

HOUSING FOR THE RURAL POOR : THE GRAMEEN BANK EXPERIENCE

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Introduction

Dr Muhammed Yunus launched an action-research programme in 1976 to extend banking facilities to the poor and to eliminate exploitation by moneylenders. By creating opportunities for self-employment, Dr Yunus aimed to convert the age-old vicious circle of "low income, low savings, low investment, low income" into an expanding system of "low income, credit, investment, more income, more credit, more investment, more income".

The Grameen Bank was created in 1983 from Dr Yunus' programme. Initially, it was 60% owned by the Government of Bangladesh; now (1996) 93% of the share capital is owned by the borrowers (members) and the Bank is empowered to carry out the full range of banking functions except foreign exchange transactions.

Organisational structure and present progress

The various activities of the Bank are organised and implemented by the following four tiers of administrative set-up :

Head Office :	coordinates & maintains links with GOB/agencies
Zonal Office :	supervises 10-12 areas from district headquarters
Area Office :	supervises 10-15 branches in villages
Branch Office:	lowest unit - selects & organises clientele

The Branch Office is thus responsible for implementing the loan programmes with which this paper is concerned.

Borrowers must form themselves into groups of five like-minded socio-economically similar individuals to receive loans for which no collateral is required. Eligible borrowers are those whose families own less than 0.5 acres of cultivable land and have assets of less in value than that of one acre of medium quality land.

Groups must meet weekly under a duly elected Chairman and Secretary. Groups within any given village are federated to create a Centre with a Centre Chief elected from among the Group Chairmen.

At August 1996 the Grameen Bank had 1060 Branches with more than 2 million members in almost 36,000 villages. 94% of members were women. In 13 years of operating, the Bank had loaned Tk 66,649 million (US\$ 1,666 m) with a recovery rate of 98% and group members had saved Tk 4843 million

(US\$ 121m). The average size of each loan is about Tk 5,500 (US\$ 138) and loans have been given for more than 600 different activities, demonstrating that poor people can be even better customers than their rich counterparts.

Women's participation and economic potentialities

Politically, socially and economically, women are deprived in our society. A women, especially a poor one, is never secure. Before marriage her parents see her as a burden to be married as soon as possible. After marriage, her husband can throw her out any time or leave her to care for her children on her own. Remarriage, easy for men, is not an option for their abandoned wives.

Therefore, as Grameen's main objective is to eradicate poverty, programmes prioritise the poor women who make up 94% of members. Grameen has found that money put into a household through the woman brings more benefits than when the man receives it. The mother prioritises her children and household needs whereas the man is less likely to put his family in top position. Observing this, Grameen organises workshops and training programmes especially for them and the Board of Directors of the Bank includes nine women borrowers. Thus, women participate at all levels in what we can now call the Poor Women's Bank.

The general housing situation in Bangladesh

At US\$ 250, Bangladesh has one of the lowest per capita incomes in the world. The bottom half of the population without land or assets to generate income must struggle very hard for survival and to maintain their basic human dignity.

Many poor in Bangladesh can afford only jute sticks placed side by side to form walls and roofs for their homes. Costing US\$ 15 to 25, this provides no more than the appearance of a hut and serves virtually no purpose in protecting the inmates from monsoon rain and winter breeze.

After jute sticks, the next best materials are bamboo for sidewalls and hay or thatch for roofing. Thatch is more expensive but still not very durable. Typically, US\$ 25 to 37 must be spent annually to replace each thatched roof and the cost is rising due to increasing scarcity of materials. This places a heavy burden on poor families; if they cannot generate the required savings then borrowing from non-institutional sources will cost at least 10% per month.

For Tk 10,000 (US\$ 250) a durable house with four cement pillars and tin shed roof can be made. If the poor family is given a loan to buy such a

house then the savings on the regular maintenance cost can cover the repayments on their home.

Housing for the poor: a vital investment

Contrary to existing belief, investment in shelter for the poor is not unproductive. It is a vital investment in health, leading to increasing productive capacity and overall well being of a person and his/her family. Living under a leaking jute-stick roof in no way equips a person to engage meaningfully in income generating activities.

For a poor person, a house means both protection from weather and disease and a work place, especially in the case of a self employed female headed household. Thus, adequate housing is an absolute necessity for the poor in contrast to the rich where it is more of a comfort or luxury item.

Housing - the Grameen way :

Ignoring the conventional wisdom of financial institutions and bankers, Grameen Bank ventured into giving loans to the shelterless to build houses for themselves. This programme started in 1984 and expanded rapidly after the devastating flood of 1987, providing loans without the need for collateral.

Originally, a "Moderate Housing" loan of Tk 15,000 (US\$ 375) was provided. Since 1987, two types of loan have been available. The "Basic Housing" loan was introduced at a level of Tk 7,000 (US\$ 195) in 1987 and has since (1991) been raised to Tk 12,000 (US\$ 300). These now outnumber the original Moderate Housing loans by 7:1. To meet a need for a cheaper way to finance a home, the Grameen Bank has now introduced a new "Pre-Basic Housing" loan of Tk 6,500 to 7,500. This can then be incremented later as the borrower can afford more.

Technology

Grameen Bank developed its own design for a house during the devastating flood of 1987. This has four cement pillars at the corners and CI sheet roofing on a wooden frame. Each house has a sanitary latrine with five rings. The pillars and rings are supplied by the Grameen Bank's house building materials project located at different areas within the organisation.

For plans, elevation, section and other details of the Grameen Bank's Basic House, see Figures 1 to 4 and I. Ahmed's paper in Section 1.

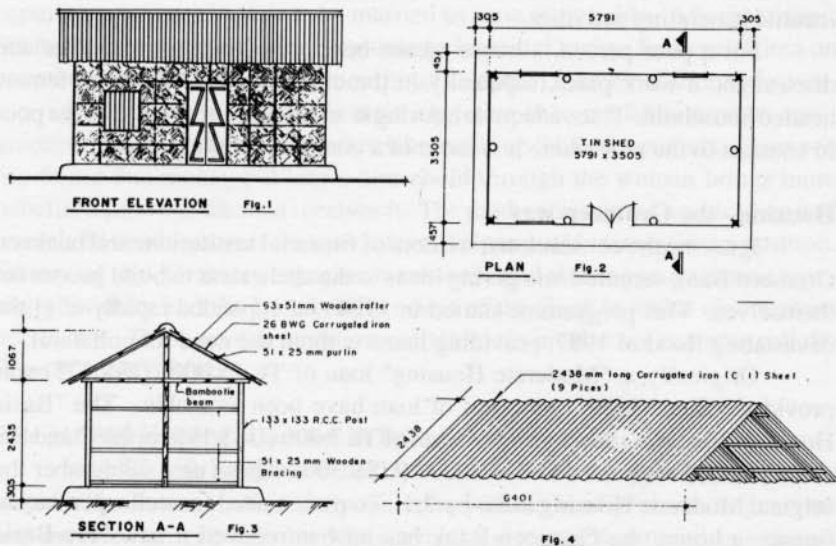


Figure 14: Plan, Elevation, Section and other details of Grameen Bank's Basic house

Design objectives

The Grameen Bank Housing Programme was started with the following inbuilt traits :

- i. Economical : to bring the house within the reach of the rural poor;
- ii. Durable and safe : to spare owners the relatively high recurring expenditures on repair and replacement normally associated with low cost rural structures;
- iii. Simple, adjustable technology : to permit the house to be built and maintained by locally available know-how and resources;
- iv. Comfortable : to sustain well-being and pride of the inhabitants in order to enhance and sustain their motivation for economic activity.

Note that these houses are more likely to be exposed to floods because the poor build their houses on low-value land most liable to inundation.

Design and specification

The Basic Housing design is for a one room rectangular house with gabled roof and the following dimensions :

Enclosed floor area	5791mmx3505mm
Plinth area (extending outside walls)	6401mmx4419mm
Roof area (projecting beyond walls)	6705mmx4419mm
Height of plinth above ground	305mm
Clear height of rafter support	2435mm
Clear height of ridge	3502mm

This design is based on the following provisions :

- i. 18 Nos. 2440x813mm size CI sheets to form the entire roof;
- ii. 4 Nos. reinforced concrete pillars, 133x133mm section by 3352mm long form the firm supports at the corners of the walls and gabled roof;
- iii. The procurement of material and construction of plinth, walling and roof is the choice and responsibility of the owner;
- iv. An Indian-type sanitary latrine of standard design (Fig. 4) is to be installed by the owner in an outhouse of any design. The sanitary latrine consists of :
 - a. A cover slab 900x900mm and 50mm thick accommodating a toilet pan with water seal and foot rests;
 - b. 5 Nos. RCC cylindrical sections 750mm diameter and 300mm high to form a 1.5m deep well when placed on top of each other.

- v. Grameen Bank supplies to the owner at cost the four RCC pillars (current price Tk 1520, US\$ 38) and the sanitary latrine components (current price Tk 1000, US\$25).

The entire loan must be used exclusively for housing purposes. The policy of requiring the borrower to procure items included in iii above has the following advantages :

- i. It allows maximum flexibility for incorporation of local materials and technology;
- ii. The owner can build the house taking into account his/her circumstances and financial options;
- iii. It ensures greater involvement of the owner in the housing process and leaves a sense of accomplishment and confidence in his/her ability;
- iv. It eliminates any scope for suspicion that the Bank may have vested interests in the supply of materials and thus protects the Bank's image.

Detailed description of house components

See Figures 1 to 4 , and I Ahmed's paper in Section 1 for diagrams detailing typical Grameen model houses and the photo on Page 99.

a. Plinth

The plinth, or floor, of the house is usually raised 300mm above the ground level. It is built with compacted clayish earth to give a dry, mildly hard surface vulnerable to pressure, abrasion or moisture. Routine (usually weekly) maintenance is required for normal wear and tear caused by live loads. The floor is finished with a mixture of clay and cow dung.

b. Structural frame

The corner pillars are made of cement, sand, crushed brick with four 10mm diameter and thirteen 6mm diameter reinforcing steel bars. This technology is popular also with homeowners not included in the Grameen Bank operation. Six intermediate bamboo posts are used to support the walls and make the frame more rigid.

c. Roofing materials

Wooden rafters and purlins with wood/bamboo tie-beam and wall plate make up the roof frame on which eighteen pieces of 28 BWG corrugated iron sheet are fixed with nails.

d. Walls

Bamboo mats are used as walls.

e. Fixing

The wall plates and roofing frame are fixed to the RCC pillars with nuts and bolts (bolts are cast into the tops of the pillars). This makes the house more durable, safe and strong.

This design is durable in floods and winds and resistant to termites and other insects. It has no maintenance cost and always has a resale value, as well as being movable in case of river bank erosion.

Criteria for Grameen Bank Housing loans

The housing loans programme has become one of the main components of the Grameen Bank's loans portfolio. The formalities with regard to compulsory savings in Group and Emergency Funds are strictly enforced like these of general and collective loans. Housing loans may be advanced for the construction of a new house or the reconstruction of an old dilapidated one but, considering the local variation and peculiarities, no particular model of house is specified. By general consensus, houses are expected to have tin roofs with wood, clay or tin internal and external walls. Bank staff take care to ensure that the house is strongly built of appropriate size and shape by local standard and in relation to the size of the loan.

For loans exceeding Tk 12,000, the following criteria apply :

1. Branch criteria

- a. Branch must be at least three years old;
- b. Borrower's discipline should be excellent with perfect repayment records;
- c. Branch must have highly disciplined Centres
- d. Branch must have proven skill and efficiency in official works and accounts.

Individual members and the Centre as a whole should also fulfill the following:

- a. Centre should be at least three years old;
- b. Centre should have its own Centre house;
- c. Centre discipline should be excellent with perfect installments repayment records;
- d. Centre should have experience of joint-venture loans;
- e. Centre should be dowry-free.

An individual borrower must be :

- a. A third time borrower;
- b. One with a perfect record of past repayments and of strict compliance with the Bank's rules and regulations;
- c. The owner of title to the land on which the house is to be built. If not, the land can be bought with loan money.

The following categories of borrower get preference in respect of housing loans:

- a. Members who do not have their own house;
- b. Women having no earning male members in the family;
- c. Female members;
- d. The poorest and most needy borrower in the Group/Centre;
- e. The borrower having the most dilapidated house in the Group/Centre;
- f. The Centre willing to set up a model village by purchasing land at a selected location shall be preferred to those having scattered individual sites.

Elaborate accounting and statistical records of house-building loans are kept apart from those of the general loans for the branches. Borrowers have separate pass-books for housing loans and it is pertinent to mention that repayments are mainly made out of sources of income derived from earlier loans. Provision is made for repayment of housing loans from the income of joint venture undertakings at the end of a year or appropriate period but token repayments are expected in the meantime.

In exceptional circumstances the above criteria have been relaxed. The 1988 floods caused unprecedentedly widespread damage and with a very slim economic base the poorest borrowers found it beyond their means to recover. Therefore, the Bank relaxed its criteria to enable members affected by the flood to resume income earning activities.

Current operations

The housing loan programme is a complementary addition towards perfecting the total loan operation of the Grameen Bank. Borrowers are expected to repay the loans by weekly installments at a rate of Tk 1,000 (US\$ 25) per year. That is, one can take as many years to repay as one has borrowed thousands of taka (subject to a maximum of ten years). However, borrowers are advised to liquidate their liabilities at a faster rate if possible. Until now, repayments have been almost 100% on total housing loans of Tk 5468 million (US\$ 137m) to 324,542 borrowers, 90% of whom have been women. In August 1996 the average loan was about Tk 15,800 (US\$ 395). The following table

shows the increase in numbers of loans during this programme :

	Cumulative loans
1985	16,000
1986	20,000
1996	324,542

Grameen's target cumulative disbursement is expected to be almost Tk 11,000 million (US\$ 274m) by December 1999.

Table 1: Statement of HOUSING FINANCE UP TO AUGUST 1996

SI No	Particulars	Landless Male	Landless Female	Total
01	No of House	28,472	296,070	324,542
02	Amount disbursed (millions)	452.03	5015.7	5467.74
03	Amount repaid (in millions)			2236.09
04	Average, in Taka			15832.00
05	No of pillars produced			916190
06	No of latrines			70050
07	No of manufacturing units			28
08	No of Sub units			61

Impacts of Grameen's Housing Loans

a. Housing is a source of inspiration, not a luxury

Borrowers feel that being the owner of a house has strengthened the bondage among family members, bringing greater peace, joy and happiness within the home. They found in their "dream houses" a new source of self dignity and confidence which improved their social status.

b. Housing is a vital investment for the poor

A good house protects a family from the onslaughts of nature as well as anti-social elements. It thus increases the productive capacity of its inmates. When asked about the advantages of their houses, our borrowers said : "things

do not get damaged due to rains" and "the inmates are now free from diseases".

c. Housing provides space and privacy

One needs space to carry out self-employment activities and for eating, sleeping, rearing children, recreation and leisure. For example, Amana Begum of Ghatandi Bhuapur said "We can sleep with our children safely and peacefully. Besides, we have raised our income from kitchen gardening and poultry raising. So we do not feel any hardship."

d. Housing is preceded by incremental material development

Since a house can be built only where there is homestead land, there is provision for loans to purchase such land first. It has been observed also that borrowers use savings to spend more than the amount of their loan in order to have a bigger floor space. They make incremental investment in housing materials over time.

e. Impact on ecology

If poverty is looked on as a major pollutant of human habitation on earth then Grameen has been working towards reducing this in a society that has suffered due to environmental degradation. Giving loans for sanitary latrines and hand tube wells encourages borrowers to create a cleaner environment and there are associated programmes to create a chain of nurseries for seedlings and plants.

Grameen has become synonymous with self-employment and self-reliance which are more suited to enhancing the ecological balance than large-scale factory-based manufacturing.

From many considerations, Grameen can be categorised as a programme having strong positive impacts on ecology.

Conclusion :

Grameen Bank does not provide housing funds as charity; they all have to be repaid which helps to extend the coverage of the programme. The Bank is endeavouring to alleviate poverty by way of making credit a powerful instrument for socio-economic change so that the poor can fight their ways out of the vicious circle of poverty and their human dignity does not get lost in the wilderness.