfers directly from the government budget are occasionally provided on a limited scale. The interest rate on the debentures differs and the most recent ones were 8 percent for 7 to 8 years. Previous bond issues ranged from 2 to 6.5 percent. BHBFC is, of course, tax exempt. The GOB decides how much funding BHBFC will receive each year and can determine the specific conditions for new programs. HBFC operates presently only in carefully targeted, higher quality housing sub-markets in Dhaka, and on a very limited scale in Chittagong and Rajshahi.

BHBFC finances three types of housing categories each with their own construction and financing terms:

1. High Cost Housing up to Tk. 2.5 million and at a maximum construction cost of Tk. 900 per sq. ft.
2. Medium Cost Housing up to Tk. 1.425 million and a maximum construction cost of Tk. 700 to 850 per sq. ft.
3. Group of maximum 10 households that have jointly bought a piece of land can apply for a mortgage for the construction of their house (excluding the land). The maximum construction cost is Tk. 500 per sq. ft. for the first floor and Tk. 400/- per sq. ft. for additional floors.

The financing terms are as follows: 15 year fixed rate mortgage at interest rates increasing with the loan amount. For loans above Tk. 1.5 million a simple rate is charged of 15 percent, for loans below Tk. 1.5 million the rate is 13 percent in Dhaka. Outside Dhaka the interest rate is 10 percent at simple not-compounded interest which lowers the effective rate. For example the 13 percent would amount to approximately 10 percent over an 18-year period. A grace period of 12 months is allowed before the first payment is due. The first two packages require a Loan-to-Value ratio of 60 percent. The maximum Loan-to-Value ratio for the group loan is 80 percent of the house value, excluding the land. This amounts generally to more than 60 percent equity when land values are included.

Eligibility criteria for the programs specify that for rental properties, three-quarters of the

rental income of the property must cover the loan repayments, and for owner-occupied properties a maximum of fifty percent of the applicant's income is required for loan repayment. The spouse's income can be used as a guarantee if the applicant's personal income is insufficient.

The average time to get a loan approved is 7 to 12 months. Although there is no official waiting-list, there are presently 1400 applications pending for all categories of loans. Applications are not computerized. Rationing criteria are set by management and the board and are changed at will. In general, priority is given to civil servants and within that group to those with the most years of service.

According to BHBFC the only way to get private developers to build lower income houses with BHBFC credit is for the GOB to provide land for free to developers. BHBFC construction finance to the developer will be rolled over into mortgages for moderate income households.

The World Bank conducted a major study of BHBFC in 1998 and concluded that the government should take steps to clean up the bad debt and dissolve BHBFC. Commercial banks were to be encouraged to take up mortgage lending.

The 1993 ADB study found the same unwillingness by BHBFC management to move down-market or begin to seriously commercialize and become less dependent on

subsidized funds. The discussions with management during this mission uncovered the same discrepancy: there were a lack of interest to move away from high and upper-middle class markets for fear of increasing the default situation , at the same time there was unwillingness to become a commercial entity, less dependent on subsidized government funds. The target clients of BHBFC are the same as those of the commercial banks and other private sector players in the market.

The Housing Fund was first proposed by ADB. It is only accessible to NGOs and governmental agencies, not to private lending institutions. The BHBFC has only made very limited progress in becoming self-sustainable or in reaching lower income households.

2.9 Grihayan Tahbil (Housing Fund):

Grihayan Tahbil, a specific program for poverty alleviation, has been introduced to solve the housing problem of the homeless, poor and low-income people in the country. The government allocated an initial amount of Tk.50.00 crore in the budget of 1997-1998. By now, the amount of the Tahbil has increased to Tk.160.00 crore. As of June, 2006 an allocation to the tune of Tk154.97 crore was made to finance the rural housing scheme. Against this allocation an amount of Tk.84.84 crore has been released. The credit program has covered 405 upazilas of 64 districts of the country. Under this program 37,100 houses have already been constructed by October, 2006 and about 1 lakh 87 thousand 500 people have benefited. An amount of Tk. 10.00 crore has been sanctioned

to BRAC for the construction of a hostel in Dhaka for women workers. A steering committee with nine members to govern and manage the Tahbil is in operation.

Presently, housing finance in Bangladesh is underdeveloped and highly segmented:

About the formal mortgage system:

- a. this is small relative to new housing construction;
- b. only serves the highest income groups;
- c. is restricted to selected high income sub markets in Dhaka;
- d. has weak underwriting, loan administration and risk management practices and;
- e. has a segregated structure that provides advantages to the government owned BHBFC which operates in the same higher income market.

2.10 Critical Features of Micro-Finance Housing Loans

Scope and scale

Housing loans form only a proportion of the MFIs' total loan portfolio (never more than a few percent) and have only been available to rural landless borrowers, the majority of which are women. A total of approximately 700,000 housing loans have been issued since the programs started in the 1970s and 1980s. No urban housing loan lending program exists.

Loan terms

Equity requirements, interest rates and loan periods vary widely. Flat interest rates range

from 5 to 10 percent. The term varies from 6 years for Proshika to 10 years with GB. Where repayment amounts are fixed but loan amounts vary, the term is dependent on the loan amount. The 10 year loan issued by the Grameen Bank is the longest and is considered too long by the other MFIs for the rural poor to carry. The housing loans have simple application and approval procedures and assistance is provided with the design and purchase of cheap and appropriate building materials.

Targeted household

Housing loans are considered social sector loans and are provided to the most deserving members of rural groups, those without land and shelter. All MFIs require a track record of successful loan repayment of an income-generating loan or a simultaneous loan for income generating activities that would guarantee the repayment of the housing loan. However, the size of the housing loans and the related repayment obligations and period is least suitable for this rural low-income group (although these clients are not the hard-core poor either).

Several MFIs are interested in expanding micro-finance to small individual entrepreneurs to set up business and move to another level of economic development than possible with micro-credit for individual income-generating activities. Similarly housing loans could be targeted to those who have established more secure income and can more easily afford to get market rate payments, rather than to the poorest household alone.

Credit risk

Micro-finance does not use a mortgage instrument for its housing loans. Land titles are cumbersome and costly to get and many households live on land that is not legally theirs. Loans are collateral free and lenders do not have remedy in case of law-breaking.

It is clear that MFIs have carved out a niche for themselves in the house building sector and fill a void left by both the public as well as the private sector.

Chapter 03

Program Description

Bangladesh is a densely populated country and has one of the lowest land-person ratios in the world. Of the population of 147,365,000 eighty percent live in the rural areas and about 60 percent of them are classified as landless, owning either less than 0.5 acre of land or no land at all. The situation is further aggravated every year through an irrevocable reduction of per capital share of land for housing.

Besides, natural calamities like river erosion, flooding, storms, cyclones and fires are the main causes of destruction of housing in Bangladesh. Each year many people loose their houses and ancestral land due to flooding and river erosion of the Padma, Jamuna, Brahmaputra and other rivers. Acknowledging its importance, housing is one of the five basic needs incorporated in the constitution of Bangladesh and compels the Government to play a vital role in securing housing rights of its citizens.

3.1 National Housing Policy

The National Housing Policy 1993 commits the Government of Bangladesh to take initiatives to provide housing for the less well-off section of the people and as a facilitator in all housing initiatives. A significant development in the housing question has been the adoption of the **National Housing Policy (NHP)** in 1993 (amended in 1997). The basic

principle of the 1993 NHP is that the government would play the role of an enabler or facilitator in the housing sector (article 4.2) and not the role of a developer or provider. The 1993 NHP also promised special attention to the housing needs of women, particularly women in difficult circumstances (article 5.12) and disadvantaged women, such as widows, single women and women headed households living below the poverty line (article 14).

The Government has formed the National Housing Authority (NHA) through the National Housing Authority (NHA) Act-2000 which will come into force with more flexible and non-bureaucratic welfare policy on housing than other government housing delivery organizations and will be able to provide affordable housing for low income groups under the revised National Housing Policy. The revised Housing Policy will cover rural-urban linkage in the housing sector. Apart from this, the government has a program to lease land to private agencies for building houses for lower and middle income groups with cross subsidy from the higher income groups.

Along with Government efforts, a large number of NGOs have become partners of the Government, especially in providing micro credit to the poor for housing. Grihayan Tahbil and Grameen Bank have taken an initiative to help people by providing housing loans. Let's see later their activities through the field studies and from findings.

3.2 Grihayan Tahbil and Grameen Housing Loan

The two programs for housing loan (Grihayan Tahbil and Grameen Housing Loan) of the

rural poor are described below:

The Grameen Bank Housing Program:

The Grameen Bank established a housing loan program in 1984 to enable poor rural families to own permanent and cyclone-proof homes.

In 1984, the Bangladesh Bank announced that it was introducing a housing loan program for the rural people. The commercial bank could borrow from the central bank at 2% and lend at 5% for amounts of around 80,000 taka. The poor desperately needed housing loans, but the amount they needed to build a basic house was only around 7,000 taka, less than one-tenth of the amount that Central Bank was proposing in its advertisement. On their behalf, Grameen Bank applied to the Central Bank. But the application was rejected. The housing expert hired by the Central Bank noted that “whatever you will build with 7,000 taka cannot be called a house and such little dwellings will not contribute to the housing-stock of Bangladesh. Grameen Bank reapplied; this time using the word ‘shelter’ instead of ‘house’. The application was again rejected. The Central Bank economist objected that the Grameen Bank’s mandate was to lend for the purpose of income generation, while a housing loan is a “consumption” loan.

Grameen Bank filed the application yet another time, this time explaining that the poor people, especially women who make up 94% of their clientele, work where they live and store their grain, seeds, and tools of trade there. For six months a year they are exposed to rain, so to be able to work they need a sturdy roof, hence this 7,000 taka housing loan is

for them an income generating loan and not a consumption loan. The application was rejected a third time but no reason was given. Winning an argument does not always serve the long term-interest of the poor. However, in this case, Grameen Bank resorted to an intense behind the scene lobby. Finally, 1984 the Grameen Bank received the funds and the permission to advance a limited number of housing loans on an experimental basis provided the loan size was revised to 15,000 taka. Subsequently this maximum was raised to 25,000 taka. Initially the GB took money from BB. Later GB borrowed internationally. Now it is from its own fund. This is the genesis of Grameen Bank Housing Loan program.

The housing loan is repayable over a period of 5 years in weekly installments with an interest rate of 8 per cent. The loan recovery rate is 99.221 percent. The title to the home is vested with the woman who thereby obtains financial security and improved status within the family and society. The whole process from selection of the loanee to the disbursement of the loan takes 3 to 4 weeks. In special cases (such as a flood) a loanee can get her loan approved within 7 days. The house is constructed within 15 days. This housing program is going on in 72,833 villages of 64 districts. 2,259 branches and 119,320 centers are implementing this program in the rural areas. Overdue loans of the Housing Loan are only 0.779% (October, 2006).

The Grameen Bank Housing Program was started with the following aims:

- To bring housing within the reach of the rural poor;
- To support the building of houses that are durable, safe and do not need high

recurring expenditure on repair and replacement;

- To permit the house to be built and maintained using locally available skills and materials;
- To sustain the wellbeing and pride of the inhabitants in order to enhance and sustain their motivation for economic activity.

3.3 The Organizational Issues

There is a close supervisory and monitoring linkage between the bank worker at the lowest level and the branch managers, area managers and zonal managers at higher levels. Regular reports, oral and written, are processed at the appropriate levels. Senior officials, like the zonal and area managers very often visit the field.

Supervision from the head office is less rigorous. This is because of Grameen Bank's system of operation which puts emphasis on area and zonal level decision making. The head office receives weekly, monthly, half yearly and yearly reports from the zonal offices on aspects of the housing loan program. Regular review meetings are held within the Monitoring and Evaluation Department at the head office to examine all loan programs of the Bank. There is no separate unit which solely monitors the housing loan program. This again is because the Bank's operational system considers all programs to be a part of an overall social and economic development program.

3.4 Grameen Housing

Poor families typically live in small shelters of jute stick, straw, grass thatch, bamboo and dried mud. Each year a family has to spend about \$30 to repair the house after the

monsoon. For an equal amount of money a family can repay a housing loan for strong, well-constructed house with a floor area of 20m. The Bank views housing loans as investments rather than consumption, since a secure and well-constructed house aids the health and wellbeing of the family and helps them break the vicious circle of poverty. The house can be used for storage for their small businesses and time and money are saved in not having to continually repair the jute-stick made shelters.

The house varies in appearance throughout the country but has the same basic structural components. There are four reinforced concrete pillars on brick foundations at the corners of the house and six intermediary bamboos or concrete posts with bamboo tied beams, wooden rafters and purlins supporting corrugated iron roofing sheets. This provides stability during the floods and strong monsoon winds and protection from the heavy rain during the monsoon season. In cases of severe flooding the house can be dismantled and the components stored and reassembled later. A sanitary latrine must be provided with each house. Families can build the houses themselves, with the help of friends and neighbors. Local skilled carpenters carry out the roof construction for many families.

3.5 Grameen Housing Loan Disbursement

Table 3.1 shows the housing loan disbursement figures from 1998 to 2005. Except for 2001 disbursement amount has increased each year.

Table: 3.1
Grameen Housing Loan Disbursement During the year (Amount in Million Taka)

1998	1999	2000	2001	2002	2003	2004	2005	2006
973.90	222.70	73.29	56.30	120.62	177.66	282.05	187.08	N.A.

Source: Grameen Bank, 2006

3.6 Number of Houses Built

Table 3.2 shows the cumulative number of houses built from 1998 to 2005. To date 638,858 houses have been constructed with loans provided by GB

Table: 3.2
Number of Houses Built (Cumulative)

1998	1999	2000	2001	2002	2003	2004	2005	2006
506680	511583	533041	545121	558055	578532	607415	627058	638,858 (October 2006)

Source: Grameen Bank, 2006

3.7 Grihayan Tahbil:

The Government of the People's Republic of Bangladesh is committed to ensuring housing facility for every citizen. With that end in view, the "Grihayan Tahbil" was formed by the Government in 1997 for the first time.

A trustee board was formed for the operation and management of the Grihayan Tahbil in 1998. There was also an executive committee to assist the trustee board. But In 2002, the Executive Committee of Grihayan Tahbil Trustee Board was replaced by the Grihayan Tahbil Steering Committee comprising of 9 members headed by the Principal Secretary to the Prime Minister. The other members of the committee are the Governor, Bangladesh Bank, the Finance Secretary, Secretary of Local Government Division, Secretary of the Ministry of Social Welfare, Secretary of the Ministry of Land, Secretary, Ministry of Housing and Public Works, ASA and the advisor to the Grihayan Tahbil

Fund Management Unit. The Grihayan Tahbil Trustee Board was abolished in 2003.

The credit delivery system is comprised of two stages:

1. allocation of fund by Grihayan Tahbil to participating NGOs
2. delivery of credit to the rural beneficiaries by those selected NGOs

Credit delivery to the beneficiaries is done in two ways:

1. Construction of houses by respective NGOs directly and handing the houses to the beneficiaries later on or
2. Providing cash payment to the beneficiaries and supervising houses construction.

There is a Fund Management Unit located at the Bangladesh Bank Bhaban. The unit including an adviser and a Fund Manager performs the day-to-day activities concerning the management of the Fund.

The main objectives of the Grihayan Tahbil are:

- To deliver house building loans to the extent of Taka 20,000/- each to the poor people of the rural areas on easy terms, that is, at only 5% interest rate;
- To provide opportunities for repayment of the loan at a monthly installment of Taka 225/- over a maximum period of 10 years.
- To provide loans to support income-generating and productive activities to enable the loanees to become capable and self-reliant to repay the loans
- To enable the loanees to construct a house of approximately 220-250 sq. ft

area with two C.I sheet-roofs and mud/ brick walls on RCC pillars and a sanitary latrine as per fixed specification.

- To motivate the beneficiaries to use low-cost modern ovens for cooking and other purposes.

3.8 Expansion of GT program

The Steering Committee of Grihayan Tahbil has enhanced this program for spreading housing loan benefits among the poor in 64 districts and 405 upazilas. At present 400 NGOs are engaged in providing this housing loan in the rural areas.

3.9 Implementation and achievement of the management

- housing loan program:** Under the housing program, money has been granted for the NGOs for the construction of 69,250 houses for the rural poor to meet the housing problem. As on October, 2006, 37,100 houses have been built. The total number beneficiaries of this program so far is 1, 87,500 people (1 household=5 family members).
- female hostel:** For the residential accommodation of 2000 women working in the garments sector, a hostel has been built by BRAC from the Grihayan Tahbil Fund with Tk.10 crore. Besides, Tk. 9 crore has been granted and BRAC is ready to begin another project.
- repayment rate:** The repayment rate of the Grihayan Tahbil is 89.08%. Defaulters are 10.92%.

3.10 Selection Criteria of NGOs for Housing Fund:

After judging the overall condition, project area and the number of members of the NGOs, the Fund Management Unit makes a primary selection of the NGO and then places its proposal before the steering committee for final approval to get the fund. Before the primary selection, if the Fund Management Unit (FMU) thinks it needs to physically inspect the NGO to collect the information on the real condition of that NGO, the FMU may do so. Time to time opinion about the respective NGO activities is offered by the NGO Bureau, PKSf and the Department of Social Welfare. At present, 400 NGOs are engaged in providing this housing loan.

3.11 Loan allocation and approval:

The loan allocation is approved in three installments. Principle Secretary, Prime Minister's Office and the adviser approve the fund in favor of the respective NGO's given amount. The utilization of the first installment of respective NGO is supervised and on the basis of satisfaction, the next installment is approved for that NGO.

3.12 Program Implementation:

According to the approved specification of Grihayan Tahbil, selected NGOs provide housing loans of Tk.20,000/- to their members in the rural areas. The loanees must be the member of that NGO and have the capacity to repay the repayment.

3.13 Loan repayment:

The duration of loan repayment is up to 10 years with 6 month surplus period. At field level, loanees repay the loan at 5% interest with flat rate. The implementation agency

(NGOs) take 1% interest (flat rate) at the field level and repay to the Tahbil in 6 monthly installments

3.14 Fund Management Unit:

The present chief adviser of this Fund is the Deputy Governor (DG) of Bangladesh Bank (BB). He is working as a chief adviser of this Fund in addition to his own duties as a DG of BB. He is the member secretary of this Fund and empowered to exert all the financial and administrative authority of the committee.

3.15 Total amount of Fund:

The Tahbil was made operational with an allocation of Tk. 500 million for the 1997-98 fiscal year. In later fiscal years the Tahbil has been worth as follows:

Table: 3.3
Total Amount of Fund

Financial year	Fund Allocation (In Crore Taka)
1998-1999	8
1999-2000	15
2000-2001	25
2001-2002	-
2002-2003	25
2003-2004	-
2004-2005	37.5
2005-2006	37.5

Source: BB, Grihayan Tahbil, 2006

3.16 Released Housing Fund

So far Tk. 103.70 crore has been released from the Grihayan Tahbil for housing and Hostel programs as shown in the table 3.4.

Table: 3.4
Released Housing Fund

Sl.No.	Description	Amount of money (In crore taka)
01.	Housing Loan	83.16
02.	Female Hostel Project	10
03.	For National Housing Authority and Relief and Rehabilitation Ministry (grant)	10.54
	Total	103.70

Source: BB, Grihayan Tahbil, 2006

3.17 Present Status of Grihayan Tahbil: (As in October, 2006)

Budget allocation from the Government	: taka. 160.50 (crore)
Aggregated Tahbil with interest	: taka. 196.27 "
Total amount for Housing Fund	: taka. 154.97 "
Total released amount for housing Fund	: taka. 84.84 "
Female Hostel project: total amount of allocation	: taka. 19.00 "
Female hostel project: total released amount	: taka. 10.00 "
Total grant money released	: taka. 10.54 "
Total grant money	: taka. 21.56 "
Total released money	: taka.105.38 "
No. of Districts of implementation of Housing Fund	: 64
No. of Upazilas of implementation of Housing Fund	: 405
Total Houses Built by the Housing Fund	: 37,100
Total beneficiaries of the housing fund	: 1, 87,500
Repayable loan	: taka. 40.94 "
Repaid money by the loanees	: taka.36.47 "
Repayment rate	: 89.08%
Defaulter rate	:10.92%

Chapter 04

Methodology

The methodology for conducting the study was designed in the light of a questionnaire which encompasses both qualitative and quantitative approaches and comprises the following steps:

- o Discussion with the project officials
- o Discussion with the loanees
- o Sources of data
- o Technique of collection of primary information and data
- o Sampling design
- o Preparation of study instruments
- o Pre- testing of the instruments
- o Finalization of the instruments
- o Data analysis and interpretation

For the proper understanding of the issues related to the performance, effectiveness and methodology used of housing loan providers, discussions with the(15) officials of various NGOs as well as with the loanees were initially undertaken at the field level. A cordial and open discussion with all (34) loanees from 10 NGOs helped develop better understanding of the various loan programs of the NGOs. The necessary data was collected from both primary and secondary sources.

4.1 Primary sources

- 1 the beneficiaries,
- 2 the community people,
- 3 the representative of NGOs responsible for implementing the project,
- 4 self observation of the houses,
- 5 the project inventor.

4.2 Secondary sources

- 1 Published documents related to the Grihayan Tahbil project available with the Grihayan Tahbil Fund Management Unit;
- 2 Review of yearly progress report;
- 3 Website documents, articles in journals, departmental reports, organizational reports, annual reports etc;
- 4 Interviews, office documents, questionnaires and texts.

Relevant primary information and data were collected through:

- 1 interview with the loanees
- 2 household survey of the loanees;
- 3 interview with the concerned officials of NGOs;

4.3 Sampling Design

As samples design, 13 different NGOs have been taken from different districts for this

survey. Three (3) were found to be fake. 1 NGO (FDA) did not take approval money thinking that they could not run this program due to the price rise of construction materials. There were two types of questionnaires. Form A was for loanees/ recipients and form B for NGO officials/ representatives. Questions were the same for the GB officials and loanees and GT officials and loanees. The areas of survey were Nowapara, Gazipur, Jessore, Satkhira and Faridpur. The following table is as follows:

Table: 4.1
Sampling Design

Sl.No.	Name of NGOs	District	Upazila	Loanees	NGOs Representatives
01.	Grameen Bank	Gazipur		05	01
02.	RRF	Jessore	Nowapara	04	02
03.	Uttaran	Satkhira	Satkhira	04	03
04.	PDKS	Jessore	Nowapara	04	01
05.	Bantchte Shekha	Jessore		04	01
06.	Grameen Bank	Satkhira		02	02
07.	DNP	Faridpur		04	01
08.	FDA	Faridpur		----	01
09.	SHETU	Satkhira		05	01
10.	NUF	Faridpur		02	02
	Total = 49			34	15
11.	USA	No activity on housing loan. But this NGO has taken Housing Loan from Grihayan Tahbil.			
12.	VDO	Non existent in the given address.			
13.	BBKS	Non existent in the given address.			
14	FDA	Did not accept approval money due to the price rise of construction materials.			

4.4 Preparation of study instruments

The study used two types of instruments for collecting the necessary information and data from the NGOs officials and the loanees relating to the implementation of the programs. The instruments were:

- 1 Questionnaire for loanees / recipients (form A)
- 2 Questionnaire for concerned NGOs representatives (form B)

4.5 Pre- testing of the instruments

The draft instruments were pre- tested at the Rural Reconstruction Foundation in Jessore district;

- to find out strong and weak items of the instruments;
- to find out whether the necessary information obtained from the respondents;
- to determine whether the respondents understand the questions; and
- to determine the time required for answering the questions by the respondents.

Finalization of the instruments

Based on the field test (Jessore, RRF) and suggestions of the supervisor the instruments were modified and finalized.

4.6 Interviews:

NGO representatives and loanees were questioned mainly in view of performance level assessment as well as methodological differences. The questionnaires were in Bengali but translated versions are to be found in the appendix section.

Table: 4.2
Interview of NGOs Officials and loanees

Sl. No	Name of NGOs	Designation	No. of officials	No. of loanees	Areas	No. of Loanees	Disbursement (Tk.)
1	Banchte Shekha	coordinator	01	4	Jessore	300	1,20,00,000
2	Grameen Bank	Manager	01	5	Gazipur	150	2,51,00,000
3	PDKS	Manager	01	4	Nowapara	16	320000
4	Uttaran	Field Officer	03	4	Satkhira	92	18,40,000
5	RRF	Manager	02	4	Nowapara	53	10,60,000
6	Grameen Bank	Manager	02	2	Satkhira	-----	-----
7	DNP	Program Organizer	01	4	Faridpur	36	720000
8	FDA	Manager	01	-	Faridpur	-----	-----
9	SHETU	Field Officer	01	5	Satkhira	74	1480000
10	NUF	Field Officer	02	2	Faridpur	150	3000000
	Total		15	34			

4.7 Limitations:

As my dissertation topic is on “Role of micro-finance in rural housing in Bangladesh: A comparative study of Housing Fund and Grameen Housing Loan” and all NGOs activities related to this issues are centered in rural areas, I had to go to remote areas to collect data. In some places there were no other vehicles except rickshaws and vans It took time to reach the concerned NGOs by rickshaw or van. Here, it needs to be mentioned that all NGOs are not providing housing loan and I had to seek that NGOs which are providing the housing loans. Furthermore, not all the offices of the NGOs were giving housing loan. So it was tough to find the office of those NGOs that were giving housing loans funded by the GT. Due to the rainy season, the muddy and water logged roads in some areas were really dangerous to cross to reach the office. Even after all the effort on the part of this researcher, three NGOs were found to be false. It was time consuming and unproductive.

Some NGO officers were reluctant to provide data and information. They were in somewhat of a dilemma whether they should provide information or not. Some offices were found too busy with their work. They had no time to talk about these issues. Most of the time, they had to stay in the field. For this reason their scheduled time did not match with my time. Sometimes the concerned officers were not available in the office. Some loanees of housing loan were not found in the house as they were busy with income generating activity and others issues outside the house. Two NGO were found unwilling

to give information.

Another limitation was distance. The distance from one NGO to another NGO office was far. The houses of the loanees were also far away from the office. It was difficult to interview them within the scheduled time. In this way data collection was hampered.

As the loanees were less-educated women, at the very beginning, they were not able to answer the questions directly. It took time to make them comfortable enough to speak. They answered some of the questions with the help of the program person like interest rate, number of installments, and date of loan receiving and so on.

Another limitation was time constraint. More time is needed for collecting data for quality production. Due to torrential rain, hartals and gheraos in August, September and October at the peak time of dissertation's data collection, writing and other activities have also been hampered.

Chapter 05

Analysis of data

Data analysis is very important for a clear understanding of any study. Accurate analysis raises up the real picture of respective issues conducive to taking important decisions. In my study, I have enclosed data and analyzed it according to what has been found in the field.

It is the experience in Bangladesh that loan providers like banks and other financial institutions do not have any successful results in providing loans on housing. BHBFC has had a bitter experience in giving housing loans to the middle-income group. The rate of default and repayment is so alarming that this government institution is unable to run effectively. The administration is corrupt. Mismanagement and lack of accountability means that no advancement is being made to solve the housing problems in Bangladesh.

Being unsuccessful in urban areas with BHBFC, the government of Bangladesh has taken another initiative for giving housing loans to the poor in rural areas through NGOs. In the study, it has been found that the repayment rate of this loan is higher (99% GB and 89% GT) from the poor rather than from the middle-income group loan recipients of BHBFC. The implementation process, management and accountability are more satisfactory than that of the BHBFC. There is a possibility to play an important role in solving the housing problem of the rural poor.

It has been proved again and again that the demand from the root level people and their participation and opinion are ignored and absent in government programs, policy and initiative. Even review does not take place properly. In the absence of feedback, proper planning is not made and the expected result is not achieved. In the field, lots of feedback from the loanees and NGO representatives regarding faulty housing design, inadequate and low quality materials, gap between demand and supply and lack of information have been found. On the other hand, the same house design should not be used all over Bangladesh. The local, cultural heritage has been ignored in the design of the houses. So dissatisfaction has been found in this study among the loanees.

As micro-finance loan is playing a positive role in income generation of the poor and changing the economic status, it has also been found that most of the loanees have the ability to buy an electric ceiling fan. But the design of the house is not planned in that way. The provided house design does not match their economic status also. The design has undermined their economic status with the passage of time. The economic condition is not so bad in the village as what is thought by the authority. Repayment rate, affordability of additional money used and the utilization of loans prove that clearly. Another lack of prudence is, as the loanees are micro-credit receivers for income generating activities, the veranda is needed by them as a place of production. Furthermore, the lack of a veranda results in damage of the doors by sunlight and rain

water. The loan provided is being utilized cent percent and the demand for housing loans is also high. It is proved and well-recognized that the poor are not loan defaulters like the rich. So if the government is determined to solve the housing problem, it can widen this program through NGOs and resolve the housing problem in rural areas.

In the process of providing housing loans, loanees of GB and GT respectively apply for Taka. 20,000 and 25,000 and receive the loan from the implementing NGO in 2 to 3 installments. Some NGOs do not hand over the money to the loanees for fear that the loanee, being poverty stricken, may expend this money on other purposes. NGO workers buy all the house materials and build the house under their own supervision. Some NGOs provide cash money for making houses, not materials.

5.1 Disbursement and Achievement of GT

Table 5.1 provides a comparison between GB and GT. GB has built more houses and disbursed more funds but has been around a lot longer than TB which may account for this.

Table: 5.1
Disbursement and Achievement of Housing Loan

Name of loan providers	Total housing loan disbursement	Number of houses	years	Districts	Upazilas	rate of interest	% of recovery
Grameen Bank	829.12 crore	6,38,858	1984– July'05 (October, 2006)	64	72,833 villages	8%	99.221

Grihayan Tahbil	84.84 crore	37,100	1997- October '06	64	405	5%	89.08
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Source: BB, 2006

5.2 Days taken to get the loan

Table 5.2 shows the number of days that different NGOs take to give a loan after an application is made. The time varies from 2 weeks to one month.

Table: 5.2
Days taken to get the loan since application

Name of NGOs	Number of days	No of loanees of the field studied NGOs
Grameen Bank	One month	150
RRF	15	53
Uttaran	One month	92
PDKS	One month	16
Bantchte Shekha	One month	300
DNP	2 weeks	36
FDA	-----	-----
SHETU	2 weeks	74
NUF	2 weeks	150

5.3 Criteria of Loanees Selection

The table below shows that Grameen Bank provides loans to their own members after 5 years of being a member of GB. It is a pre-requisite. They must have a good track record of repayment. In the perspective of other NGOs, there's no precondition or hard and fast rule for taking Housing Loans

Table: 5.3
Criteria of Loanees Selection

Name of NGOs	Criteria of loanee selection	No of housing loanees of Studied NGOs
Grameen Bank	Being member for 5 years and a good track record of repayment	150
RRF	Homeless woman	53
Uttaran	Good in repayment , poverty stricken woman	92
PDKS	Minimum 2 years membership and good in repayment	16
Bantchte Shekha	2 years , good track record of payment	300
DNP	Homeless and good in repayment.	36
FDA	-----	-----
SHETU	Homeless and good in repayment	74
NUF	Widow, homeless and good repayment	150

5.4 Installment Defaulters

Table 5.4 show the percentage of defaulters in perspective of installment payment and the main reason for their default. Lack of work and natural disasters seem to be the primary reasons for default and the default percentage is extremely low, ranging from 0% to 1%.

Table: 5.4
Defaulters in respect of installments

Name of NGOs	%	Causes of defaults
Grameen Bank	No Defaulters	-----
RRF	No Defaulters	-----
UTTRAN	1%	At the same time taken two loans(income generation and housing loan)
PDKS	1%	Low income and uncertain work
Banchte Shekha	1%	Natural calamity in 2002, low income and poverty.
DNP	1%	Not having daily work, illness, No work to do,
NUF	1%	Natural calamity. River erosion, flood
SHETU	1%	Low income, down business or loss of business

Grameen Bank is more systematic and disciplined in loan providing rather than other organizations. GB has no defaulters. As GB provides loan to their members after 5 years,

in the mean time members are capable through income generating activities to repay the installments. RRF has no defaulters also. But Uttaran has 1% defaulters because of taking two loans simultaneously. PDKS, Banchte Shekha, DNP, NUF and SHETU have 1% defaulters each due to natural calamity, low income and poverty. Overall reasons for being defaulters are expenditure is more than income; jobs are not regularly available, illness, flopped business and financial weakness. Taking loans from other NGOs is also a cause of being defaulters.

5.5 Supervision and monitoring by the NGOs

It has been shown in the field that the supervision and monitoring situation by the NGO has taken place but not satisfactorily, particularly for those NGOs who made cash payments of loans. (See table 5.5).

Table: 5.5
Supervision and monitoring by the NGOs

Name of NGOs	Yes	No	Comments
Grameen Bank	✓		
RRF	✓		
Uttaran	✓		
PDKS	✓		
Bantchte Shekha	✓		
USA			No activity of Grihayan Tahbil but this NGO is the receiver of this Fund
VDO	-----		Physically non existent
BBKS	-----		Physically non existent
DNP	✓		Doing well.
FDA	-----	----	In spite of loan approval FDA did not

	----- -----	----	receive any loan due to price rise of construction materials.
SHETU	✓		
NUF	✓		

NGO people visited the sites during construction of the houses. They came 4-6 times but that was not enough according to loanee opinion. NGO's contention was that for regular supervision they needed more man power which they did not have during that time. Due to lack of proper supervision, there is every possibility to use low quality construction materials and engage unskilled workers. This has happened for some NGOs.

5.6 Supervision and monitoring by the Grihayan Tahbil

It has been shown in the field that the supervision and monitoring situation of Grihayan Tahbil is severely weak (See table 5.6).

Table: 5.6

Supervision and monitoring by the Grihayan Tahbil Fund Management Unit

Name of NGOs	Yes	No	Comments
Grameen Bank	✓		
RRF	✓		
Uttaran	✓		
PDKS	✓		
Bantchte Shekha	✓		
USA	----- -----		No activity on Grihayan Tahbil but this NGO is the receiver of this Fund
VDO	-----		physically non existent
BBKS	-----		physically non existent
DNP	✓		doing well.

FDA	----- ----- -----	----- -----	In spite of loan approval FDA did not receive loan due to price rising of construction materials.
SHETU	✓		
NUF	✓		

Supervision and monitoring has occurred in respect of the district level NGOs. But a lot of grass root level NGOs have taken this Housing Loan without providing Housing Loans in reality. Some NGOs, such as USA, VDO, and BBKS are not to be found to physically exist.

5.7 Utilization of Housing Loan

Those who have taken this Housing Loan have all utilized this money (See Table 5.7).

Table: 5.7
Utilization of Housing Loan

Name of NGOs	No of loanees	Responses	%
Banchte shekha	05	Yes	100
Grameen Bank	06	Yes	100
PDKS	05	Yes	100
Uttaran	07	Yes	100
RRF	05	Yes	100
DNP	04	yes	100
SHETU	05	yes	100
NUF	02	yes	100
FDA	-----		

Two things are significant here for utilizing the Housing Loan. One thing is they are in

dire need of housing but do not have the ability to build one of their own. The other thing is there is no scope to misuse this money due to the rigid supervision of NGO officials. Besides this, the opportunity for them to get large amount of money at a time to utilize for building a house for them and their children has been a dream for many of them. They could not afford to accumulate this amount of money in their life. Furthermore, long time duration of repayment and a low interest rate are also an encouragement to utilize the money for which it was intended.

5.8 Construction of House

During the construction, NGOs officials supervised the construction work frequently but not satisfactorily. NGO workers and self supervision of loanees occurred during construction. Both were engaged in this purpose (See Table 5.8).

Table: 5.8
Construction of House

Name of NGOs	Number of loanees	Areas	Constructed by	
			NGO	Self
Banchte shekha	05	Jessore	Both	
Grameen Bank	06	Gazipur	Both	
PDKS	05	Nowapara	Both	
Uttaran	07	Satkhira	Both	
RRF	05	Nowapara	Both	
DNP	04	Faridpur	Both	
FDA	-----	Faridpur	-----	
SHETU	05	Satkhira	Both	
NUF	02	Faridpur	Both	

Due to lack of enough supervision, quality of the construction materials was low.

5.9 Adequacy of loan amount

All loanees responded that the money provided for making houses was not adequate for making a house (See table 5.9).

Table: 5.9
Adequacy of loan amount

Name of NGOs	No. of loanees	Responses		%	
		Yes	No	Yes	No
Grameen bank	06	04	02	80	20
RRF	05		05		100
Uttaran	07		07		100
PDKS	05		05		100
Bantchte Shekha	05		05		100
DNP	04	02	02	50	50
SHETU	05		05		100
NUF	02		02		100
Total	39	6	33		

Every loanee said that she had to collect additional money for making the house properly. Prices of construction materials are not fixed. Due to a price hike of construction materials, the loan money is not adequate to cover all the expenses. With the passage of time the Housing Loan ceiling should be augmented and reviewed. Percentage wise, 80% Grameen Bank loanees are satisfied and 20% are dissatisfied with the ceiling. On the other hand, all loanees of other NGOs consider the loan ceiling inadequate for building a

house. 100% of the loanees bear this view. Sometimes they have to fall into difficulties to collect additional money. The increase of loan ceiling is needed due to high price of construct materials. They urge the FMU to increase the ceiling.

5.10 Source of additional money

For construction of the house, additional money was needed by every loanee. The additional money was collected in the following manner: 46.153% from family savings, 5.128 % from NGOs, 25.641% from personal sources and 23.076% from their samity (See table 5.10).

Table: 5.10
Source of additional money

Name of NGOs	Sources of additional money				No of loanees
	Family savings	NGO	Personal	Samity	
Grameen Bank	2		4		06
PDKS	2	-----	2	1	05
Uttaran	4	-----	1	2	07
RRF	3	1		1	05
Banchte Shekha	3	-----	1	1	05
DNP	2	-----	1	1	04
SHETU	1	1	1	2	05
NUF	1	-----	-----	1	02
Total	18	2	10	9	39

5.11 Loan Recipients' satisfaction level regarding measurement and structure of the house

In respect of recipients' satisfaction level regarding structure and measurement of the houses loanees of Grameen Bank are 100 % satisfied with the structure and measurement provided from the Grameen Bank. But loanees from other NGOs are 100% totally dissatisfied with the measurements and structure of the house provided from Grihayan Tabil.

Table: 5.11
Loan Recipients' satisfaction level
regarding measurement and structure of the house

Name of NGOs	No of loanees	Comment	Respondents		
			No	Yes	%
Banchte shekha	05		No		100
Grameen Bank	06	Happy with the design and measurement		Yes	100
PDKS	05	Two rooms, 4 windows, veranda and 1 door should be in the middle position of the house.	No		100
Uttaran	07	No house is possible with this money, to manage additional money is difficult.	No		100
RRF	05	Small size, no partition , no veranda, kacha floor, 2 small window is not sufficient	No		100
DNP	04	Low roof, inadequate	No		100

		housing materials			
SHETU	05	2 tin roofed house is not well-accepted culturally in many areas and the loanees think that dwelling house is built only once for all. Area of house should be increased, a partition should be in the middle of the house it could make 2 houses	No		100
NUF	02	4 part tin roofed house is stronger and can prevent storm and rain water	No		100
Total	39				

According to their opinion the house is designed like a “murgeer khop” (hen coop). Causes of dissatisfaction are that there are only 2 windows and no veranda and the floor is not plastered. If the structure had been 2- 4 ft. longer than the existing measurements, 2 rooms would have been possible to make. Besides these, the regional, heritage, traditions are different in respect of the structure of houses. In some areas, loanees want mud walls, in some areas loanees want tin walls, even wooden frames for the roof and walls are also demanded. Some want pucca (brick) walls which is a tradition in that area. But the provided design is fixed. The frame of roof is of wood in the original structure but the demand is a bamboo frame. NGO officials do not buy housing material along with loanees. In that case low quality materials have been utilized. During the monsoon, as there is no veranda, rain water and, snakes enter the house. Rain water and sun light in summer damage the doors.

Chapter 6

Findings

6.1 Difference in implementation of GT and GB Housing Loan:

In the implementation phase, the study found the rate of interest to be 5% in terms and condition of GT but no specific rule is followed by the NGO. The calculation method of the interest rate is not accurate due to different duration of repayment, as well as various calculation systems and the number of installments. In terms of supplying materials for the houses, there are allegations of low quality against some NGOs.

In both, GT and GB, additional money is needed to build the house and loan utilization is cent percent. Loanee selection criteria and sustainability of the house are not satisfactory. Due to weak supervision and monitoring, low quality material, unskilled manpower and false NGOs have been found during the study.

The respondent (NGO) officials opined that deviations took place in the pattern and size of the house. Instead of two-part C.I sheet-roofed and fenced houses, some loanees have constructed houses with four-part C.I sheet roofs and the length of the houses also have been increased by 2 to 4 feet. This deviation is in case of houses constructed by the

loanees themselves. The reasons are as follows:

1. The two-tin roofed house is not well-accepted culturally in many areas and the loanees think that dwelling houses are built only once for all life. Therefore, the pattern and size cannot be changed over and over again.
2. A four- part tin-roofed house is relatively stronger and can prevent leaks in storms and rainwater.

On the other hand 90% of the time the house conforms to GB provided pattern and size. As every loanee from GT and GB has to expend additional money beyond the housing loan for making the house, deviations therefore occurred in structure and measurement according to the loanee's choice.

6.1 Difference in implementation of GT and GB Housing Loan

The loanees of GB get a month time to generate income by investing the loan which helps repay the housing loan. But there is no such opportunity for the loanees of GT provided loan. To see the differences in tabular form see table 6.1.

Table: 6.1
Difference in implementation of GT and GB Housing Loan

Particulars	Grihayan Tahbil	Grameen Bank
Structure and measurement of houses	The respondent (NGOs) officials opined that deviations took place in the pattern and size of the house.	90% conform to GB provided pattern and size of the house. As every loanee has to expend additional money beyond the Housing Loan for making the house, deviations occurred in structure and measurement according to

		the loanee's choice.
Loan ceiling	20,000	25,000
Rate of interest	5% is in terms and condition of Grihayan Tahbil but no specific rule is followed by the NGOs	8%
Number of installments	No specific number	60 for 5 years and 120 for 10 years.
Time limit of Installment	Weekly/ monthly	weekly
Period of repayment	Not specific	5 and 10 years
Repayment rate	89.08	98.89
Defaulting	10.92	0.779
Additional money	15,00 -20,00 additional money is Needed	Needed
Utilization of loan	100%	Same
Loanee selection criteria	No criteria followed.	Being a member for 5 years with good track record of previous loan repayment
Satisfaction level in terms of measurement and structure of the house	100% dissatisfaction regarding low ceiling of the roof, veranda, windows, door, low quality of construction materials,	100% satisfaction
Satisfaction regarding supplied material of house	Dissatisfied due to use of inferior quality of construction materials by some of those NGOs who instead of giving cash loans constructed the houses with their supplied manpower and materials	Satisfied
Sustainability	Non removable, not so strong and durable.	Removable in natural calamity, strong and durable.
Measurement and structure of the house	Strictly followed at the primary stage but now	followed 90% and liberal. One roomed house.

followed	somewhat liberal. One roomed house	
Supervision & Monitoring	Supervision & Monitoring done by NGOs but not by the FMU.	Strong Supervision & Monitoring
Start of Repayment	No time given for generating income.	Installment is weekly but the first installment is taken after 1 month. Time is given for income generating for repayment the loan.

6.2 Performance level of GT and GB:

In judging the performance level, Grameen Bank is more experienced as an early beginner in this endeavor. Therefore, their exposure, contribution, efficiency and effectiveness and quality of manpower is more significant than GT. Their repayment rate is 99% and GT's is at 89%. To date GT has built 37,100 houses and GB 638,858 houses. Total Disbursement of GB is tk. 8.45 billion where as GT has disbursed tk.84.84 crore in this respect (See table 6.2). In the perspective of Bangladesh, it is insignificant but a noble and justified initiative for the poor. GB is much more ahead than GT in respect of exposure and in the number of houses built.

Skilled manpower is available in GB to implement this program. On the other hand, less and unskilled manpower is the main problem with GT program implementation.

Loan utilization and additional money are needed in both of GT and GB. Supervision and monitoring is weak in performing this program. GT have specific rules and regulation but these not followed to perform this program. That is why there is a lot of mismanagement found in the field.

There is no specific target found in NGOs because of their dependence on fund availability from GT which does not rely on the NGOs' intentions. However, GB does have a target and it is achieved because the respective offices decide on the number of loanees and the Housing Program provides the loan.

Table: 6.2
Performance level of GT and GB

Particulars	(GT) through NGOs	Grameen Bank
Interest rate	5	8%
Repayment rate	89.08	99.221
Defaulters	10.92	.779 defaulters
No. of installments	No specific number followed by the NGOs	specific
No. of days taken after submitting loan application	2/3 weeks	1 month
Total disbursement	Tk. 84.84 crore	Tk. 8.45 billion
No. of loanees	37,100	638,858
No. of houses	37,100	638,858
Demand for loan	Enough demand among the members	Enough demand among the members
Duration of loan	5 to 10 years	5 to 10 years
Adequacy of loan amount	Inadequate	Inadequate
Loan utilization	100%	100%
Loanee's satisfaction	Satisfaction from having ownership of such a house which was their long cherished dream but impossible to materialize in reality.	Are satisfied.
Efficiency and Effectiveness,	Less	More
Quality of staff	Less and unskilled manpower	Enough and skilled manpower
Credibility	Positive	Positive
Supervision and Monitoring	Weak	Strong
Sufficient resource and money	No	No

Performance and responsibility	Have weakness about monitoring and supervision, Unskilled manpower, low quality material supply etc.	Positive
Specific rules and regulation	Have but not followed	Followed
Strength / weakness	Weakness-- monitoring and supervision, Strength—high demand and empowering woman and enhancing social security and prestige, low interest rate; creates opportunity to fulfill basic need of the poor people.	Weakness-5 years waiting to get the loan Strength- near 100% repayment rate and other societal positive changes
Target of providing loan	Target is not achieved because of fund available from GT.	Target achieved as the office decides the number and provides from their own fund.

6.3 Method differences of GT and GB:

There is no vast gap found in the system followed by these 2 institutions. But some mismanagement or law-breaking has occurred in the GT program regarding interest rate in which a fixed interest rate has not been followed. Besides, the number of repayments, the number of days taken for repayment, period of repayment and the selection criteria of loanees did not followed the specific rule.

On the other hand though interest rate is higher than GT, the GB completely follows the specific rules set in this program from the very beginning. They are more organized and disciplined than the other NGOs. In the case of defaulters, NGOs(GT) apply motivation, constant follow up, peer pressure and sometimes allows the loanee to repay the installment at their convenience. But Grameen Bank does not apply any action on this issue.

Method of loan disbursement, flexibility in changing of housing design and measurement and supervision and monitoring during the construction are the same. But at the very beginning, in the case of design change of the house was very rigid.

In NGOs, both weekly and monthly repayment systems are followed. However, GB follows weekly repayment system. Duration of repayment of a GB housing loan is 5 years and interest rate is 8%. No specific year and interest rate is followed by the NGOs. In both institutions, demand of loan, Loan utilization, period of repayment are not very different.

Table: 6.3
Method differences of GT and GB

Particulars	(GT) through NGOs	Grameen Bank
Interest rate	5%	8%
No. of installment	No fixed	60 installments – 5 years duration 120 installment-- for 10 years duration
Installment taken	Monthly and weekly. No specific rule followed.	Weekly
Loan ceiling	20,000	25,000
Period of repayment	No specific rule followed	5 to 10 years
Install. start	Immediately	After one month
Providing money / construction materials / both	providing money and construction materials	providing money and construction materials
Selection criteria of loanees	No criteria followed	Membership of 5 years
Disbursements of loan	3 installments to NGOs. After judging the proper utilization of the first	In 2/3 installments to members.

	installment, remaining installments are released to them.	
Duration between application and receipt of loan	15—30 days	One month
Action taken for defaulting	1. Motivated through meetings and constant follow-up 2. Allowed the defaulters to repay the loan at their convenience. 3. Peer pressure 4. none	None
Structure and measurement of houses	Fixed according to agreement but less changeable in reality	Fixed according to agreement but changeable in reality
Supervision by NGO	Frequent supervision and monitoring during construction.	Frequent supervision and monitoring during construction.

6.4 Strength and weakness of GB and GT:

Grihayan Tahbil

Strengths:

Recognized by the loanee that the government has rightly addressed one of the basic needs of the poor people, that is, housing .Credibility of NGOs has increased. Interest rate is low at 5%. The program has greater outreach. It requires less time as a member to be eligible for loan. Loanees have the option to repay the loans in weekly or monthly installments.

Weakness:

The loan amount is not adequate to cover the cost escalation of housing materials. Transport cost was not considered; beneficiaries are not given loans at low interest rate for income generating activities. The same type of the house is constructed irrespective of local, cultural and geographical situation. Actual landless and homeless people are not given this loan apprehending that they will not be able to repay the loan. No choice or opinion of loanees regarding house design and pattern and measurement are sought. Loanees questioned the quality of construction materials of the houses built by the NGOs.

Grameen Bank:**Strength:**

GB is the pioneer of micro credit for house building in rural areas. Really needy persons get the loan. Loanees are satisfied with the quality of construction materials and the structure and measurement of the house. There are an insignificant number of defaulters and almost total repayment is achieved in GB. Installments are started after one month so that they can generate income and pay back the loan. There is strong supervision and monitoring. The loan ceiling is more than other NGOs. There is greater credibility of loanees to this program. GB is more efficient and specific in conducting this program than GT. Skilled manpower is also the strength of this programs success. A 99% repayment rate and other positive social changes have occurred through this program.

Weaknesses:

A loanee has to wait 5 years before becoming eligible for a loan. It is a bar to the development of the loanee's capability and a sign of slow pace service which may make the development of the loanee slow. After getting an income generating loan, a loanee may be able to earn more and may repay the housing loan properly. So the waiting period is not justified. Eligibility for getting loan should be reduced.

Table: 6.4
Strength and Weakness

	Strength	Weakness
Grihayan Tahbil	Recognized by the loanee that the government has rightly addressed one of the basic needs of the poor people i. e. housing	Loan amount is not adequate
	Credibility of NGOs has been increased	Cost escalation of housing materials
	Low interest rate (5%)	Transport cost was not considered; beneficiaries are not given loans at low interest rate for Income Generating Activity.
	Greater outreach	Same Proto-type structure of the house irrespective of local, cultural and geographical situation
	Less time as member to be eligible for loan	Actual landless and homeless people are not given this loan apprehending that they will not be able to repay the loan
		No choice or opinion of loanees regarding house design and pattern and measurement
		Loanees raised the question on the quality of construction materials of the houses built by NGOs.
	Have option for loan repayment by weakly and monthly	
Grameen Bank	Really needy persons get the loan	5 years waiting before eligible for loan
	Satisfied with the quality of	

	construction materials and structure and measurement of the house.	
	Insignificant no. of defaulters	
	Almost total repayment	
	Installment starts after one month so that they can generate income and pay back.	
	Strong supervision and monitoring	
	Pioneer of micro credit for house building in rural area	
	Loan ceiling more than other NGOs	
	Greater credibility to loanees	
	More efficient and specific than GT	

6.5 Additional Findings:

The study found there is dissatisfaction among the loanees with the house design. Increase in the price of construction materials and the fact that additional money is required by loanees to build the house were not properly reviewed with the passage of time by the FMU of Grihayan Tahbil. Some NGOs did not take part in this social venture despite their willingness to provide low cost housing loans to their members.

When Bangladesh Bank started granting housing loans from the Grihayan Tahbil the loan ceiling of Tk.20, 000/- was sufficient to cover the price of housing construction materials prevalent at that time. However, within a short time, the prices of construction materials went up and it became impossible to build a house with this amount of money. Some examples of the increase in the price of housing materials are as follows:

Previous (2000) price of iron per Kg - Tk. 32/-

Current (2006) price of iron per Kg. - Tk. 65/-

Price of iron has increased by 103.12%

One bundle of Tin was between TK.1,800/- and Tk.-2500/-

The price increased to between TK. 2200/- and Tk. 3200/-

Price of tin has increased by 22.22% to 28%

The price of wood per c. ft. was from Tk.225/- and Tk.230/- which increased Tk.325/- to Tk.330/-.Prices of wood increased by 44.44% to 43.47%.

Labor costs also increased. As a result, it was tough to build the house with the amount of money provided. Most of the NGOs were reluctant to accept this fund in spite of their willingness. For example- FDA (Faridpur Development Agency) after getting the approval of the Housing Fund did not receive this fund due to the price hike of housing construction materials. The management of this NGO said they waited for a long time for either the in the price of housing materials to decrease or for the Fund Management Unit to reconsider or increase the ceiling.

Some other small NGOs' views were that the long term loan was not economically viable for their organization because they could not run the program with the funds the GT were willing to give. The costs of close supervision, conveyance and extensive manpower required to run the housing program could not be covered completely by the fund. Furthermore, the construction cost increased due to the faulty design and insufficient housing materials provided, so loanees needed additional money for building the house which is an extra burden on them. Additional money is

needed for purchasing additional poles, (Ara) beams and (butum) roof supports. 18 pieces of tin is provided to construct the house. Each Tin requires one ('Roa') rafter beam to support it but the GT provides only 14 Roas. 6 Ara are needed but only 4 are provided.

12 pillars are needed to support the walls but only 10 are provided. The length of the poles should be 12 feet but in the design the pole is only 10 ft long. Of these 10 feet, 2 feet is planted under the soil so that only 8 feet of each pillar remains above ground. This makes the ceiling too low and there is very little head room. Those families who have become more well off want to install ceiling fans cannot do so because of the low ceiling does not provide enough clearance. The loanees are therefore dissatisfied with the design of the house and the FMU is also indifferent regarding this crucial issue

All NGO representatives claimed that they followed the selection criteria for the selection of loanees. But it is clear from the survey that the criteria set for selection of loanees are not strictly followed by the NGOs. Some NGOs are giving loans to only those people who are capable of repaying the loans rather than to those who are in dire need of housing and cannot get loans from any other financial institution. In this respect, they ensure 100% repayment but fail to provide the service for which the fund was intended. Provided housing loan has been utilized by the loanees.

6.6 Achievement of loanees as perceived by the Manager of the NGOs of Housing

Loan Program:

1. increased standard of living
2. enhancement of social respect
3. fulfillment of dream of having a safe “pakha ghar”
4. no need to repair the house every year
5. durability of the house has increased
6. their future, their children’s future improved
7. leading happy and safe life
8. safety of their valuables

Chapter 07

Conclusions and Recommendations

7.1 Conclusions

A weak financial system hinders savings and investments, hence economic development. The housing sector, which is highly financed dependent, is out of reach for the poor. The troubled banking system can not provide wholesale or individual long term funds at a reachable rate for housing.

Investment in housing results in overall increase in the productivity of the economy by increasing different sources of income generating activities, mobility of manpower, promoting social development and providing an incentive for productive labor.

As Bangladesh is the birth place of microfinance and a large number of poor people are engaged in income generating activities with the micro- finance institutions, these institutions can play a vital role in delivering the Rural Housing Loan to the rural poor. Since the loan is collateral free, it requires close community ties, credibility and close monitoring and follow up of the rural poor as well as the program implementation. At grass-root level, MFIs have established this credibility and good relationship with the poor people. Consequently the Government has taken an apposite initiative for the rural poor providing house building loans through NGOs. This was not introduced before for

the rural areas by the Government but rather for urban areas by BHBFC and several Banks which have proved failures. As to disburse this loan, disciplined and well-established experienced institutions are needed, therefore, selection of NGOs is an absolutely crucial step through which it will be possible to provide the loan smoothly to the rural poor. But supervision and monitoring is weak as the study has found. Some NGOs are not found in the given addresses. The FMU should be strong and active in supervision and monitoring. In respect of selection of NGOs, FMF should be more careful and selective of their venture partners. Location, address, disbursement history, experiences, period of establishment and sincerity may be the criteria of NGO selection.

For the success of Housing Fund (Grihayan Tahbil) provided through NGOs, there is a need for policy follow-up, research for improvement of low cost housing technologies and action to scale up low cost housing program into action involving rural people and other organizations.

Housing Loan of Grameen Bank and Housing Fund (Grihayan Tahbil) of the Government of Bangladesh is playing an important role in improving the quality of life and income generation of the rural poor. Except for some objections about the design and measurement of the houses, all loanees have welcomed this program. The poor people are really benefited, their dream of building a (pakha ghar) have been fulfilled in reality. An ample demand has emerged from the poor for taking this Housing Loan. So the Government of Bangladesh should increase this loan and maintain strong institutional discipline by introducing proper supervision and monitoring and by appointing skilled

adequate manpower.

The study found that of all the loan providers (NGOs) from Grihayan Tahbil , RRF is doing well, they have no defaulters and are implementing this program in a smooth way. Loanees are satisfied with the materials supplied which they consider adequate and of good quality; loans are available on time; construction supervision is good; they maintain close contact with loanees and their overall service is good and they have a disciplined implementation mechanism.

GB is playing a rigorous role in providing housing loans for their members. The GB Housing Loan is not only a starting point for achieving better and more durable housing in rural Bangladesh, GB is also a pioneer in bringing about the new initiative of introducing Rural House Building Loans without collateral like micro-finance. But 5 years waiting period of Grameen Bank's loanees to get housing loans is a bar and delay to providing prompt service.

On the other hand, for the success of the Housing Fund (Grihayan Tahbil) provided through NGOs, there is a need for policy follow-up, research for improvement of low cost housing technologies and action to scale up the low cost housing program into action involving rural people and other organizations and to form bodies to advice on planning, building and construction.

There is also need to form rural development authority, similar to RAJUK, or CDA, or

KDA for proper rural housing policy, coordination, adequate planning and designing as a Rural Housing Development Authority. Because Housing are too scattered due to lack of authority, coordination and adequate planning in rural areas which consequently result in housing problems at present as well as in future.

Finally culturally and locally accepted designs which the loanees want should be provided to them by the Government. As they are willing to pay, demand is overflowing, utilization of loan money is 100% and the repayment rate is satisfactory, the Government can mobilize enough resources/fund to solve the dire need of the housing problem and should provide adequate funds for this purpose to the Grihayan Tahbil. Actual landless and homeless people should be the government's crucial criteria of selection of loanees.

During 1980-2000 the housing deficit was projected to be 5 million units with an annual requirement of 165,000 new housing units. Because of the rapid increase in population and scarcity of resources, a suitable housing policy and proper implementation is required for ensuring good housing.

In comparison with the number of people and number of villages of Bangladesh, the provided housing loans are a very inadequate amount. However, it is a great initiative of both the Bangladesh government and Grameen Bank. It is an innovative and creative way to solve this important basic need of the rural poor.

In conclusion, from the study of the role of micro-finance in rural housing in Bangladesh, my observation is that Grameen Bank is covering large area and providing substantial amount of fund for housing in comparison with Grihayan Tahbil more effectively, efficiently and with greater care in a structured way. But Grihayan Tahbil, in spite of its great potential to play a positive role to address the housing problem, due to lack of proper supervision and monitoring this program is not bringing expected success. The Fund Management Unit should increase manpower and put more emphasis on proper supervision and monitoring on the Housing Fund.

7.2 Recommendations

1. Since the Grihayan Tahbil has got a positive role for providing long-term housing loan to homeless/ landless rural poor, it should be continued, extended and diversified to help more poor people.
2. As the market price of construction materials has increased, the ceiling of loan packages should be increased to Tk. 30,000 to Tk35,000 depending on the cultural, local and geographical location of the area.
3. The Grihayan Tahbil should have leave options to the loanees regarding the structural design, materials and specifications and floor measurement of the houses to be constructed. Loanees want to maintain local cultural norms in respect of design and structure of their dwelling houses.
4. All NGOs should maintain a uniform loan repayment schedule with amount payable in each installment and may include either fortnightly or monthly installments.
5. The frequency of inspection by the FMU should be increased in order to minimize

anomalies caused by NGOs.

6. In order to augment popularization of the Tahbil among rural people electronic and print media should be utilized for spreading the information of the unique opportunity.
7. Since the volume of work of the Fund Manage Unit has increased manifold over the years it should be strengthened with additional manpower and other facilities.
8. 5% interest rate should be provided to the loanee for income generation activities because of easy repayment of housing loan.
9. Design needs to include veranda to protect the door from the rain water and the sun light and to protect from snakes and other insects during the rainy season and floods. A veranda is also needed as a work space for income activities like weaving, rope making, cane working, handloom and so on.
10. Poles' length should be 12 ft. instead of 10 ft. 4 roofed house is demanded.
11. 4 windows are demanded and one door

7.3 Recommendations from Managers of NGOs to GT Fund Management Unit:

1. Loan should be given to the real homeless
2. Loan money should not be handed over to loanees
3. The design of the house need to change
4. The price of construction material should be taken into consideration for determining the loan ceiling. After some time it needs review
5. A small increase of the floor would make two rooms
6. Design of the house should be according to the loanees' own choice and should

be according to the local, cultural and geographical situation

7. Should increase the length and width of the house
8. Instead of money construction material should be provided
9. Training and soft loan with low interest rate should be provided for income generating activity as a support for repaying the housing loan
10. Housing materials should be provided according to the needs of the design.
11. Design should be reviewed for the acceptance and satisfaction of loanees as per their culture and local heritage.
12. Two rooms can be made by increasing 2-4 ft long of the house, 4 windows and the door to be in the middle position of the room is the demand of loanees (the existing room is one with 2 windows and 2 corner sided doors)

7.4 Action that may be taken to increase good housing and good repayment in the rural areas:

- 1 Policy of industrial planning with equitable distribution of work for the rural people.
- 2 Relocation of jobs and industries that need not be located in urban areas such as small and cottage industries, food processing and preservation industries and so on. An efficient system of marketing facilities for rural products.
- 3 Credit concessions to set up small and cottage industries.
- 4 Efficient transportation system to link villages, places of work, and to offset migration to the urban areas, specifically the big cities.

Appendix A

Questionnaire for officials

(Translated into English from the original Bengali version)

1. Name :
2. Designation:
3. NGO:
4. Loan ceiling for Housing: Tk.
5. No. of loanees under your supervision:
6. No. of targeted loanees for providing Housing Loan:
7. No. of applicants who have applied for Housing Loan:
8. Total disbursement of Housing Loan:
9. Interest rate of Housing Loan:
10. No. of repayment installments for Housing Loan :.....
11. No. of houses built under your supervision:
12. Method of interest rate counting:
 - a. decline rate b. annual flat rate c. full term flat rate
13. Duration for the repayment of Housing Loan: 5 years / 10 years
14. Repayment rate of Housing Loan?%
15. No. of defaulters:
16. Steps taken for defaulters:
17. Please state your experience during the implementation of the project:
 - a
 - b
 - c
18. Please mention the key factors which, in your opinion, should to be taken into account for effectiveness and efficiency of this project.

Appendix B
Questionnaire for loanees

1. Name of the loanee:
2. Name of NGO:
3. Upazilas :
4. District:
5. Occupation of loanee:
6. Date of housing loan received:
7. How much money did you apply for housing loan? Tk.
8. How many days did it take to get the loan after the submission of application?
9. Did you get money according to schedule? Yes / No
10. How much is the interest rate of your loan? %
11. In case of any failure to submit installments, is there any added interest?
Yes/ No.....
12. Who have constructed the house? NGO or self?
13. Was the loan sufficient/ adequate according to specific structure and measurement of the house? Yes / No
14. If not, how much additional money did you require? Tk.
15. How did you manage this additional money?
a. From NGO b. loan from samity c. personal debt d. family savings
16. Are you satisfied with the structure and measurement of the house?
Yes /No
17. Where have you been living before this house made?
a. homeless; b. at own hut; c. parents house; d. rented house;
18. How much money do you have to pay for each installment?
a. weekly Tk..... b. monthly Tk.
19. How many installments do you have to pay for your housing loan?
20. Are you repaying your installment regularly?
Yes / No

21 If not , how many installment have you failed to repay?

22 What are the causes of failing to repay the installment?

- a.
- b.
- c.

23. Is there any problem to repay the weekly or monthly installment?

Yes / No

24. If yes, what are the reasons?

25. In what way, do you like to pay the housing loan?

- a. By less money installment
- b. By increasing the duration of installment?
- c. In other way

26. Do you think the government should provide housing loan to more people like you?

Yes / No

27. Please express your opinion about good and bad aspects of housing loan.

Good aspects :

- a.
- b.
- c.

Bad aspects :

- a.
- b.
- c.

Appendix C

List of NGOs

Addresses

BBKS	-	Bhawal Bhumihin Kallayan Samity
Banchte Shekha	-	Banchte Shekha Shaheed Mashiur Rahman Road, Arabpur, Jessore-7400
GB	-	Grameen Bank
PDKS	-	Pally Daridra Kallyan Sanstha Noorbag KG School Road, Nowapara,
RRF	-	Rural Reconstruction Foundation RRF Bhaban, C&B Road, Karbala, Jessore.
USA	-	Unite for Social Advancement Puratan Satkhira, Satkhira-9400.
DNP	-	Daridra Niroshon Prochesta Ambikapur, Faridpur.
SHETU	-	Shetu Bangladesh Shirashuni, Tala, Satkhira.

FDA

- Faridpur Development Agency

Tepura Kandi, Bakigongj, Faridpur.

NUF

- Nari Unnayan Forum, West Khasbaspur, Faridpur.

UTTRAN

- Uttaran Tala, Satkhira.

VDO

- Village Development Organization

Bhawal Mirjapur, Joydevpur Gazipur.

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