

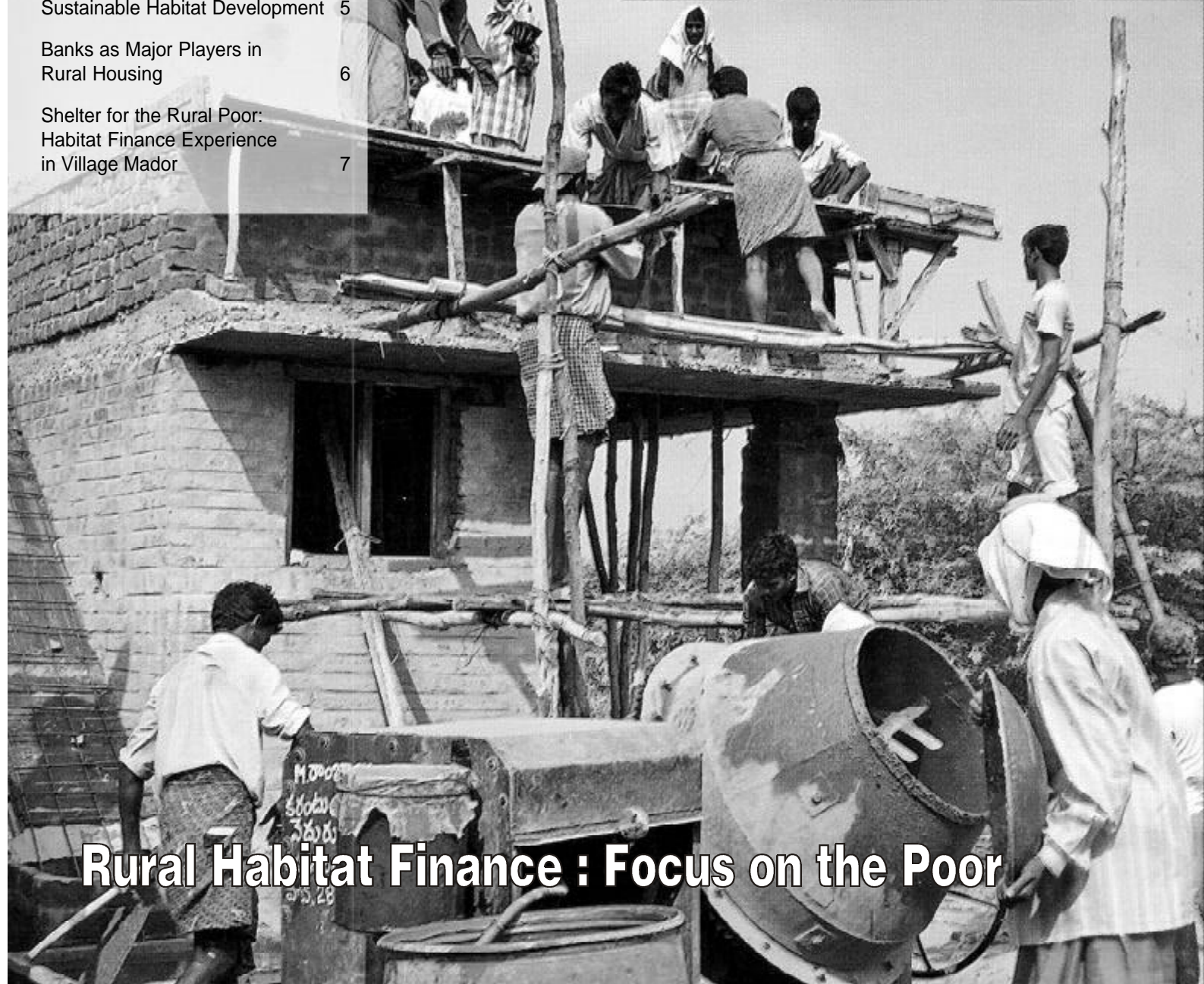
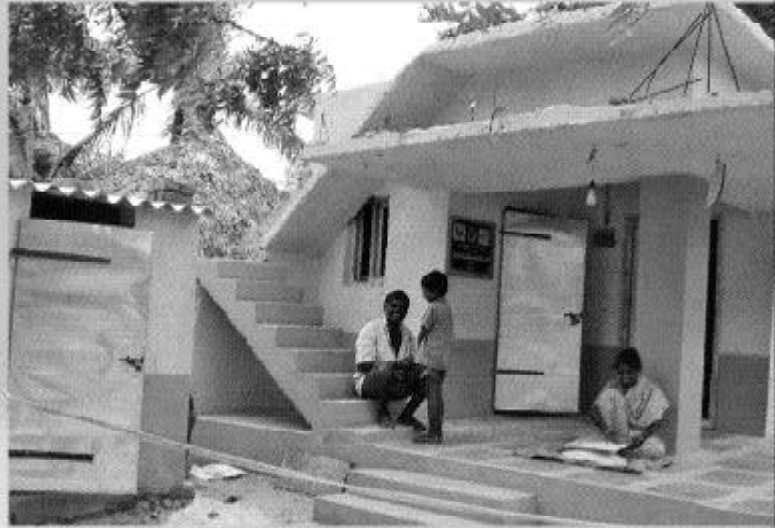
# basin –South Asia

Regional Knowledge Platform

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**Rural Habitat Finance : Focus on the Poor**

## Foray into the Rural Sector...

The urgency for promoting adequate housing and habitat facilities in the rural areas hardly needs emphasis. According to the Census of India 2001, rural areas account for about 65% of housing shortage in the country. Only 41% of the rural population live in *pucca* or permanent houses. The shortage of houses in the rural areas, taking into account new construction and renovation/replacement of non-serviceable ones, is estimated to be 24 million units. In addition to government's social housing schemes, access to institutional finance has been identified as critical to activate housing activities in rural areas.

In India, the National Bank for Agriculture and Rural Development (NABARD) had forayed into the rural housing sector by introducing a refinance facility for rural housing on 01 April 2001. Refinance is available to commercial banks, cooperative banks and Regional Rural Banks (RRBs), both for construction of new houses as well as for repairs and maintenance of old houses. The steady rise in refinance flow to the rural housing sector over the years (from Rs. 502 crore in 2001-02 to Rs. 1243 crore in 2005-06) reflects the increasing credit flow and the huge demand waiting to be tapped.

A few studies facilitated by NABARD, however, reveal that a large proportion of rural housing loans go to the salaried and self-employed people in peri-urban areas, leaving the needs of the cultivators and the rural landless to a great extent. The various Government loan/subsidy programs targetted at the rural people have also been lagging behind, both in physical and financial terms. Rural housing has been considered as a non-income generating activity with long term loan requirement. Banks in India have, therefore, shown a definite preference for the salaried (including pensioners) and the self-employed as opposed to agriculturists, artisans and other trades people. The uncertain and irregular income stream of these rural clients does not provide adequate comfort to the banks. Added to this is the fact that, many rural clients do not have any evidence to prove their ownership of house sites and cannot provide any collateral. This could be on account of land inherited without proper documents, multiplicity of claims amongst family members, delays in getting *Pattas* for housing sites allotted by State Governments, exemption of huts from payment of house tax by some Panchayats resulting in no tax receipt to evidence the title, etc.

From the point of view of the rural customer, the issues inhibiting the access to bank credit include lack of awareness about various housing schemes of banks, absence of standardized charges for obtaining legal opinions, plan preparation and approval, obtaining non-encumbrance certificate, etc. which together with the rate of interest and the processing charges, push up the real cost of credit to unaffordable levels. In the case of the economically disadvantaged, bringing in the necessary margin in cash also poses a problem, in the absence of any provision to

treat 'own labour' contribution as part of the margin. However, it is to be noted that more than the cost of the credit, timeliness and adequacy of credit availability are critical to rural customers. Thus, in spite of the felt need as well as the reasonably adequate availability of building materials, skilled workers, the positive impact of housing on employment growth and rural development, financing for rural housing has not gained the required momentum.

Banks in rural areas need to be more innovative in their approach to activate the demand for housing credit. Banks could consider evolving flexible repayment schedules, simplified documentation, model housing plans, defining and focussing on target groups and tying up with intermediaries like Non-Government Organizations (NGOs) for credit assessment, loan disbursement and follow-up, so as to reduce the transaction costs. Technically competent NGOs could be roped in for providing appropriate, cost effective building material technology, design and skill development. The private sector could also explore the business opportunity, in addition to fulfilling its social responsibilities.

The housing needs of people in rural areas call for a "holistic habitat approach" which should involve provision of not only shelter but also other components like sanitation, rain water harvesting, waste water management, common infrastructure like roads, street lights, primary health centres, etc. In addition, credit for livelihood / income generating physical assets like work sheds / animal sheds, petty shops, etc. could be clubbed with housing finance. There is a need to provide supplementary services like customized designs and provision of building material at affordable cost. Greater involvement of local self-government institutions as well as community based organisations is called for, not only in creating awareness and facilitating the required linkages but also in supervision and maintenance of the common assets.

A house is not merely a physical shelter. Ownership of a house satisfies psychological need, raises self esteem, social standing and drives aspirations. Isolated experiments are being attempted in different parts of the country, mainly by enlightened NGOs, to meet such demands. NABARD has also partnered two NGOs in Karnataka and Andhra Pradesh in pilot testing rural habitat finance. It is heartening to note that different stakeholders like banks, local self government bodies, community organisations, developmental and promotional institutions in the public sector are coming together to persuade the Government of India to formulate an exclusive National Rural Housing and Habitat Policy. Once the Policy is put in place, this sector would hopefully receive the desired thrust and focus.

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# Rural Housing Finance in India – A Status Report

*This article is extracted from the background paper presented by the National Bank for Agriculture and Rural Development at the National Workshop "Building upon the micro-finance experience: enabling the rural poor to access sustainable habitat." (9th –10th November 2005) at Lucknow, Uttar Pradesh, India.*

"An ideal village will be so constructed as to lead itself to perfect sanitation. It will have cottages with sufficient light and ventilation built of materials obtainable within a radius of 5 miles of it."

– Mahatma Gandhi

Housing is one of the basic needs of human beings. Owning a house provides significant economic and social security and status to an individual. Moreover, shelter and development are mutually supportive. Lack of shelter limits economic and productive potential of a household. In rural areas, the dwelling unit also serves as the center of economic activity. For a large number of weavers, craftsmen and other trades, a dwelling is also their place of work where they store raw materials such as seeds, fertilizers and finished products such as farm produce.

## Rural Housing – The current scenario

Different estimates are available about the status and the demand for housing. According to National Housing Bank (NHB), the shortage has been estimated at 24 million rural housing units and 8.89 million urban housing units. The National Building Organization (NBO) estimates the total demand for housing at 2 million units per year and the total housing shortfall at 19.4 million units, of which 12.76 million units are from rural areas alone. It is estimated that the stock of housing is growing at 1.6% as against the growth rate of population at 2.7%, thus signifying the widening gap between the availability and potential for housing.

The importance of the housing and real estate sector in India can be judged by the fact that for every rupee invested in the construction of houses, 78 paise is added to the gross domestic product of the country. Housing has significant forward and backward linkages to over 250 other ancillary industries. **After agriculture, the real estate sector is the second largest employment generator in India.** However, even with such a huge potential for growth, housing finance in India still remains low at 2.5% of GDP in 2001 as against 57% in the UK, 54% in US, 40% in EU and 14% in Thailand. **Further, it is estimated that less than 15% of the total housing loan disbursements in India flow to rural areas despite the greater shortage of housing in these areas.**

While the number of institutional outlets for housing credit has increased considerably during the last decade, **accessibility and affordability** of the economically weaker sections to credit continue to be a matter of concern. It is estimated that more than 75% of the housing finance in the rural areas is met by informal financial sector. The reduced flow of housing finance to the rural areas through formal channels can be attributed to the following factors:

- i) Non availability of title deeds for residential property making title verification and creation of charge difficult and costlier due to higher stamp duty payable for creation of registered mortgage in the absence of title deeds for creation of equitable mortgage,
- ii) Fluctuations in the level of income of the borrowers particularly agriculturists due to seasonal factors, fluctuations in the prices of the produce, etc.,
- iii) Difficulties faced by lending institutions in assessing the income and consequent repaying capacity of the rural borrowers engaged in informal/unorganized sectors and absence of a well laid-down model for this purpose,
- iv) Difficulties encountered in enforcing securities in rural areas in case of default particularly in view of the lack of prospective buyers for the mortgaged property to be disposed,
- v) Inefficient delivery system that restricts the entry of new players into rural housing thus impacting the flow of funds from private sector and other players like Non-Governmental Organizations (NGOs) and Micro Finance Institutions (MFIs).

## Institutional framework for housing finance sector in India

Institutions meeting the housing needs in rural areas comprise mainly of Commercial Banks and their housing subsidiaries, State and District Central Cooperative Banks, Regional Rural Banks, Housing & Urban

Development Corporation, Housing Development Finance Corporation and Housing Finance Companies. The disbursements towards housing finance by the Commercial Banks and Housing Finance Companies have been registering a growth of more than 30% in the last few years, albeit mainly in urban areas. Fierce competition has not only resulted in reduction in cost of credit but also improved the access to housing loans, especially in urban areas and for borrowers with regular source of income. The increase in credit flow to this sector can be judged from the fact that the share of housing finance in Gross Bank Credit has more than doubled from 3.44% to 7.73% in the last five years.

## A. Housing Finance Companies (HFCs)

Housing Finance Companies are emerging as major players in the housing finance sector in small towns and villages. The HFCs approved by NHB for its refinance assistance disbursed a sum of Rs.12,626 crore covering both urban and rural areas.

## B. Housing and Urban Development Corporation (HUDCO)

HUDCO was established by the Government with a mandate to ameliorate the housing conditions in India with a thrust on the needs of low-income groups. It provides finance for the schemes formulated by State Housing Boards, State Housing Finance Corporations / Societies in the urban and rural areas. As against cumulative loans of Rs. 61,929 crores sanctioned to various segments by HUDCO, rural housing accounted for about 10% at the end of 31 March 2005.

### Reserve Bank of India Guidelines

With a view to encourage financing under housing, RBI has included the following housing finance limits under Priority Sector Advances:

(i) Loans up to Rs.15 lakhs in rural, semi-urban, urban and metropolitan areas for construction of houses by individuals, with the approval of their Boards.

(ii) Loans up to Rs.1 lakh in rural and semi-urban areas and Rs.2 lakhs in urban areas for repairs to damaged houses by individuals.

(iii) Loans granted by banks in rural areas under the Special Rural Housing Scheme of NHB will also be considered as part of priority sector advances subject to the limits specified under (i) and (ii) above i.e. up to Rs.15 lakhs for acquiring/ construction of a new house and up to Rs.1 lakh for repairs/up gradation of an existing house.

### C. Non-Governmental Organizations (NGOs)

Though there are a large number of institutions in the housing finance sector, access to credit by economically weaker sections in rural areas continues to be a critical aspect. Services of NGOs are therefore being utilized for the construction of houses, popularising the use of sanitary latrines, construction of smokeless chullahs etc. under the grant based Indira Awas Yojana of Government of India. Some NGOs also help in production of low cost and eco-friendly building materials besides provision of technical support. Orissa Rural Housing Development Corporation is implementing a scheme to meet the requirements of housing through Self Help Groups (SHGs), more popularly known as Credit Management Groups. Andhra Pradesh State Housing Corporation is also implementing a credit cum housing subsidy scheme through women SHGs. Housing Development Finance Corporation (HDFC) has set up Shelter Assistance Reserve (SAR) to participate in and support projects undertaken by NGOs, community groups, local bodies and others.

### D. Micro Finance Institutions

Micro Finance Institutions (MFIs) have been playing a crucial role in community development by inculcating saving and credit habits among their members. The Self Help Groups nurtured by these agencies over a period of time are steadily maturing to handle housing credit for their members. MFIs like Basix, Share, Dhan Foundation, Sanghamitra Financial Services, etc. have also designed separate housing loan products. NHB has taken initiatives to extend housing finance to this segment, which is expected to accelerate the flow of housing finance to the needy in the unorganized sector.

### E. Refinancing Agencies

- i) **National Housing Bank (NHB)** is the apex development bank in the field of housing. NHB extends refinance to eligible banks as well as Housing Finance Companies. The refinance disbursements of NHB during the year 2003-04 stood at Rs.3,252 crores. NHB also extends direct finance in a limited way to public agencies and local bodies.
- ii) **National Bank for Agriculture and Rural Development (NABARD)** decided to include rural housing as an eligible activity for extension of refinance to the eligible banks with effect from 1 April 2001. This was decided with a view to supplementing the efforts of Government of India, NHB and the banking sector in augmenting the resources for rural housing segment. Flow of refinance from NABARD has so far helped in construction of nearly 2.28 lakh new units

in rural areas besides assisting around 2.08 lakh units towards renovation, repairs, extension, provision of sanitation and rainwater harvesting structures, among others.

### Role of Government in promotion of rural housing

The approach of the government to rural housing has been bi-pronged – making budgetary provision for upgradation of unserviceable *kutch* houses and, providing credit with subsidy for certain sections of the poor. Emphasis has also been laid on the use of cost effective, disaster resistant and environment friendly technologies in rural housing. While the Ministry of Rural Development is developing a separate housing and habitat policy for rural areas, important schemes/ programmes being implemented under the current policy (of 1998) include Indira Awas Yojana (IAY), Credit-cum-Subsidy Scheme for Rural Housing, Golden Jubilee Rural Housing Finance Scheme, Innovative Scheme for Rural Housing and Habitat Development (now closed), Equity Support to HUDCO, and National Mission for Rural Housing. However, there have been issues to do with delivery of these schemes with regard to beneficiary identification, quality of houses and fund disbursement in several instances.

### Suggestions for accelerating credit flow for rural housing

Housing requirement in rural areas has been estimated at 24 million units. To meet this shortfall, it is estimated that the investment requirement from public sector institutions would be around Rs. 4,15,000 crores. Besides, an amount of Rs. 3,11,300 crores would be required during the Tenth Plan period making the total investment requirements for the housing sector at Rs. 7,26,300 crores. If the investment flow into the housing sector in rural areas is to be accelerated, the bottlenecks being faced by banks in purveying credit for rural housing are to be removed. Some of the measures that can be initiated to increase the credit flow to the rural housing sector are...

- i) State governments and local bodies must take necessary initiatives to facilitate availability of land for housing the poor.
- ii) One of the major impediments to credit for rural housing is absence of proper title to the land. It is understood that the Government of West Bengal has made a law to simplify the creation of security. Other States can also emulate this.
- iii) The stamp duties for acquisition/ construction of houses are considered high and need to be reduced to promote investment in the activity.
- iv) NGOs/ MFIs working with mature Self Help Groups can be provided bulk loans



Construction of a new house

by banks for on-lending to eligible members of SHGs, for instance, the State Bank of India has recently introduced the "Sahyog Niwas" for Self Help Groups.

- v) The corporate sector/housing finance companies need to be encouraged to promote housing activity in rural areas with local bodies through suitable fiscal incentives.
- vi) Low cost and appropriate building technologies should be promoted through fiscal incentives to producers and users.
- vii) On the lines of provision of credit for agriculture, banks and government agencies should prepare Housing Plans at the district level and identify resources from various on-going schemes and use them effectively.
- viii) Awareness about availability of credit from banks should be increased at the prospective borrower level. Banks should organize such awareness meets in rural areas as they have done in the past for their urban clientele.
- ix) Finally, in addition to housing, the rural poor should be provided with proper access to physical infrastructure for clean water, sanitation, health, drainage, and education facilities to ensure better living conditions that will enhance their economic productivity, which will have a bearing on the repayment capacity.

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# Financing the Poorest: Sustainable Habitat Development

*This article has been extracted from the presentation by Gram Vikas at the National Workshop "Building upon the micro-finance experience: enabling the rural poor to access sustainable habitat." (9th–10th November 2005) at Lucknow, Uttar Pradesh, India.*

Gram Vikas is a rural development organisation working with poor and marginalized communities of Orissa since 1979, towards sustainable improvement in the quality of life of the rural poor. Registered as a Society in 1979, Gram Vikas leverages the inherent strength of communities to initiate, manage and sustain context-specific development processes. It currently reaches over 140,000 people in 400 villages across 15 districts of Orissa.

Gram Vikas looks at habitat development as a critical tool in poverty alleviation and bringing dignity into the lives of poor rural communities. It rejects the 'low cost-low quality' approach to habitat followed by popular schemes, where, within a single room two or three generations are forced to live and procreate within the confines of the four walls. In Gram Vikas's approach, every family in a habitation must have a house of at least 45 sqm. with two rooms, a kitchen cum dining space, verandah, separate toilet and bathing room and supply of running water to all houses. Habitat also includes other infrastructure such as a multipurpose community hall, crèche, a school, appropriate shelter for livestock, grain stores, roads and drains, and appropriate sources of energy especially in places where there is no electricity.

## Building together, generating livelihoods

Habitat development for Gram Vikas, involves the entire community coming together, for both individual and collective gains. Community effort is manifested in baking bricks for the houses, collecting sand, collecting and breaking stones, collecting wood for doors and windows and finally building together. All households share the workload, thus enabling each and every family to devote the requisite time to meet their other basic requirements. Local youth (men and women) are trained on-the-job under expert guidance in construction skills, including masonry, bar-bending, stone dressing and related activities such as carpentry, plumbing, electrical fittings, painting, etc. In addition to enhancing the skill base in villages, maximum resources are retained within the village economy, as the trained youth are able to undertake repairs and maintenance and the dependence on outsiders to provide services is minimized.

## Financing house construction

Loans accessed from Housing Development Finance Corporation (HDFC), Mumbai and Stitching DOEN Foundation, Netherlands have been provided by Gram Vikas to selected families for the construction of their houses. **Housing finance activity has evolved over the past two decades from a full grant approach to a full loan approach.**

Particulars	Cost/ unit (in Rs.)	Bank loan (in Rs.)	People's contribution	Government
Permanent, disaster-proof house – not less than 45 sqm. in area with two rooms, kitchen, dining space, toilets and bath room.	60,000 – 70,000	22,500 – 30,000 per family	Balance amount	Attempting to access (Rs.12,500 per family)

The intervention by Gram Vikas has had an impact on rural housing in the area, both self-financed and government supported programs, as people are now more conscious about design, costs and quality of construction. Experiences have been varied in terms of people's involvement, ability and attitude to repay. Establishing the loan-based approach has been slow as most government housing schemes operate on a full grant approach.

Number of families supported for construction of disaster-proof houses	3,625
Loans disbursed	Rs. 70 million
Interest rate	9%
Average repayment period	15 years
Repayment in 2005-06	Rs. 2.2 million
Total repayment	Rs. 25 million

People spend a considerable amount of time collecting materials and contributing labour towards construction of the house. During this period, the income of an entire household is barely enough for them to eke out a subsistence. Hence, they are unable to service the loan for the initial two-three years. This is where the 'credit-cum-subsidy' of the government fits in. Under this scheme, a subsidy of Rs. 12,500 is available from the government for a Below Poverty Line family, which accesses a housing loan from formal financial institutions. The subsidy that the government proposes to give to the households can actually be used towards alleviating their burden of loan repayment for the first two to three years.

## Financing sanitation

Gram Vikas launched the Rural Health and Environment Programme (RHEP) in 1992. The programme aims to provide uninterrupted water supply and dignified



*Construction skills of the local people*

sanitation facilities to 100% households in a habitation. Toilets and bathing rooms costing Rs. 8,000 are jointly financed with Gram Vikas' subsidy of Rs. 3,000 and people raising the remaining amount by contributing

labour and raising local resources. For water supply systems, the government finances 75% of the costs and people contribute the rest. A corpus fund is collected at the outset with an average contribution of around Rs. 1000 per family, with the better-off paying more. The interest supports the social cost of future extension of the system to new households, ensuring all households are covered at all times. People also pay a monthly maintenance charge to cover all

operational costs from the very first month, thus creating social infrastructure, which are sustainable, community-owned and self-managed.

As on 31 March 2005, this programme reached 16,124 households in 211 habitations, who collectively, have raised a corpus worth Rs.15.7 million.

The incidence of water-borne illnesses has gone down by 85%. The quality, convenience and privacy of the design has led to widespread behaviour change, inducing communities with no history of fixed point defecation to adopt new habits.

**All members of the community benefit equally and there are no losers, only winners.**

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# Banks as Major Players in Rural Housing

## HDFC's Initiatives in Low-Income Housing Finance

*This article has been extracted from the paper presented at the National Workshop "Building upon the micro-finance experience: enabling the rural poor to access sustainable habitat." (9th–10th November 2005) at Lucknow, Uttar Pradesh, India.*

"Housing is a commitment to the community, a commitment to economic growth. Home ownership demands an increase in personal financial commitment, and is in return, a collective commitment to personal financial security. Expanding home ownership will strengthen our nation's communities, and prepare our nation to embrace the rich possibilities of the 21st century."

– Deepak Parekh, Chairman, HDFC

Housing Development Finance Corporation (HDFC) has been actively addressing housing finance requirements of the low-income people in India since its inception in late 70s. Initially, HDFC catered to low-income households mainly through its retail operations in metropolitan areas. However, during early eighties, HDFC made several attempts in lending to the low-income and non-formal sector clients in both urban and rural areas through approaches such as direct lending, promoting housing co-operatives which then borrowed from HDFC, lending through community based

organisations (CBOs), workers' co-operatives acting as financial intermediaries and channeling of loans through state government agencies. These methodologies yielded mixed results. HDFC also launched a deposit-linked loan scheme called Home Savings Plan, where a regular saving in a fixed deposit for 2-3 years could be leveraged to borrow at an attractive rate of interest.

In 1989, HDFC's response to better housing and living environment for the poor materialised in its collaboration with Kreditanstalt für Wiederaufbau (KfW), a German development bank to offer affordable credit to the rural poor. HDFC works closely with NGOs to identify families with genuine needs and act as financial intermediaries for onward lending to economically weaker clients. The flexible terms of financing provided adequate scope for structuring the scheme so as to suit the requirements of the community. Provision has also been made for financing of complementary community infrastructure.

By mid-nineties, it was realised that a good number of potential clients were left out as their income-levels were too low to afford the Equal Monthly Installment (EMI) for a housing loans. In response, HDFC designed a micro-finance product called the Micro-enterprise Finance Facility – a short to medium term loan for income-generation activities with an operational framework similar to the housing loans, but independent of such lending. This allowed HDFC to tie-up with a number of MFIs following different models, but eventually meeting the common objective of serving the credit needs of the poor, particularly women.

According to the official website of HDFC, during 2005–06, the bank extended support to the tune of Rs. 476.56 lakhs from their Shelter Assistance Reserve by providing grants to over 150 partner NGOs for numerous development initiatives.

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## Towards Better Rural Habitat – Efforts of State Bank of India

State Bank of India (SBI) has been a pioneer in rural development. One of the main objectives of the constitution of the Bank in 1955, based on the recommendations of the All India Rural Credit Survey Committee, was expansion of the Bank's network in hitherto unbanked areas. Since then, SBI has been playing a stellar role in the transformation of rural economy.

An important achievement of SBI in the field of rural financing has been the launch of a special micro insurance package. This scheme, Sahyog Niwas Yojana has to do with rural housing for SHG women. The scheme has been successful in Maharashtra state of India and has covered 280 SHG members there. Patanbori village in Yavatmal district, Lonkheri village in Nagpur district, are examples where the bank has financed clusters of low cost housing for members of SHG. As per the scheme, the bank has also extended loans for construction of toilets to members of SHGs for habitat improvement. Several villages of Marathwada and Vidarbha have been made public defecation free. The Bank also extended for the first time a loan of Rs.10 million to Swayam Shikshan Prayog, a reputed MFI,

for construction of toilets in Latur and Osmanabad districts in Maharashtra. 200 SHG members have been covered under the Project the toilets were constructed using local labour. Men from these villages were trained as masons for construction work. This resulted in substantial savings in the project cost.

The Bank has also extensively financed agriculture as well as played an important role in the promotion of SHGs in villages. For instance, Bahirgaon, a model village in Aurangabad district of Maharashtra, has received several state and national level awards for its unique development model with the help of SBI. The money received as awards has been utilised for construction of community toilets and excellent internal roads. The toilet blocks of the village are connected to a bio-gas unit, outside the village. Garbage is deposited in this unit for preparing of Bio compost. Garbage is collected from every house by a vehicle financed by the Bank. Makwana village in Buldana district is another example which has developed under the support from SBI. In this village the Bank has funded, on a pilot basis, low cost housing prototype,



A house built under the SBI's Sahyog Niwas scheme in village Gundrai, Orchha, Madhya Pradesh

designed by a reputed NGO, Centre of Science for Villages. This model uses the tubular roof pattern and locally available raw material, each dwelling unit costing only a few thousand rupees.

Low cost appropriate housing and a clean, eco-friendly, productive habitat is the need of the hour for improving quality of life in villages and the Banking Industry and Civil Society need to work together to make this happen.

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# Shelter for the Rural Poor: Habitat Finance Experience in Village Mador



One of the houses at Mador build under the Innovative Stream Project of Indira Awas Yojna (IAY)

The Habitat program of the Development Alternatives Group, addresses rural habitat issues in India and in the Bundelkhand region in particular in holistic and sustainable ways. The Mador Housing initiative in Tikamgarh District of Madhya Pradesh State was an opportunity to demonstrate some of the processes that facilitate habitat development.

In 2004, a proposal was sanctioned by Council for Advancement of People's Action and Rural Technologies (CAPART) to construct 35 houses in Mador under the Innovative Stream for Rural Housing and Habitat Development, a component of the Government's Indira Awas Yojana (IAY) – a scheme for construction of houses for the Below Poverty Line rural people. The Innovative Stream scheme basically promotes the use of innovative design, materials and construction technologies in rural housing. The Mador experiment has gone a step ahead and added a livelihood linked housing credit component to this grant based scheme. This has helped reduce the "grant component" of house construction for the poorest.

The aim of the project was to help the rural poorest and most vulnerable families in the village, facilitate improvement in shelter and infrastructure through sustainable access to appropriate technology, skills and finance. Grant from the government scheme was substantiated with family savings, locally collected materials and unskilled labour contributions. In addition, loans upto one third of the house cost are being repaid ensuring income from a linked livelihood

program. The contribution by each family was upto one third of the total cost of the house and the balance two-thirds came from the government scheme. The house owners' contribution came in the form of initial registration amount through savings, contribution of labour and subsequent monthly installments derived from income from the linked livelihood program. The District Poverty Initiatives Programme (DPIP) scheme of the Madhya Pradesh Government for poverty alleviation was incorporated in the project wherein the funds available for the village were utilized towards building infrastructure for livelihood generation. Along with houses Poultry units were constructed to be managed by families who had been organized initially with Savings and Credit Groups since two years by Development Alternatives.

A shared vision and willingness of various stakeholders in the system has contributed to the success of the initiative. The village community – mainly the underprivileged *Adivasi*, *Ahirwar* and *Prajapati* families



Poultry unit of one of the families at Mador under the DPIP's livelihood initiative

who through SHGs; the Development Alternatives team consisting of architects, engineers and social mobilizers; a partner NGO PRADAN and DPIP of the Madhya Pradesh Government, all supported the habitat and livelihood process.

At the end of the day, 35 families have secure and safe houses with water storage, bathing and sanitation facilities; water supplying the village has been augmented through new bore wells and hand pumps. Cost effective and high quality technology for construction has been introduced in the village and is appreciated.

Masons have been trained who now have enhanced incomes, a small unit for the production of door and window frames was initiated and 20 of the poorest 35 families have operational, profit making units the income of which supports the repayment home loans.

Thus, instead of waiting for the families to gain their economic mobility over generations and acquire a capacity to access *pucca* houses for themselves; families dependent till now on insecure daily wages were connected to a secure livelihood means linked to housing credit. Linked livelihood support has been effective in helping these extremely poor groups to becoming home owners at a much reduced grant support.

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## From Lending to Creating Entrepreneurs

The Rural Development and Self Employment Training Institutes (RUDSETI) were initiated in 1982 by a consortium of two public sector banks and an education trust. Designed to prevent distress migration by rural youth to the cities for want of income opportunities, the RUDSETIs were initiated by Syndicate Bank, Canara Bank and Sri Dharmasthala Manjunatheshwara Educational Trust in India.

The main objective of the RUDSETIs is to train rural youth in various skills that will help them turn into entrepreneurs - in their own villages. The trainees are carefully selected and provided free boarding and training during the training period. The expenses are

shared in the ratio of 40:40:20 among the three collaborators, the banks taking up the major share. Starting with the first institute in Ujire District in Karnataka, the initiative has expanded to 20 RUDSET institutes operating in Kerala, Tamil Nadu, Andhra Pradesh, Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, Orissa, Haryana and Uttar Pradesh besides Karnataka. In the last 24 years, the RUDSETIs have trained 1.72 lakh rural on various vocations. Out them, 115,055 persons have started their own ventures, the success rate being 67% at the aggregate level. About 47% entrepreneurs have depended upon their own resources to begin with. The cumulative total of credit facilities availed by other trainees from banks is Rs. 204.77 crore. These are also reported

to be invariably prompt in repaying the loans.

With the cost of training per candidate calculated at Rs. 2631, the contribution of three sponsors is 55% with National Bank of Agricultural and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and the Ministry of Rural Development contributing the rest. 8 other public sector banks have also started setting up such institutes in their lead districts in different parts of the country.

<http://www.canbankindia.com/RuralSocial/SocialBanking/rudsetis-main.htm>  
<http://www.shridharmasthala.org/Pages/Rudseti.htm>



**Auroville Earth Institute** aims to research, develop, promote and transfer earth-based technologies which are cost and energy effective. These technologies are disseminated through training courses, seminars, workshops, publications and consultancy within and outside India.



**Centre for Ecocentric Development and People's Action** is a non-profit, non-governmental organization working over the last 14 years for "People Centered, Eco-Centric Development."



**Coastal Area Disaster Mitigation Efforts** is a network of twenty voluntary organizations working for upliftment and disaster preparedness of Fishing Communities in India.



**Exnora** works as a catalyst in bringing about local initiative and community participation in overall improvement in quality of life. It aims at developing civic and environmental consciousness among citizens through self-help, enactment of suitable legislation and environmental protection initiatives.



**Gram Vikas** is a rural development organization, working with poor and marginalized communities of Orissa since 1979 making sustainable improvements in the quality of life of the rural poor. The mission of Gram Vikas is to promote processes which are sustainable, socially inclusive and gender equitable, to enable critical masses of poor and marginalized rural people or communities to achieve a dignified quality of life.



**Grambangla Unnayan Committee**, Bangladesh is a non-profit, non-governmental voluntary development organization working over the last 12 years for people whose lives are affected by extreme poverty, exclusion, deprivation, illiteracy, disease and handicaps.



**Orissa Development Technocrats' Forum** is a registered society working to facilitate an effective rural housing delivery system in Orissa through formalizing the rural construction sector and the "Promotion of Appropriate Construction Technologies and Opportunities for Sustainable Livelihoods."



**Society of Environmental Journalists, Nepal** is a national level media organization working in the sector of environment. Their mission is to build up public awareness on environmental issues by enhancing capacities of local journalists for improved quality, accuracy and visibility in environmental reporting.



**Trust for Village Self Governance** is a charitable trust focusing on local self governance in villages using Panchayat as a tool. Their focus is on creating sustainable employment and providing opportunities in habitat development.



**Unnati** is a non-governmental organization working over the last 15 years for "civic leadership promotion and strengthening local self governance."



**Aga Khan Planning and Building Services**, Pakistan works to improve the built environment, particularly housing design and construction, village planning, natural hazard mitigation, environmental sanitation, water supply, and other living conditions. These goals are achieved through the provision of material and technical assistance and construction management services.



**Development Alternatives** is a not-for-profit sustainable development enterprise that designs and promotes programmes and products which, through the use of alternative technology, contribute to the enrichment of human life.



**Swiss Agency for Development and Cooperation (SDC)** is Switzerland's international cooperation agency within the Swiss Foreign Ministry. The Rural Housing Project (RHP) supported by the SDC focuses on providing choices and access to poor rural families for improved housing, especially for affordable, energy and resource-efficient and environment-friendly building material and technologies.

**basin-South Asia Regional Knowledge Platform (basin-SA)** is committed to *"developing knowledge systems and promoting collaborative action within South Asia to enable access by the poor to sustainable habitat and livelihoods."*

The South Asian node of global 'basin' network was set up in 2004 to enable knowledge development and sharing. It seeks to promote collaborative action in the area of habitat and livelihoods for poverty reduction. The parent Network has successfully provided relevant and timely knowledge and resource links to government agencies, financiers, builders and developers, architects, planners and producers of building materials. It houses an intensive knowledge base and supports the regional node in quality management of its products and services.