

Housing Loans for the rural poor making homes stronger and safer

Helping the rural landless poor of Bangladesh

John Norton 1989.

*This article, first published in 1989, illustrates the Grameen Bank housing loan programme in Bangladesh, significant in part because it provided **targeted** loans that make the homes of the rural poor safer and better able to resist the effects of floods and cyclones.*

By 1989, fifty million people in Bangladesh - almost half of the 111 million population - fell in the category of the rural landless poor. Owning less than 0.5 of an acre of land, and many none at all, they are the people who most often face the greatest difficulty in surviving and in rising above total poverty. The majority of the rural landless live, at best, in small shelters built, typically, with a bamboo frame, jute or bamboo walls and a thatched roof, achieving very little resistance to floods, cyclones and insect attack, and providing little security for belongings or the occupants. The occupants are the same people most frequently at risk from storms and floods.

Afsiya Begum became one of the rural landless poor after her eight acres of land at Ranpur were washed away in a flood. But thanks to a housing loan from the Grameen Bank (GB), she now has a secure house built with four concrete columns and a corrugated iron roof. Like the growing number of GB Housing Loan beneficiaries, she paid back her loan from income generated through activities which were also made possible through small general loans from the GB.

The significance of this situation is that the GB, started in 1976, began providing tiny loans to the rural landless poor without collateral and repaid at low - and affordable - interest rates, 16% for a general loan, and only 5% for a housing loan. The only security on the loan has been provided by the GB requirement that its members - and future borrowers - must form themselves into small groups of five women or men, who are then able to borrow as individuals for income generating activities and, more recently, for house building. A repayment default by one member normally stops the loans for all the group, and thus it is peer group pressure which effectively guarantees the payments, and the real knowledge that failure to repay will cut one off from the possibility of obtaining future loans and thus of rising out of poverty and living in better conditions.

By 1989, the GB general loans had a recovery rate of 98.35%, and the housing loans even higher. Afsiya Begum repaid her housing loan, which totalled 10,000 Taka (Tk) *¹, and her general loan, from income generated by rearing goats, ducks and chickens. These too she obtained with the help of her GB loans. Her husband worked at bamboo mat weaving, and they have 7 children, four of whom are now married. They live on a tiny plot of land (bought with a GB loan) which stands by the roadside high above the paddy fields belonging to a landowner. The previous year Afsiya Begum's land was flooded again, but thanks to the concrete columns her house was not washed away, and the CI roof provided protection from the rain.

The Grameen Bank experiment.

The GB was begun by a rural economist, Dr M. Yunus, in 1976, as an experiment based on the belief that the rural landless poor can repay loans, provided that the terms and conditions are realistically within their reach. This meant providing loans without extravagant and usurious collateral and interest rates, which hitherto had been the only way of obtaining credit from the local money lenders. The rural landless poor, whilst frequently engaged as casual labour for agriculture, are rarely farmers in their own right, but instead earn their living through a wide variety of small income generating activities, such as rice husking, sewing, weaving, door to door selling, riding a rickshaw, rearing pigeons, selling milk... For many, to do this has meant obtaining a loan to enable the purchase of the cow, the

material, the machine which enables an income to be generated. The GB has made these small loans possible and affordable. To date the smallest loan they have given is for 1 Taka - equivalent to \$0.03! All general loans for income generating activities are repaid in one year, after which another loan can be taken, and the maximum loan at present (1989) is 5000 taka.

The experiment has proved to be a success with borrowers repaying their loans regularly and saving with the bank too.

The Housing Loans

An important stage was reached in 1983 when the Grameen Bank field workers reported that as incomes rose, so too was the demand for better and safer housing rising, and the potential for achieving it. In response to this demand, the GB launched its Housing Loan programme 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, 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 any GB member whose past repayment performance was impeccable; priority was given to the most needy, and the 5-person group and the local centre (which comprises several groups) played an important role in deciding who should get a loan first. The Branch officers of the GB working in the countryside with the members monitor and process the application. From the time of deciding that someone will get a housing loan, the process moves quickly and in a few weeks the money is available and building can start.

There were two types of loan - the Basic Housing loan and the Standard Housing Loan, worth 18,000 Tk ^{*2}. Ninety per cent started with their basic Housing Loan, worth 10000 Tk (US\$ 333) and repaid at a rate of 1000 Tk a year. For this, the GB dictated that the house should be at least 20m², covered with corrugated iron roof sheets, and built incorporating four reinforced concrete posts to support the roof and give rigidity and security to the structure. Since 1988, the loan includes the purchase of a latrine base and four pit liners, so that hygiene can be improved. The GB also organised the manufacture of the columns and the latrine kit, through the organization of small production yards. The loanee looked after the transport and the construction, and the loan allowed enough money to pay for the wood or bamboo secondary structure.

The House

The concept of the house design has been simple but efficient. The reinforced concrete posts provide a secure frame, able to withstand high winds and many of the effects of flooding, and to resist termite attack. The corrugated roof provides a durable waterproof cover to the house. In the event that flooding causes major land erosion, which is common near the rivers, the house owner can lift out the posts and remove the whole of the house to higher safer land. The choice about the rest of the house design and construction is left up to the borrower. This means that the buildings can respond to the local architectural character, and be adapted to the needs and resources of the family. The result is that rarely are two houses the same, and there is full scope for innovation and for individual expression. But the houses are much more secure.

Afsiya Begum put her four columns under the two main roof trusses, instead of putting them at the corners of the building which is more common. The rest of the structure is made of bamboo and wood, and supports the woven bamboo matting which form the walls. The floor is beaten earth. The house consists of one rectangular room, subdivided into sleeping areas, storage areas and space for working. Light comes from the gaps in the bamboo matting and from the doorway.

The 20m² required by the GB is a minimum. In fact, most GB house loanees build larger houses than they did before, and the loan also acts as a starting point, providing the basic house elements which can be extended and embellished in the following years. The husband of GB member Kamala Begum worked as a mason. They are impressed by the concrete columns, and so with the savings she has made from her sewing business they have added six more homemade concrete columns to replace the bamboo and timber. Shankuri Rani took a Standard Housing Loan of 18,000 Tk in 1987, and with savings from her weaving business (started with GB loans), she extended her house at both ends, and spent an additional 40,000 Tk. But whether the house is small or large, all the House Loan recipients show the greatest pride in their new houses.

By 1989, over 44,500 GB members had built new houses with the help of the GB Housing Loan programme. 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 GB required that the House Loanee must acquire the ownership of the land they are to build on, and this has frequently lead to the transfer of title deeds from husband to wife. The GB Housing Loans are thus not only a starting point for achieving better and more durable housing in rural Bangladesh, they are also instrumental in bringing about the emancipation of Bangladesh's rural women.

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*1. One US Dollar was worth 30 Taka in May 1989

*2. GB funding for the Housing Loan Programme has initially come from the rotation of funds and from the Bangladesh Central Bank and foreign Donors including CIDA, SIDA, NORAID, GTZ and IFAD.