PROVIDING HOUSING FINANCE TO POOR
SELF EMPLOYED WOMEN
EXPERIENCE OF SEWA BANK, INDIA

Presented By:
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PRESENTED AT 5th GLOBAL HOUSING FINANCE CONFERENCE
“HOUSING FINANCE IN EMERGING MARKETS”
ON 30TH, 31ST MAY, 2012
HOUSING FINANCE FOR POOR

(Sewa Bank’s Experience of providing Housing Finance to Poor Self Employed Women in India)

(A) INTRODUCTION OF SEWA BANK:

Bank promoted by Poor Self-employed women in 1974 in Western part of Gujarat, India.

- Small Vendors:

  [Image: Vegetable Vendor, Old Cloth Vendor]
HOUSING FINANCE FOR POOR

• Home Based Workers:

...contd..
HOUSING FINANCE FOR POOR

- Labourers:

...contd...
OBJECTIVES OF SEWA BANK

To Help Poor Women To Come Out Of The Vicious Cycle Of Poverty By Helping Them To,

- Build Their Own Capital, Income And Assets
- Strengthen Businesses
- Improve Living Conditions
CAPITAL FORMATION CHART

-Come out of Expensive Debts
-Build Savings
-Build- Expand Strengthen Business
-Improve Living Condition
LIFE CYCLE NEEDS APPROACH

Life Cycle events

- House, Clothing & Food
- Marriage of Children
- Death
- Maternity
- Extend House
- Education for Children
- Loss in floods, riots, cyclones
- Buy Business Equipments
- Festivals
- Rescue, mortgaged pledged assets, repay old debts
- Working Capital
- Buy new house
- Pilgrimage
- Accident
PROVIDE COMBINATION OF FINANCIAL SERVICES

- Saving
- Credit
- Insurance
- Pension
- Financial Literacy
B) HOUSING FINANCE

- Understanding of NEED FOR HOUSING FINANCE, emerged out of experience of providing banking services to women:
  - More than 50% loans were going for Housing Purpose:

- Over a period of last 37 years Sewa Bank is giving range of Housing Finance Loans based on demand coming from women. This range is:

  **From**

  Loan of Rs.2000/- (40$) for adding a door in mud hut, or converting mud floor into tile floor or converting jute Cloth roof into tin roof in informal slums.

  Loan of Rs. 800000/- (16000 $) for buying a two room kitchen apartment with legal titles or mortgage.
HOUSING FINANCE

– So far 3,50,000 loans have been disbursed
– Amount of Loan disbursed Rs. 7000 Million ($140 Million)
– 98% Recovery
  • In last six months total 66 mortgage loans are disbursed amounting to Rs. 22.7 million Rs. ($ 454000)
  • 100% Repayment
  • One Women died but her husband is repaying regularly.
– 99% Loans without Legal Titles / Mortgage
## DIFFERENT TYPES OF LOANS

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>AMOUNT</th>
<th>TERM</th>
<th>SECURITY</th>
<th>RATE OF INTEREST %</th>
<th>% OF TOTAL LOANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) BASIC REPAIRS</td>
<td>RANGING FROM RS. 2000/- ($40) TO RS. 10000/- ($200)</td>
<td>1 YEAR (SHORT TERM)</td>
<td>-REGULAR SAVING -PERSONAL GUARANTEE</td>
<td>18%</td>
<td>25 %</td>
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<tr>
<td>-FLOOR</td>
<td></td>
<td></td>
<td></td>
<td>REDUCING BALANCE METHOD</td>
<td></td>
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<tr>
<td>-ROOF</td>
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<td></td>
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<td>-WALLS</td>
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<tr>
<td>B) ADDING BASIC FACILITIES</td>
<td>RANGING FROM RS. &gt;10000/- ($ 200) TO RS. 25000/- ($ 500)</td>
<td>3 YEARS (MEDIUM TERM)</td>
<td>-REGULAR SAVING -PERSONAL GUARANTEE</td>
<td>18%</td>
<td>36 %</td>
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<tr>
<td>-WATER CONNECTION</td>
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<td></td>
<td></td>
<td>REDUCING BALANCE METHOD</td>
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<tr>
<td>-DRAINAGE</td>
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<td>-ELECTRICITY</td>
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<td>-WATER STORAGE TANK</td>
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<td>C)</td>
<td>EXTENSION OF HOUSE</td>
<td>RANGING FROM RS. &gt;25000/- ($ 500) TO Rs. 100000/- ($ 2000)</td>
<td>5 YEARS (MEDIUM TERM)</td>
<td>-REGULAR SAVING -PERSONAL GUARANTEE</td>
<td>15% REDUCING BALANCE METHOD</td>
<td>38 %</td>
</tr>
<tr>
<td>D)</td>
<td>BUYING A TWO ROOM KITCHEN FLAT</td>
<td>RANGING FROM RS. &gt;100000/- ($2000) TO RS. 800000/- ($ 16000)</td>
<td>10 YEARS TO 15 YEARS (LONG TERM)</td>
<td>-REGULAR SAVING -MARGING MONEY -MORTGAGE</td>
<td>13% P.A.</td>
<td>1 %</td>
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<tr>
<td>TOTAL</td>
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<td>100%</td>
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DIFFERENT TYPES OF LOANS

• For Repairs and Extension- same person takes loans in stages- one person may have taken 5 to 7 loans in stages.

• Formal Loans i.e. Mortgage loans are given to same women who have earlier taken housing and also other loans and repaid regularly.

• Apart from income and repaying capacity criteria, emphasis is given on- Regular Saving performance and regular loan repayment performance.

• Often some documents (Stamp Paper) are taken from Loanees which are traditionally used in informal markets but does not have any legal validity.
C) HOUSING LOANS: PRODUCTIVE LOANS:

- Majority of workers are home based workers and for them their “HOME IS THEIR WORKPLACE”.
- For them their home is,

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<tr>
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<th>Processing Place</th>
<th>All types of processing is done in home. E.g. Readymade garment are made in home, cigarettes are rolled in home, food is processed in home.</th>
</tr>
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<td>a)</td>
<td>Storage Place</td>
<td>All types of goods. i.e. Raw Material, work in process, finished goods are stored in home.</td>
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<tr>
<td>b)</td>
<td>Marketing Place</td>
<td>Often they sale products from home. E.g. Provision store.</td>
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</tbody>
</table>

- i.e. Their home is Work shed, Warehouse and shop.
Any improvement in home increased their productivity

Examples

|   | Non- Leaking Roof | -Reduces wastage of goods storage  
|   |                  | -Does not disturb their work  
|   |                  | -Maintain quality of products produced  
| 1) | Tile Floor | -Stops moisture coming from floor which helps to maintain quality of products. Specially food Products  
| 2) | Water Connection | -Saves time which they can use for other productive purpose  
| 3) | Electricity | -Increased hours of working  
| 4) | Extended House | -Improves quality of goods produced  
| 5) | Improve Health or reduced incidence of sickness | -Helps to increasing production capacity- can buy more machines  
| 6) |
D) MINIMIZE RISK

1) Providing integrated Financial services can help her to meet all her life cycle financial needs.

2) Continued Relationship :- Housing Loans is not only one time relationship but is a continued relationship.

3) Regular and better saving performance as well as loan repayment performance works as a collateral for providing Housing Loan.

4) Insurance can also help in minimizing risk.
E) SAVING PERFORMANCE AS WELL AS SAVING AMOUNT- FOR MINIMIZING RISK

1) Regularity of Income (irrespective of Saving Amount) considered as “Collateral” for giving loan.

2) Loan amount is decided in proportion of “Saving” amount. Say 10 times more than “Saving” amount. (Normally).

3) Normally, monthly “Saving” amount is 10% of monthly income and monthly repaying capacity is 33% of total monthly income.

4) While giving Housing loan 10% loan amount is kept as “Saving” (Under lien).

5) However, for mortgage loan 15% (of cost of house) Margin Money is kept- which normally comes out of “Saving” of Loanee.

However, mortgage loan is given to old customer of Sewa Bank, who has been “Saving” with Sewa Bank for at least last five years and taking loan and has repaid regularly. At least for last five years is considered a criteria for giving mortgage loan.
F) CHALLENGES

1) Migration:
   Frequent migration of poor could be a challenge in providing Housing Loan.

2) Non availability of Collateral.

3) Informal Settlement:
   If Government becomes strict and relocate- informal settlements, it may great problem.
THANK YOU