ENABLING HOUSING WITH MICROFINANCE
- A case study of Grameen bank housing program in Bangladesh -

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This paper delineates how housing is reached to the poor through housing microfinance. Taking housing program of Grameen Bank (GB) as a case study, this article portrait the GB’s simple, conventional and efficient concept of house design employable by the rural hands. To reach the poor, GB’s strategy for housing microfinance includes simplicity; flexibility, available, affordable and speedy disbursement of collateral free loans at rural communities in Bangladesh. Construction of houses is on self-help basis, incrementally developed and adopted vernacular construction. The study recognizes that housing design and lending terms perfectly matches with rural people’s livelihood and it brings success to GB’s housing program.

Keywords: Bangladesh, Grameen Bank, Microfinance, Rural Housing, Rural Poor

1. INTRODUCTION

Finance is arguably the most important factor in shelter development and improvement. The other key of housing inputs i.e. land and building materials cannot be acquired without adequate finance. The Habitat Agenda recognizes that housing finance systems do not always respond adequately to the different needs of large segments of population, particularly the disadvantaged groups living in poverty. Most conventional housing institutions serve only middle and higher income groups in the formal market. They are often averse to lending to the poor and generally outreach into poorer areas (UN-Habitat, 2006). This is in line with this backdrop that housing finance for the poor remains a pressing need throughout the globe and the shelter dilemma continues to increase for the poor and low income groups. The challenge is to improve the effectiveness, efficiency and accessibility of the existing housing finance systems and to create and devise innovative housing finance mechanisms and instruments to promote equal and affordable access to housing finance for all people (UN-Habitat, 2008.1).

Over the last three decades microfinance*1) has gained enormous success in reducing poverty on a global scale. As an efficient financial mechanism, microfinance enables various governmental and non-governmental actors to promote housing for the economically weaker group of population, in particular. This paper analyzes the role of Microfinance Institutions*2) (MFIs) in promoting shelter and related services based on the case study of Grameen Bank in Bangladesh.

GB is one of the leading MFI in Bangladesh, has come up with an innovative approach called ‘Grammen Bank Housing Program (GBHP)’ targeting the poorest of the poor to provide shelter. The basis of this approach is a minimum basic shelter package in order to make the product affordable. There is neither any waiting period nor lengthy and cumbersome paperwork. Construction of houses is on self-help basis, while internal services (like indoor water, sanitary latrine and electricity) are provided incrementally. The study highlights the housing supply strategy of GB, a pioneer in the world of microfinance. It reflects basic planning aspects of rural housing and modes of lending operation under microfinance schemes in rural communities in Bangladesh. It explains that housing microfinance is making significant contribution in scaling up the housing production by the rural poor and the unique operational strategies.

2. AIM AND METHOD OF THE STUDY

Conventional housing finance institutions typically require physical collateral before they extend long term housing finance. In most cases, this is in the form of property title to be financed. This presents an obstacle to the poor who seldom have legal title to the land or housing they occupy. However, microfinance industry works without any collateral, creates an enabling environment for housing need of the poor and boost the housing production. Thus the broader objective of this study is to illustrate the operational strategies or shelter delivery mechanisms of successful MFIs. The specific research questions of the study are:

- What planning and design strategies enable GB to make housing within the reach of the rural poor;
- What lending strategies of GB offer the poor to build their houses with microfinance;
- What implementation strategies cause widespread replication of GB’s housing?

Financing shelter is an important component within development policy frameworks intended to secure environmental sustainability, economic prosperity, cultural diversity and social equality. This study examines GB’s rural shelter finance program and the driving forces to attain success over its lending schemes, as
their process and delivery mechanisms tend to screen out the poorest section of the society. It also explores policies and strategies that hold promising result in making shelter development truly sustainable. A qualitative case study was used for collecting data. The study engaged into archival research, sketching, photography and focused group discussions with Grameen officials, borrowers, building consultants, local leaders and field survey.

We came to know from developing world’s housing literature that there are number of housing projects that attained success, as well as, a lot of them had failed. The causes of failure are many. In terms of planning, we could realize that people’s direct participation in building their home is one of the preconditions of successful planning. Thus, the first research question was set to uncover the Grameen’s unique design solution. Global Report on Human Settlements (2005) emphasizes the fact that finance is only one dimension of securing sustainable solutions that can fill the gap between the two extreme outcomes of current systems and processes: affordable shelter that is inadequate; and adequate shelter that is unaffordable. Public finance schemes in developing countries are proven to be ineffective, inadequate and often collapsed due to poor recovery performance. On the other hand, GB’s innovative institutional lending strategy is another key that bring them massive success. Thus the second research aim was tuned to explain how Grameen provides housing to the rural poor with microfinance. There are evidences that many housing projects in the developing world failed due to lack of implementation skill and operational difficulties. Thus the third aim of the research is how Grameen simulate planning solution and finance scheme in one platform. Housing microfinance is a new field and still a lot of research need to conduct to broaden its function to the huge poor population. Although some literature describes about Grameen’s general micro-lending activities but few of them discuss about housing microfinance. In particular, these three issues are not exacted in the previous literature. This article is a trial to present the work of the GB as a successful case of housing microfinance and draws lessons about its possible expansion in other areas of developed and developing world.

At the outset, the study involved into archival research with Grameen Nirman (i.e. Village Construction); GB’s main wing for planning, design and construction of housing and related services throughout the country, located within GB’s central head office in Dhaka. Grameen Nirman devised the rural housing models and the ‘local area offices of GB’ remain in implementation of the design solutions. The field survey conducts interaction with concern architects and engineers of Grameen Nirman to have their conceptual views to design the rural housing models. They provide related sketches, drawings and photographs of different housing models and explain the design concepts. Early experimental models, pilot projects and technical documents within GB’s own research unit provide sufficient information to evaluate the suitability of present design solution. GB’s library also contains sufficient documents that helped the study to dig into the topic. All these information were helpful to grasp the first research question.

At the second phase, the study meets with about 10 leading officials of GB (administrative, commercial and field officers) to have their operational experience to roll housing microfinance in rural communities of Bangladesh. It includes deputy general manager, assistant general manager, system manager, and field officer from Grameen Communications, Grameen Shakti, Grameen Nirman and Grameen Babosa Bikash Kendro. Grameen Communication provides facilities to make field visit to meet the GB borrowers who already build houses with Grameen microfinance. It gave a scope to interact with the Grameen borrowers, field officers, local leaders and material traders. Although the study aimed at a questionnaire survey to these people, often the interview altered into discussions and they express their practical experience. In one hand, Grameen officials expressed what to do and what not to do in operating housing microfinance, on other hand, borrowers responded on how they struggle and become benefited. As a whole, the second and third research aims were attained from the feedback of Grameen officials and through field observation.

3. HOUSING FINANCE FOR THE POOR AND MICROFINANCE

Housing finance sources in developing countries generally fall into three tiers. The first tier comprises of private and commercial institutions providing credit for higher income groups at market interest rates upon the certification of income and provision of collateral. This category of financial institutions has consistently avoided involvement in provision of housing finance for the poor due to their lack of collateral and steady income, the perceived high default risk, and the high transaction costs (Ferguson, 1999). The second source is the public sector, which usually provides subsidized funds for civil servants by way of specialized or non-specialized housing finance intermediaries. Public programs in many developing countries have failed to reach the poor. Public programs attempting to target lower income groups have been hampered by lack of political will, leakage of funds to non-eligible groups due to corruption, or a failure to take into account the socio-economic and political dynamics of the situation within which the poor operate. The remaining groups—lower middle, moderate, and low-income households, most of whom work in the informal economy—have with few exceptions been excluded from accessing capital from formal private or public financial institutions. These groups have consistently relied on informal sources, including savings, informal loans from money lenders, remittances from family members working abroad, and the sale of whatever assets they have, such as land, jewelry, etc.

Many poor people have to turn to informal moneylenders to have access to credit. But these financial services come at high costs, with nominal monthly interest rates typically ranging from about 10 to over 100 percent – a multiple of the monthly interest rates of formal financial institutions. Such high interest rates make in prohibitive for poor people to borrow large amounts of money for longer periods. The informal finance mechanism is too costly for them to finance the construction cost. Therefore, rebuilding through the informal finance is often not a feasible option for the poor.

Housing microfinance programs, administered by microfinance institutions, have recently

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<tr>
<th>Name of Institutions</th>
<th>Maximum Loan Size</th>
<th>Repayment Period</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>GB</td>
<td>US$ 300</td>
<td>60 Months</td>
<td>8%&lt;sup&gt;13&lt;/sup&gt;</td>
</tr>
<tr>
<td>ASA</td>
<td>US$ 195</td>
<td>100 Months</td>
<td>10%&lt;sup&gt;14&lt;/sup&gt;</td>
</tr>
<tr>
<td>Proshika</td>
<td>US$ 215</td>
<td>75 Months</td>
<td>5%</td>
</tr>
<tr>
<td>BRAC</td>
<td>US$ 175</td>
<td>36 Months</td>
<td>5%</td>
</tr>
</tbody>
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Table 1 Leading MFIs Housing Schemes in Bangladesh

Source: Hoek-Smit (1998)
emerged to address the shelter needs of low income groups and to fill the financing gaps not covered by traditional, more formal institutions. A relatively new loan portfolio for microfinance encompasses housing microfinance. Microfinance has been afforded this special attention because of the belief that it will help people out of poverty. Microfinance is expected to be more than a financial service used in the fight against poverty; empowerment and the creation of a social environment that is essential to people’s well-being (Smets, 2006). The United Nations (1998) has proclaimed 2005 the International Year of Microfinance. As for MFIs, they can only provide small amounts of credit at a time to individual poor households. Although MFI’s interest rates are generally lower than those of informal moneylenders, they are higher than those charged by formal financial institutions. Table 1 shows the typical housing microfinance schemes operated by leading MFIs in Bangladesh. In general the principles of housing microfinance are: (1) loan sizes are relatively small and are disbursed based on borrower’s capacity for repayment; (2) repayment periods are relatively short; (3) loan pricing is expected to cover the real, operational cost and risk premium; (4) loans are not heavily collateralized; (5) although savings are not a prior condition for obtaining housing microfinance, MFIs often link loans to clients’ profile and habits. To put it briefly, housing microfinance enables the partial financing of housing needs which meet some of poor people’s aspirations to proper homes.

4. WHY FORMAL HOUSING FINANCE DO NOT WORK FOR THE POOR

The lack of available and accessible housing finance has been identified as one of the important hurdles in improving the housing conditions for low income households and specially for the poor. The formal housing finance system only provides mortgage loans for a small proportion of high income households. A much larger proportion of households have to finance their housing from savings or build incrementally and at a low standard because upfront finance that would allow them to purchase a higher quality home and pay for it over a longer period is not affordable and inaccessible.

Despite the increasing expectation that the private sector is going to play a very important role in financing the down market, the formal financing sector is reluctant to serve the low income sector. UN-Habitat (2008.2) reports that the poor are excluded from the formal financing institutions because (1) they require to have bank accounts with minimum deposits, discourse small, regular deposits from poor clients; (2) they charge high fees; (3) financial institutions are located outside the areas where the poor live and increase the travel cost for the poor to access such services; (4) the poor do not have formal legal titles to provide collateral security as required by formal financial institutions; (5) the poor do not have capacity to make repayment over a long period; (6) the poor often do not have formal employment. Therefore the formal financial institutions fail to provide financial services to the low income sector.

5. CASE STUDY: GRAMEEN BANK

GB grew out of an action research project initiated by Professor Muhammed Yunus in 1976, who recognized that it is poor people’s lack of access to capital rather than their capacity to repay that perpetuates their poverty. Initiated at the Chittagong University (Bangladesh), the research action project started with the provision of credit facilities for a small number of rural poor families. These tiny loans of a few dollars, issued without formal collateral, enabled the poor to set up small income generating businesses and get out of their downward spiral of poverty and exploitation by money lenders. Building on the success of this and subsequent projects, the GB was formally incorporated in 1983 and today it is the largest rural micro-credit institution in Bangladesh with 4.21 million borrowers, 96 percent of whom are women.

The Bank’s organizational structure is of four tiers with the ‘Branch’ as the lowest unit”. The branch office is supervised by an ‘Area Office’ and above that are the ‘Zonal Offices’ and the ‘Head Office’. It deals directly with the community structures, which comprise of ‘Groups’ of five members each and ‘Centers’ which contain 2 to 10 groups. A given branch deals with 40 to 60 such centers. Bank’s main innovations include the use of group arrangement to replace the collateral requirements of formal institutions. There is considerable freedom at the second lowest tiers of the area office where loan sanctions are approved. The head office provides feedback to the lower levels and deals with the outside institutions and the government. Its role includes resource mobilization for the Bank. Over the last decade the operations of the bank have grown to include over 1,000 branches covering almost 50,936 villages (more than two thirds of all villages in Bangladesh). The total amount of loan disbursed by the GB, since inception is US$4.74 billion; of which US$4.25 billion has been repaid.

GB’s success is related to its organizational structure and its style of operations which responds to the local needs. Its credit policy and rules for loan sanctions and the special ‘collateral’ requirements have emerged from the ground realities. The collective participatory planning and incorporation of the members at the highest level of decision making through a democratic process also contributes to this success.

5.1 Grameen Bank Housing Loan Program

The GB established a housing loan program in 1984 to enable poor rural families to own permanent and cyclone-proof homes. To date 617,000 such homes have been completed and the program is continuing with building over 30,000 new homes each year. The basic amount given for a housing loan is US$300. This has to be repaid over a period of 5 years in weekly installments with an interest rate of 8 percent. To date, a total of US$130 million has been disbursed for housing loans. The housing loans are available only to existing GB borrowers who have a 100 percent repayment record and have completely repaid their first two loans for income generation activities.

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 US$30 to repair the house after the monsoons. For an equal amount of money a family can repay a housing loan for a strong, well-constructed house with a floor area of 20 sq. m. The GB views housing loans as investment rather than consumption, since a secure and well-constructed house aids the health and well-being of the family and helps them break the vicious circle of poverty. The house can be used as storage for their small businesses; time and money are saved in not having to continually repair the jute-stick shelters. The GB has developed two standard house typologies. The construction cost of smaller one is about US$300 and a larger version costs US$625. In many cases the families add their own savings to the loan and are spending up to US$1,000 on their home and its furnishings.

The borrowers repay their loans on a weekly basis at the ‘centre’ meeting when the manager of the local branch office of the GB comes to their village. The collateral system of peer support means that families help each other out with payments to ensure that all repayments are made on time. There is a 98.89 percent loan recovery rate, compared to a 25-30 percent for other institutions of housing finance in Bangladesh.

5.2 Grameen Housing Technology

The houses vary in appearance throughout the country but have the same basic structural components. There are four Reinforced Concrete (RC) pillars on brick foundations at the corners of the house and six intermediary bamboo or concrete posts, with bamboo tie beams, wooden rafters and purlins supporting Corrugated Iron (CI) roofing sheets (Fig. 1). A sanitary latrine is also provided with each house. The design and construction is so simple that families can build the houses themselves, with the help of friends and neighbors\(^7\). Local skilled carpenters carry out the roof construction for many families. All houses had raised sleeping areas so that the family did not have to sleep on the floor and in each house there is a table with school books for the children to work on when they came from school. RC pillars and sanitary latrine are being supplied by the GB’s building materials project located at different locations at GB’s operational area. Loans are also available to purchase homestead land if a family has no land on which to build its house. The planning concept and design objectives\(^8\) of GB houses are: (1) to bring the house cost within the reach of the rural poor; (2) to make it durable and safe not to spend recurring expenditures on repair and replacement; (3) to make the house simple with adjustable technology to be locally built and maintained by local crafts and building materials.

5.3 Design Concept

The concept of the house design has been simple but efficient. The RC posts provide a secure frame, able to withstand during the strong monsoon winds, many adverse effects of flooding and to resist termite attack. The corrugated roof provides a durable waterproof cover to the house during the monsoon season. The house is made to dismantle in cases of severe floods that cause land erosion, near rivers and the components stored and reassembled later. The choice about the rest of the structure is 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. This has resulted into a secured, climatic adaptive, and user friendly design with no two designs exactly alike and there is full scope for innovation and for individual expression. The rest of the structure is made of bamboo and wood, and supports the woven bamboo matting which form the walls and window (Photo 1 & 2). The floor is beaten earth (Photo 5). Rope, produced from jute is extensively used for fixing the posts with walls and roof frame (Photo 3). 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 basic design\(^9\) of a GB financed house proposes a one-room house with a rectangular plan and gabled frame roof as drawn in Fig. 2.

5.4 Building Materials

The pre-cast pillars are the basic structural elements of the house. The pillars are 13.3 cm square columns, 3.35 m high, made of cement, sand, brick chips and reinforcing steel. Four 10 mm diameter Mild Still (MS) bars are used as vertical reinforcement and thirteen 6 mm diameter MS bars are used as stirrup in each pillar. Six bamboo posts are used as supporting structural members for reducing the span and to make the frame more rigid. This simple technology of ‘4 to 6’ pillar
house is very popular among GB borrowers and also other rural people. Wooden rafters and purlins, wooden/bamboo tie beams and wall plate form the roofing frame (Fig. 3). Eighteen pieces 8 feet long CI sheets are fixed on wooden frames by nails to construct the shed. Nuts and bolts are placed on top of the pillars (before casting the pillars) in order to attach the roofing frame with the RC pillars. Wall materials vary according to availability of local materials. A typical wall is made from jute sticks and bamboo mating (Photo 4). Split bamboo is also used as wall material (Photo 1 & 2). Floor is made of mixture of clay and cow dung (Photo 5). The plinth or floor of the house is usually raised 30 cm above the ground level and is built with compacted clay soil. When completed, it is a dry, mildly hard earth surface but vulnerable to cracks for earth pressure as well as moisture penetration. Routine maintenance is required for normal wear and tear caused by stress and strain due to live loads.

5.5 Technical Implementation of Loan Scheme

A housing loan is made available to any GB member whose past repayment performance was impeccable; priority was given to the neediest. However the 5-person group and the local centre (which comprises several groups) play important roles in deciding who should get a loan first. The Branch officers of GB, working in the countryside with the members process and monitor the application. It only takes few weeks to process and finalize a loan application. The loan is made available the sooner the application is approved and building can start. Apart from implementing the pre-determined housing design, the loanees are required to (1) have 4 RC pillars which give rigidity and security to the structure; (2) have a set of sanitary latrine kit to improve hygiene; (3) procure CI sheet from the open market for roofing material; (4) use the entire housing loan amount exclusively for housing purpose. While the RC pillars and the sanitary latrine are purchased from the bank, the procurement of all other materials (i.e. bamboo, wood) remains the responsibility of the loanees.

6. ASSESSMENT OF GBHP: WHY IT WORKS FOR THE POOR

To reach the poor sections of society, innovative housing finance schemes and institutional arrangements are required. GB adopted some innovative strategies within an institutional framework. The motivation of this study was to scrutinise those strategies. The following paragraphs clarify why GB able to house the poor.

6.1 Piecemeal Development

In order to understand the poor’s demand for housing finance, one has to systematically analyze their self-help activities and strategies. Construction practices in the ‘informal’ sector reflects the need for an incremental building process by the dwellers (see Kamruzzaman and Ogura, 2009), which has its own rational, innovative and creative building strategies. GB’s concept of shelter microfinance is compatible to ‘piecemeal development’, meaning incremental improvements to existing housing rather than construction of new housing. It appreciates that incremental construction is a way of opening up credit markets to the rural poor. GB is in the line with grassroots view of providing small scale loans with a short to medium-term loan of a maximum of 5 years to suit the incremental building and matches financing strategies of the poor. This enables them to build a basic shelter and improve their shelters in a way in which the dweller him/herself judges when and how small investments can take place. The issue here is to keep the installments small enough so that they are considered affordable to the poor. In this way, the poor may enjoy good habitat conditions as quickly as possible, for which they will pay incrementally over a long period of time. Smets (2006) argued that public and private sector housing schemes offer big housing loans with long term repayment but has recorded insignificant success rate. GB’s incremental finance and building strategy is fitted to the rural poor and holds optimum success.

6.2 Housing Construction

One of the driving forces behind the success of GB’s housing scheme is the efficiency of the construction process. Patel (1999) describes how over 20 years loan repayments for a 60m2 apartment equals the amount that pavement dwellers in Mumbai pay to repair their dwellings, especially during the monsoon period. She concludes that low-income households are, therefore, building expensive, low quality housing. In this contrast, GB’s strategy is faster construction of a basic, stiff and durable shelter. Utilization of pre-cast RC post significantly shortens the construction period. GB’s mode of financing dictates construction strategy as well.

6.3 Utilization of Hot Money

Apart from the group guarantee system, it is also crucial for the repayment behavior to consider exactly whose money is being used in the scheme. When only the participants’ own money (i.e. that of group members), the so-called ‘hot money’, is involved, people are more committed to repayment. However, if a line of credit or gift from external agency ‘cold money’ is used, the discipline for repayment is much less, if at all present. In 1995, GB made a decision not to receive any further
donor aid or loans and its growing deposits are more than enough to run and expand its credit program. Presently it runs completely on ‘hot money’, self-sufficient and sharply expanding its housing schemes in rural communities (see Table 2) and thus GB’s success reached the climax.

6.4 Financial Sustainability

GB began providing tiny loans to the rural landless poor without collateral and they had to repay at low and affordable interest rate (8% for a housing loan). The only security on the loan has been provided through GB requirements that its for its members – and future borrowers – must form themselves into small groups of five people, who are then able to borrow as individuals for income generating activities as well as for house building.

### Table 2: Grameen Banks Performance in Housing Rural Poor in Bangladesh since 1984

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<tr>
<td>Loan Disbursed (million)</td>
<td>3.60</td>
<td>17.20</td>
<td>5.70</td>
<td>140.70</td>
<td>170.40</td>
<td>236.30</td>
<td>224.60</td>
<td>301.90</td>
<td>659.30</td>
<td>1,673.0</td>
<td>1,338.6</td>
<td>713.00</td>
<td>168.70</td>
<td>867.70</td>
<td>973.90</td>
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<tr>
<td>Loan Repaid* (million)</td>
<td>0.09</td>
<td>1.81</td>
<td>3.20</td>
<td>7.90</td>
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<td>170.30</td>
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<td>643.30</td>
<td>684.80</td>
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<tr>
<td>No. of House Built*</td>
<td>317</td>
<td>1,581</td>
<td>2,042</td>
<td>23,408</td>
<td>44,556</td>
<td>67,841</td>
<td>91,157</td>
<td>118,717</td>
<td>157,334</td>
<td>258,194</td>
<td>295,702</td>
<td>331,201</td>
<td>329,040</td>
<td>402,747</td>
<td>506,680</td>
<td>511,583</td>
<td>533,041</td>
</tr>
<tr>
<td>No. of Village Covered*</td>
<td>2,268</td>
<td>3,666</td>
<td>5,170</td>
<td>7,502</td>
<td>10,552</td>
<td>15,073</td>
<td>19,536</td>
<td>25,248</td>
<td>30,619</td>
<td>33,667</td>
<td>34,913</td>
<td>35,533</td>
<td>36,420</td>
<td>402,747</td>
<td>506,680</td>
<td>511,583</td>
<td>533,041</td>
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* Year wise cumulative figure

Source: Estimated from Grameen Banks Official Database Including Grameen Dialogue

A repayment default by one member would undermine the loans for entire group, and thus it is peer group pressure which effectively guarantees the payments, and the real knowledge that failure to repay will cut off the possibility of obtaining future loans. Hence their long term dreams to live a better life won’t be realized. Thus there is a 98.89 percent recovery rate on its loans, ensuring the financial viability of the organization and its continued expansion. The loans taken out by households serve significantly to improve their economic conditions and increase their financial self-sufficiency and sustainability. The GB’s performance in housing microfinance is outlined in Table 2 and affirms that it can assure financial sustainability despite some criticism that remain on subsidy issue.

### 6.5 Social Sustainability

The GB’s microfinance program has evolved to lift millions of people living in rural areas in Bangladesh out of poverty. The housing microfinance program of GB has made significant impact on the lives of the members in terms of income, restoration of self-confidence and human dignity. A good house protects a family from the onslaughts of nature as well as anti-social elements. Housing has increased the productive capacity of the beneficiaries. It offers self-employment or any home based income generation activities. Borrowers felt (being the owner of a house) that this has strengthened the bondage amongst the family members. Through its banking system that is based on mutual trust, accountability and participation, the bank has created a revolution that has dramatically improved the socio-economic conditions of the poor, especially women who had previously had no access to formal financial institutions. The land title is generally given in the name of women borrowers. So, the land title and house is vested with the women, which ensure that she obtains improved status within the family, society and holds gender equity.

### 6.6 Organizational Aspects

It is very natural that every financial organization has its own goals as expressed in their memorandum. ‘Formal’ financial institutions tend to be supply driven and ‘informal’ financial institutions and community-based organizations more on demand driven. GB is formal operating in informal environs. Its real energy is its branch offices. More than two-third of all villages in Bangladesh are under GB’s umbrella due to its huge ground network as a result of ‘demand driven’ bottom-up approach. On the other hand, top-down policies, as formulated by the Central Bank, provide guidelines about how formal housing finance institutions should deal with the poorer sections of society and in practice, this policy does not sound well. On the basis of GB’s widespread success around the country it is clear that ‘demand driven’ bottom-up approaches are appropriate for the provision of microfinance for housing.

Present microfinance loans for housing by GB are considered a small, special benefit program for rural poverty groups. The funding for housing is cross-subsidized by income-generating credit programs. If housing lending is to be extended to a variety of rural income groups and to urban low income households, it cannot depend on internal cross-subsidizations, which increases the cost of microfinance and will, by necessity, limit the scale of the housing programs.

7. CONCLUSIONS AND QUESTIONS FOR FURTHER RESEARCH

Microfinance for housing has evolved out of the needs of the GB’s own borrowers. Housing design of GB has been simplified to fulfill the very basic needs of mankind (shelter and sanitation). The construction technology is traditional and easy to comprehend by the locals. The ability to understand the distinction between needs and demands, proper response to demands, and beneficiary’s characteristics are what underlies the success of GB’s activities. GB devised an incremental subsidized by income-generating credit programs. If housing lending is to be extended to a variety of rural income groups and to urban low income households, it cannot depend on internal cross-subsidization, which increases the cost of microfinance and will, by necessity, limit the scale of the housing programs.
The GB’s success in providing shelter to the poor and its subsequent replications of its methodology in other areas needs validation and further research. Answers to several questions are indeed essential to procure a sustainable shelter solution for the poor regardless of being rural or urban. The set of questions are:

- How far the Grameen replication is an infallible solution that works in the urban sector? Why not Grameen extends its operation for the vast urban poor in Bangladesh? How can it suite the urban poor with compatibility and sustainability?
- Why the other providers do not adopt GB’s technique? Does the Grameen replication not sustainable for them?
- The cost-effectiveness of GB’s housing is not yet exposed. To what extend GB’s housing is affordable and replicable with and without any form of subsidy?

Further research focusing the aforementioned issues might be worthwhile to straighten the supply chain to produce decent shelter for the urban poor. The poor are really in need of housing and financing schemes that are compatible to their livelihood need and strategies. GB exceptionally excelled in this regard.

Notes

*1) Microfinance can be broadly defined as the provision of small-scale financial services such as credit, savings and other basic financial services to poor and low-income people.

*2) The term ‘microfinance institution’ refers to a wide range of organizations dedicated to provide financial services and includes NGOs, credit unions, cooperatives, private commercial banks, non-bank financial institutions and parts of State-owned banks (UN-Habitat, 2006).

*3) Subsidized rate is reduced interest rate (generally 20 percent for income generating loan and 8 percent for housing loan in GB) due to affordability reasons.

*4) Flat rate interest is equivalent to a compounded rate of approximately 15 percent per year.

*5) GB’s assistant general manager explains about the basic information on Grameen’s organization setup, decision making process and operational steps to run the housing microfinance products in rural communities. Some of these issues are also found in various articles of Grameen Dialogue (A newsletter published by Grameen Trust).

*6) Grameen’s leading administrative staff states that GB operates rural housing scheme only to their own borrowers. The GB borrowers cannot run their home-based income generation activities under this program unless they are provided a home. In this viewpoint, housing investment is not consumptive, rather productive.

*7) Self-help construction is widely practiced in rural communities in Bangladesh (Kamruzzaman, 2009.2). Field survey in one Grameen’s operational area also validates people’s direct participation in building a GB financed house.

*8) Planning concepts of GB financed house are explained by the in-charge architect of Grameen Nirman.

*9) Assistant engineer of Grameen Nirman states that GB’s main aim is to provide a basic and secure home and their present housing solution is not fixed, rather flexible. The borrowers can add more room; enhance the material quality if they can satisfy the basic requirements of a GB’s housing loan scheme.

*10) Officials from Grameen Nirman provided drawings, photographs, estimating and costing of GB financed house and describe the construction technology, building materials and the financing provisions. Some of the design aspects are also discussed by Islam (1989).

*11) GB’s staff (Branch Officer) explains how they select a borrower who seek housing loan, process his application, assist in construction and monitor the whole process. It involves close partnership, cooperation and mutual trust. This screening and monitoring process takes places in rural communities which enables GB to reach the poor.

*12) GB’s assistant general manager explains about the basic information on Grameen’s organization setup, decision making process and operational steps to run the housing microfinance products in rural communities. Some of these issues are also found in various articles of Grameen Dialogue (A newsletter published by Grameen Trust).

References


和文要約

本研究はバングラデシュにおける貧困層への融資に大きく貢献し、その活動が目立っているグアミン銀行の小規模融資に着目し、同銀行による住宅供給とその実情について考察している。ここでは同銀行の融資方策の特色として、農村社会での利用の簡易性、高い自由度、迅速な支払い、そして無担保での取得可能なローンをあげ、これからの項目が貧困層にとって有効である事、そしてまた、住宅建設においては、建主による自持建替えが基本となり、安全性の観点から部分的に近代工法を用いながらも伝統的な築住宅を主体的に用い、かつ段階的建設工事によって容易に住居が取れる事等から同銀行の方式が貧困層への住宅供給に有効に展開している点を指摘した。

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