

**MANAGEMENT OF HOME LOAN PROGRAMS IN THE DHAKA CITY
AND ITS EFFECTIVENESS- CUSTOMERS' PERCEPTION**

**A Thesis Submitted for the Degree of
Doctor of Philosophy
in
Management**

**by
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Declaration

I, Md. Nazmul Hasan, hereby declare that the thesis entitled "**MANAGEMENT OF HOME LOAN PROGRAMS IN THE DHAKA CITY AND ITS EFFECTIVENESS- CUSTOMERS' PERCEPTION**" is an authentic documentation of the original study that I conducted under the direction and supervision of Professor Ali Akkas and Dr. Durgadas Bhattacharjee, Professor Department of Management under Faculty of Business Studies, University of Dhaka and that it has not been submitted earlier elsewhere for the award of any degree, diploma, or fellowship.

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This is to certify that the thesis entitled “**MANAGEMENT OF HOME LOAN PROGRAMS IN THE DHAKA CITY AND ITS EFFECTIVENESS- CUSTOMERS’ PERCEPTION**” was completed by Md. Nazmul Hasan under our supervision and direction to grant the Doctor of Philosophy degree. We attest that the work is unique and has not been submitted for a degree or certificate. The thesis is completely the candidate’s work; no part of the thesis is a reprint from any other source, whether published or unpublished, without adequate acknowledgement.

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Md. Nazmul Hasan

Acronyms and Abbreviations

ADB- Asian Development Bank

AEGR- Annual Exponential Growth Rate

AFD- Armed Forces Division

AIT- Advance Income Tax

ARBAN- The Association for Realization of Basic Needs

BBS- Bangladesh Bureau of Statistics

BGMEA- Bangladesh Garment Manufacturers and Exporters Association

BIBM- Bangladesh Institute of Bank Management

BNBC- Bangladesh National Building Code

BNBC- Bangladesh National Building Code

BPDB- Bangladesh Power Development Board

CAAB- Civil Aviation Authority, Bangladesh

CBU- Community-Based Organizations

CDA- Chittagong Development Authority

CPR- Contraceptive Prevalence Rate

CRDP- City Region Development Project

CWASA- Chattagram Water Supply and Sewerage Authority

DAP- Detailed Area Plan

DBH- Delta-BRAC Housing

DEO- Department of the Environment

DESA- Dhaka Electric Supply Authority

DESCO- Dhaka Electric Supply Company

DFID- Department for International Development

DIT- Dhaka Improvement Trust

DMDP- Dhaka Metropolitan Development Plan

DMR- Dhaka Metropolitan Region

DNCC- Dhaka North City Corporation

DOA- Department of Architecture

DOHS-Defense Officer Housing Society

DSCC- Dhaka South City Corporation
DSP- Dhaka Structure Plan
DWASA- Dhaka Water Supply and Sewerage Authority
FCB- Foreign Commercial Banks
GDP- Gross Domestic Product
HBRI- House Building Research Institute
ICDDRБ- International Centre for Diarrheal Disease Research
ICM- Informal Credit Markets
IDLC-Industrial Development Leasing Company of Bangladesh
KDA- Khulna Development Authority
KWASA- Khulna Water Supply and Sewerage Authority
MFIs- Microfinance Institutions
MRA- Microcredit Regulatory Authority
MSDP - Mymensingh Strategic Development Plan
MSS- Manabik Shahajya Sangstha
MW-Mega Watt
NBFC- Non-bank Financial Company
NGO- Non-Governmental Organization
NHA-National Housing Authority
PCB- Private Commercial Banks
PKSF- Palli Karma-Sahayak Foundation
PPP- Public-Private Partnership
PPSIP- Pro-Poor Slums Integration Project
PWD- Public Works Department
R&D- Research and Development
RAJUK- Rajdhani Unnayan Karttripakkha
RDA- Rajshahi Development Authority
REHAB- Real Estate & Housing Association of Bangladesh
RWASA- Rajshahi Water Supply and Sewerage Authority
SFYP- Sixth Five Year Plan
ToR- Terms of Reference

UDD- Urban Development Directorate

UNCED- United Nations Conference on Environment and Development

UNDP- United Nations Development Programme

UPPR- Urban Partnerships for Poverty Reduction

VAT- Value Added Tax

WASA- Water Supply and Sewerage Authority

ABSTRACT

Along with the changes in the economy, there were changes in the country's demographic features. Backwardness in housing has almost always been the leading cause of social dissatisfaction and civil disturbances. The financial institution wanted to offer home loans, and loan seekers needed loans. But matching the demand and supply has not been possible in many cases due to problems inherent in the system. The increasing urban population trend positively impacts the rising demand for housing in urban areas, particularly in large cities. There has always been an absolute deviation between housing demand and current housing stock, which might negatively affect per capita floor space. A review of five-year plans indicates that policymakers were aware of the problems, but an appropriate mechanism to monitor the achievements and failures could not be developed during the last five decades. The main factors influencing the demand of housing accommodation included family size, employment status, household income, house rent, the price of apartments, availability of credit, terms of credit, consumer preferences and ease of purchasing apartments. There was an inverse relationship between demand of apartment accommodation and the price of apartments. The main objective of the study was to assess the management and effectiveness of home loan programs in the Dhaka city. The sources of data used in the study included both secondary and primary data. The secondary sources of data included published materials in the area of housing finance. Primary data were collected through a sample survey. The sources of primary data included Banking and Non-banking Financial Institutions and actual customers of home loans. The study was limited to the Dhaka city area.

The top management evaluates the performance on the basis of target fulfillment. Besides, some quantitative measures used in evaluating the achievement status includes home loan sanctioned, cumulative loan sanctioned, loan disbursed, recoverable loan, loan recovery, default loan, unclassified loan, classified loan, the responsiveness of the institution to the total demand of house loans, and the status of overdue of home loan. Most of the indicators were found favorable in the private sector financial institutions, but the growth rate of the home loan overdue has however, been higher in the private sector than that of the public sector. This situation leads one to suggest that private sector requires to be more careful about the loan management process.

In enhancing the supply of housing apartments Government intervention might help ease the situation., Government may take measures to provide serviced land at reasonable prices, helping

create and promote housing financing institutions, increasing affordability for the disadvantaged groups through providing credit, improving the existing housing stock alongside new housing; and as well as ensuring the conservation of the natural environment. In order to overcome the problems of malpractices adopted by brokers, measures may taken to develop a code of conduct as well as professionalism. In this regard, a law may enacted to set up a regulatory body for implementing licensing system. This would facilitate regulating the activities of brokers combined with monitoring and control.

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Socioeconomic Profiles and Housing Development

1.1 Bangladesh: An Overview

Bangladesh passed through several phases of development. The development phases may be broadly classified into two stages: the pre-independence and post-independence periods. The pre-independence period was featured by the Muslim rule over five and half-centuries from 1201 to 1757 AD, the British colonial rule from 1757 to 1947, and the Pakistani period from 1947 to 1971. With the end of the British dominion in August 1947, the subcontinent was partitioned into Pakistan and India. Bangladesh was one of the parts of Pakistan known as East Pakistan. Between August 1947 and March 25, 1971, Bangladesh was colonized by Pakistan for roughly 24 years. As an independent sovereign state, Bangladesh appeared on the world map on December 16, 1971, following the liberation war's victory.¹

Bangladesh is located in the eastern part of South Asia between 20°34' and 26°38' north latitude and 88.0° and 92°41' east longitude. It is bounded by India on the west, north, and northeast, while Myanmar on the southeast and in the south the Bay of Bengal. The area of Bangladesh is 56,977 square miles (147570 square kilometers).²

As per the population census, the country's population was estimated at 149.77 million in 2011, which increased to 165.55 million in 2018-19.³ The population density increased to 1,253 people per square kilometer in 2018 against 538 persons per square kilometer in 1975⁴.

Bangladesh's economy underwent a transition from a rural economy centered on agriculture to an urban one based on economic activity. Since independence, large-scale industries based on indigenous and imported raw material have been setup. Some of the critical sectors set up during the post-independence period include readymade garments, cotton textiles, pharmaceuticals,

¹ The war of independence continued from March 25, 1971, to December 16, 1971.

² BBS (2020). Statistical Yearbook Bangladesh 2019. (Dhaka: Ministry of Planning, Govt. of Bangladesh). p.Xxi

³ Finance Division (2019). Bangladesh Economic Review 2019 (Dhaka: Ministry of Finance, Govt. of Bangladesh). p.274.

⁴ Worldometer. Population of Bangladesh (2020 and historical). Retrieved on December 1, 2020, from <https://www.worldometers.info/world-population/bangladesh-population/>

fertilizers, iron and steel, food products, ceramics, chemicals, cement, and plastic products industries. Along with the growth of the industry sector, service sectors also developed. Structural changes measured in terms of GDP contribution since 1985/86 are presented in Table 1.1.1.

**Table 1.1.1:
The Trend of Structural Transformation of Broad Sectoral Shares in GDP at Constant Prices**

| Sector | 1985/86 | 2000/01 | 2010/11 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Agriculture | 31.15 | 25.03 | 18.01 | 16.50 | 16.00 | 15.35 | 14.74 | 14.23 | 13.60 |
| Industry | 19.13 | 26.20 | 27.38 | 29.55 | 30.42 | 31.54 | 32.42 | 33.66 | 35.14 |
| Service | 49.73 | 48.77 | 54.61 | 53.15 | 53.58 | 53.12 | 52.85 | 52.22 | 51.26 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: Bangladesh Economic Review 2019, Op. Cit. p.19

The sectoral share of agriculture to GDP declined to 13.60 percent in 2018/19 from 31.15 percent in 1985/86. In contrast to agriculture, the industry's sectoral share rose to 35.14 percent of the GDP in 2018/19 from 19.13 percent in 1985/86. Similarly, the service sector's sectoral share increased to 51.26 percent of total GDP in 2018/19 from 49.73 percent in 1985/86. As an introduction to housing, the following paragraphs are devoted to unfolding socio-economic profiles, housing scenarios, policies, laws, regulatory bodies, institutional setup for finance, and population and settlements in Dhaka city.

1.1.1. Socioeconomic Profiles

As a constitutional commitment, the Government undertook several programs to meet the people's basic needs. At the initial stage, the country pursued the course of planned development based on socialist principles. The public sector-based economy continued till the late 80s. Later on, the Government switched over to a market-based economy.

The people's per capita GDP increased to US\$ 1827 in 2018-2019⁵ from US\$ 687 in 2009-10.⁶ GDP growth per capita increased from 1.3% between 1973 and 1978 to 4.9% between 2011 and

⁵ Finance Division(2019). Bangladesh. Bangladesh Economic Review 2019. Op. cit... p.4.

⁶ Finance Division (2011). Bangladesh Economic Review 2011. (Op. cit. p.18...

2015.⁷ The foreign exchange reserve rose to US\$32.34 billion on 30th June 2019 as against US\$ 10.75 on June 30, 2010.⁸

The average GDP growth rate increased to 6.3 percent during the period (2011-2015) from 4 percent during 1973-1978. The GDP growth rate increased to 8.13% in 2018-2019 (at constant price) from 6.46 percent in 2010-2011.⁹ During the last 48 years, there were changes in the social and economic structure. The rate at which people are moving into metropolitan areas has changed as a result of structural changes. A significant change occurred in the headcount poverty ratio. The headcount poverty ratio declined to 24.8 percent in 2015 from 82.1 in 1978.¹⁰ Similarly, life expectancy rose to 70.70 years in 2015 from 53.07 years in 1978.

A significant increase in electricity supply occurred during the last decade. The installed electricity generation increased to 18961 MW in 2018-2019 from 5271 MW in 2009-10.¹¹ The percentage of households with electricity availability significantly increased from 73% in 2014 to 91% in 2017.¹² The increase in families' rate of access to electricity was higher among rural households (65% in 2014 to 89% in 2017) compared to those of urban ones (93% in 2014 to 96% in 2017).¹³

The increase in population and the increase in income have a positive effect on housing sub-sectors. The housing subsector's share in GDP registered an upward trend. The contribution of housing to GDP increased to Tk. 651.7 million in 2018-19 from Tk. 424.4 million in 2008-09 (constant price).

The share of the housing subsector to GDP varied from 6 percent to 7 percent. Between 2008/09 and 2018/19, real estate, renting, and business services accounted for approximately 4% of GDP growth.

⁷ General Economic Division (2015). The 7th Five Year Plan FY2016 - FY2020. (Dhaka: Bangladesh Planning Commission, Govt. of Bangladesh.). p.2.

⁸ Finance Division (2019). Bangladesh Economic Review 2019. Op. cit. p.85.

⁹ Finance Division (2019) Bangladesh Economic Review 2019. Op. cit. p.15

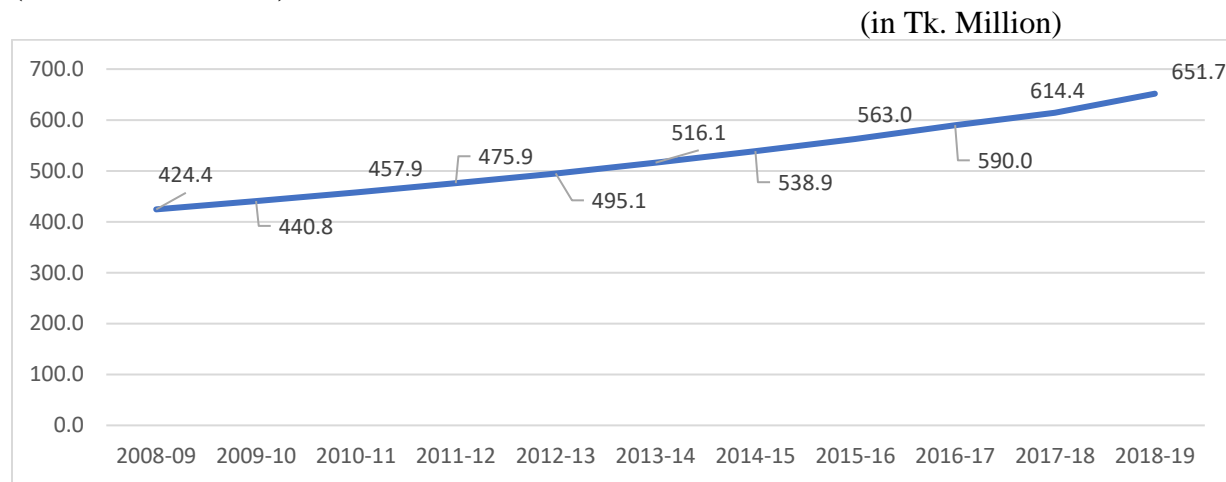
¹⁰ Ibid

¹¹ Finance Division (2020) Bangladesh Economic Review 2020. (Dhaka: Ministry of Finance, Govt. of Bangladesh). p.225.

¹² National Institute of Population Research and Training (2019). Bangladesh Demographic and Health Survey 2017–18: Key Indicators (Dhaka: Ministry of Health and Family Welfare, Bangladesh). p.5

¹³ Ibid.

Figure 1.1.1:
Trend in contribution of Real Estate, Renting, & Business Services to GDP at constant prices
(Base: 2005-06=100)



Source: BBS. Statistical Yearbook Bangladesh 2019, p.412

Remarkable progress in education and health was observed during the last decade. The human development index value increased to 0.608 in 2017 from 0.468 in 2000.¹⁴ The children's net admission rate at the primary level rose to 97.85 percent in 2008 from 90.9 percent in 2006.¹⁵ Similar improvements could be achieved at the levels of secondary and higher education. The number of public universities increased to 42 in 2018, and the private universities rose to 104 to provide access to higher education at the doorstep of the people.¹⁶ Both preventive and curative health care facilities have been set up in nook and corner of the country.

1.1.2 Demographic Features

Along with the changes in the economy, there were also changes in the country's demographic features. Bangladesh is characterized by the rising trend of the population since 1951. Population density per square kilometer increased to 976 in 2011 from 484 in 1974.¹⁷ Bangladesh witnessed continuous improvements in demographic indicators. Table 1.1.2. shows the distribution of selected indicators by period. As evident in Table 1.1.2, people grew to 130.0 million in 2011,

¹⁴ Finance Division (2019). Bangladesh Economic Review 2019. Op. cit. p.196.

¹⁵ Ibid (BER). p.198.

¹⁶ Ibid (BER). p.204.

¹⁷ BBS (2015). Population Distribution and Internal Migration (Dhaka: SID, Ministry of Planning, Govt. of Bangladesh), p.19

from 44.17 million in 1951. The population further grew to 166.5 million in 2019. In some studies several projections predict that by 2050, the population of Bangladesh will increase to 218 million before leveling off at around 260 million.¹⁸ A critical demographic shift was the rapid aging of the community. By the middle of the century, it is anticipated that the number of people over 60 will more than double, while the number of people over working age will less than double.¹⁹ The population growth rate has slowed because of the 1980s' rapid decline in fertility, which has also led to a gradual shift in age distribution. Throughout the 1990s, the contraceptive prevalence rates (CPRs) grew considerably. The contraceptive prevalence rate (CPR) expanded to 58.1% in 2004 from 44.6% in 1993/1994. The contraceptive prevalence rate, however, declined to 55.8% in 2007.²⁰

Table 1.1.2: Selected Demographic Indicators

| Year | Total population (million) | Natural Population Growth (%) | Crude Birth Rate (thousand) | Crude Death Rate (thousand) | Infant Mortality Rate (per thousand live birth) | Total Fertility Rate (per women) | Life Expectancy |
|------|----------------------------|-------------------------------|-----------------------------|-----------------------------|---|----------------------------------|-----------------|
| 1951 | 44.17* | | | | | | |
| 1981 | 89.9 | 2.3 | 34.6 | 11.5 | 111.0 | 5.0 | 54.8 |
| 1991 | 111.5 | 2.0 | 31.6 | 11.2 | 92.0 | 4.2 | 56.1 |
| 2001 | 130.0 | 1.4 | 18.9 | 4.8 | 56.0 | 2.6 | 64.2 |
| 2011 | 148.7 | 1.4 | 19.2 | 5.5 | 35.0 | 2.1 | 69.0 |
| 2019 | 166.5 | 1.3 | 18.1 | 4.9 | 21.0 | 2.0 | 72.6 |

Source: Finance Division (2020). Bangladesh Economic Review 2020. Op. Cit. p.343.

* BBS (2012). Statistical Yearbook of Bangladesh 2012 (Dhaka: SID, Ministry of Planning, Govt. of Bangladesh). p.46

The shift in population distribution between urban and rural areas is another distinctive characteristic of the demographic that sets it apart. The overall growth of the urban population would continue through the present century. The terrifying development is probably going to be driven by country metropolitan relocation with a little part of a normal increment.²¹

¹⁸ Streatfield, P.K and Karar, Z.A (2008). Population Challenges for Bangladesh in the Coming Decades. Journal of Health, Population and Nutrition. Vol. 26, No.3. p.261

¹⁹ Ibid... p.270

²⁰ Streatfield, P.K. and Karar, Z.A(2008). Op. cit. p.263

²¹ Ibid. p.265

1.1.3 Urbanization Trends

The increase in the number of people living in towns and cities is referred to as urbanization. Urbanization rate refers to the rate at which the percentage of the urban population grows or declines.²² It depends on the rate of change in the country's urban and rural populations' relative size.²³ It is "a complex socio-economic process that transforms the built environment, converting formerly rural into urban settlements, while also shifting the spatial distribution of a population from rural to urban areas."²⁴ According to Pourashava Ordinance 2009, an urban area is one wherein $\frac{3}{4}$ of the adult male population are engaged in non-agricultural activities, 33 percent of the land are non-agricultural, not fewer than 50000 people constitute the population, and the average population density is at least 1500 people per square kilometer.²⁵

Twenty-five urban centers are cities with more than 100000, and the rest have a population of less than 100000.²⁶ They are thought of as tiny towns. Over 324 Pourashavas (Municipalities), 64 zilas, and 492 Upazilas are present, in addition to 12 City Corporations.²⁷ Large and medium-sized urban regions all through the nation offer sensible admittance to metropolitan administrations. In Bangladesh, the urban population has increased more quickly than the country's overall population²⁸. Natural population growth and rural-to-urban migration are the main factors contributing to the expansion in urbanization.

The urbanization scenario began changing immediately after the partition of British India, after which there occurred the development of economic activities in a few selected cities and towns. During the 1950s, the shift in urbanization gained prominence. Since 1951, the percentage of the country's population that lives in cities has been steadily increasing.

²² United Nations (2015). World Urbanization Prospects: The 2014 Revision (New York: Department of Economic and Social Affairs, Population Division, UNO). 2015. p.59.

²³ Ibid

²⁴ UN. (2019) World Urbanization Prospects 2018. (New York: United Nations). p. iii.

²⁵ Clause 1 of Sub-section 2 of section 3 of the Pourashava Ordinance 2009,

²⁶ GED (2015). The 7th Five Year Plan FY 2016 - FY2020. Op. cit. p.462.

²⁷ BBS (2020). Statistical Yearbook Bangladesh 2019. (Dhaka: SID, Ministry of Planning, Govt. of Bangladesh). p.33.

²⁸ Laskar, S.I. (1996). Urbanization in Bangladesh: Some Contemporary Observations. The Bangladesh Development Studies Vol. 24, No. 1/2 (March-June 1996), p.207.

**Table 1.1.3:
Trends of Urbanization in Bangladesh (1941-2011)**

| Year | Population (in million) | | Percentage of Urban Population | Annual Exponential Growth Rate (AEGR) (in %) | | |
|----------|-------------------------|--------|--------------------------------|--|-------|--------------|
| | Urban | Rural | | Urban | Rural | Differential |
| 1941 | 1.54 | 40.46 | 3.66 | 3.59 | 1.58 | 2.01 |
| 1951 | 1.82 | 40.24 | 4.33 | 1.69 | -0.05 | 1.74 |
| 1961 | 2.64 | 48.20 | 5.19 | 3.72 | 1.80 | 1.92 |
| 1974 | 6.27 | 65.21 | 8.78 | 6.66 | 2.32 | 4.33 |
| 1981 | 13.54 | 73.58 | 15.54 | 10.99 | 1.73 | 9.26 |
| 1991 | 22.46 | 89.00 | 20.15 | 5.06 | 1.90 | 3.16 |
| 2001 | 28.61 | 95.25 | 23.10 | 2.42 | 0.68 | 1.74 |
| 2011 | 42.70 | 107.80 | 28.37 | 4.01 | 1.24 | 2.77 |
| 2019 (2) | 60.99 | 102.06 | 37.41 | 3.63 | -0.55 | 4.17 |

*AEGR: Annual Exponential Growth Rate

Sources: 1) Planning Commission (2015). The 7th Five Year Plan FY2015-FY2020 (Dhaka: Planning Commission, Govt. of Bangladesh). p.459.

2) United Nations (2019). World Population Prospects 2019. Bangladesh Metro Area Population 1950- 2020. Retrieved on December 6, 020 from [https://www.macrotrends.net/countries/BGD/Bangladesh/urban population](https://www.macrotrends.net/countries/BGD/Bangladesh/urban%20population). Population data of a given source may not match the data of another source due to variations in methodologies used in prognosis.

The urban population proportion further increased immediately after the country's independence in 1971. Table 1.1.3 displays the trend in urbanization in Bangladesh. The proportion of the urban population rose to 8.78 percent in 1974, from 4.33 percent in 1951. In less than a decade, the urban population increased to 15.54 percent in 1981. In 2011, the proportion of the population living in cities increased to 28.37 percent, and it reached 37.41 percent in 2019. The same trend continued until now.

Urban populations grew to 6.27 million in 1974 from 1.82 million in 1951. The population rose to 42.70 million in 2011, which again jumped to 60.99 million in 2019. The main factor responsible for rapid population growth in the urban areas was in-migration from rural areas

1.1.4 Analysis of Urban Growth of Population

In a study on the increase of urban population, it was observed that migration to urban areas from rural areas accounted for 63 percent of Dhaka city's population change during 2001-2011. The

same tendencies were also present in other major cities. Growth rates of the urban population varied from one period to another.

According to a review of population growth rates, the metropolitan area's post-independence period (1974-1981) annual exponential growth rate was 10.99 percent. The lowest exponential yearly growth rate was 2.42 during the period 1991-2001. The rate of urban population increase was highest in Dhaka city, followed by Rajshahi and Chattogram²⁹.

The rate of urbanization in Bangladesh has been high during the last few decades. The main reason was in-migration from rural areas. Employment opportunities in the urban regions stimulated migration from rural areas. The agriculture sector can no longer provide employment and ensure sufficiently higher household income to increase household expenditure. The lack of jobs in rural areas compelled rural people to look for jobs in alternative urban regions. Dhaka was the most preferred destination out of alternative cities.

The factors responsible for expanding the urban population include the persistently high natural increase of native urban community, a territorial extension of existing urban areas with the conversion of nearby rural centers, and rural to urban migration.³⁰ The movement toward urbanization has been impacted by both pull and push influences. Diverse opportunities and social infrastructure development in the urban areas attracted rural out-migrants. Limited employment opportunities and poor social infrastructure in the rural areas combined with landlessness caused by river erosion and other disasters caused by nature contributed to high rate of rural residents moving to metropolitan areas.³¹

1.2 Housing Scenario

A house may be defined as any structure with four walls and a roof. The critical dimensions of the quality of life, including individual security, education, culture, and health care, are associated with housing. As viewed by Mill, housing broadly defines an individual's social status, well-being,

²⁹ [World Population Review](https://worldpopulationreview.com/countries/bangladesh-population/). <https://worldpopulationreview.com/countries/bangladesh-population/>

³⁰ Khare, H.S. (2016) Barriers Constraining the Low and Middle Income Housing Finance Market in Bangladesh. (Washington, D.C.: IFC). p.22.

³¹ GED (2015). The 7th Five Year Plan: FY2016-FY2020. Op. Cit. p.464

as well as self-image.³² Besides, the growth and expansion of backward linkage industries depend on the progress of the housing industry. The industry's supply-side backward linkage industries are involved in producing bricks, rod, sand, cement, ceramic, and the forward linkage industries include interior design, furniture, appliances, security companies, etc.³³ Having realized the critical role of housing and its multidimensional effects, the Government made its constitutional obligation to ensure "the provision of the basic necessities of life, including food, clothing, shelter, education and medical care."³⁴ Backwardness in housing in a society is almost always the leading factor of social unrest and civil unrest. The following paragraphs focus on the demand and supply issues of housing in both urban and rural areas.

1.2.1 Demand for Housing

Everyone, both individuals and families aspire to own a home. The need for housing is at the top of the priority list of needs of almost every household. The importance of the housing industry, both in terms of its contribution to the Bangladeshi economy and its function in ensuring that everyone has a place to live, necessitates awareness of a number of significant concerns. Generally, high population growth, rapid urbanization, and many illegal and overcrowded housing units without access to essential city services directly affect housing demand.

Based on construction materials used, houses have been classified into four categories in Bangladesh³⁵: viz. Jhuprie (temporary)³⁶, Kutcha (temporary)³⁷, Semi-pucca (semi-permanent)³⁸, and Pucca (permanent)³⁹. The extent of unmet demand may be assessed by analyzing the housing conditions at a given time. Out of 4 categories of dwelling houses, Jhuprie and Kutcha homes are

³² Mills, S Edwin, (1991). Urban efficiency, productivity, and economic development., Proceedings of the World Bank Annual Conference on Development Economics, p.223.

³³ Amin, ATM N. (2014). Housing Industry of Bangladesh: Easing the Constraints and Overcoming the Image Deficit. A keynote paper prepared for Dhaka Chamber of Commerce and Industry (DCCI) Seminar on Jana sharthey Grihonirman, Dhaka, 29 November 2014... p.2.

³⁴ Clause (a) of Article 15 of The Constitution of the People's Republic of Bangladesh.

³⁵ BBS (2015). Housing Condition in Bangladesh. Population Monograph: Vol-10 (Dhaka: SID, Ministry of Planning). p.2

³⁶ They refer to shacks made from branches, bags, tarpaulin, jute, etc.

³⁷ Kutcha houses refer to those which are: made of mud, wood, bamboo, and corrugated iron sheets (CIS) as roofs.

³⁸ Semi-pucca houses are characterized by walls made partially of bricks, floors made from cement, and roofs from corrugated iron sheets.

³⁹ Concrete roofs and walls of bricks feature these houses.

viewed as substandard houses that need to be replaced. Table 1.2.1 displays the distribution of dwelling units by structure. In Bangladesh, 68.6 percent of the households live in Jhupri or Kutcha houses. The proportion of families living in such dwellings was higher (78.7 percent) in the rural areas than that of the urban area (35.4 percent) (Table 1.2.1).

Assuming that Jhupri and Kutcha houses are substandard for human living, Bangladesh's total housing requirements were estimated at 22.07 million based on household data in 2011. The need for housing in the urban areas was 2.66 million, and the same in the rural areas was estimated at 19.41 million.⁴⁰ Housing needs become demand only when the households needing a house have the purchasing power (income) and willingness to own a home. Estimates of demand for housing varies from one source to another.⁴¹

The demand for a dwelling house may be assumed to be a function of its household income, relative price, and demographic features.⁴² According to a study, the most significant factor in housing expenditure was household income.⁴³ The study discovered that the magnitude of price elasticity was smaller than that of income. High-income elasticity indicates that housing demand was more responsive to the household's payment capability than the house price.⁴⁴ The need for a home becomes demand only when the potential customer has the financial ability to purchase. The increase in the market for dwelling houses in the city is a big challenge for policymakers.

Besides, some of the determinants of demand for housing, as identified by MTB Group R&D, influencing the real estate market include growth in GDP, extension of urbanization, arrival of foreign remittances for the acquisition of land and apartments, increased per capita income, the falling rate of interest of housing finance, growing standard of living and declining price trend in allied industries.⁴⁵

⁴⁰ Estimation of the housing requirements was computed based on the data given in Table 1.2.1

⁴¹ Variations in housing requirements occur primarily due to variations in assumptions in households' estimation, the existing stock of houses, and additions to the existing stock.

⁴² Ahmad, S (2014). Housing demand and housing policy in urban Bangladesh. Urban Studies Journal Limited. Available at <http://usj.sagepub.com/content/early/2014/04/11/0042098014528547>. p. 7.

⁴³ Ibid. p.10.

⁴⁴ Ibid. p.15.

⁴⁵ MTBiz (2017). Real Estate Market Bangladesh. MTBiz: Monthly Business Review, Vol.8, Issue 4 (May 2017). p.5.

Table 1.2.1:
Distribution of the main dwelling units of Households by Type of Structure, 2011

| Structure | Total | | Urban | | Rural | |
|-------------------|----------|---------|---------|---------|----------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Jhupri | 929979 | 2.9 | 193034 | 2.6 | 736945 | 3.0 |
| Kutcha | 21140029 | 65.7 | 2462630 | 32.8 | 18677399 | 75.7 |
| Semi-pucca | 6354072 | 19.7 | 2404841 | 32.1 | 3949231 | 16.0 |
| Pucca | 3749549 | 11.7 | 2441535 | 32.5 | 1308014 | 5.3 |
| Total | 32173629 | 100 | 7502040 | 100 | 24671589 | 100 |

Source: BBS (2013). Statistical Yearbook of Bangladesh 2012 (Dhaka: Ministry of Planning, Govt. of Bangladesh). p.62

1.2.2 The distribution system for housing

The system for providing houses consists of several subsystems involved in house delivery. Subsystems engaged in the house delivery process may broadly be divided into formal and informal housing delivery subsystems.⁴⁶

1.2.2.1 Formal Housing Delivery Subsystem

There are two categories of formal suppliers: public sector and private sector. Public sector entities like the National Housing Authority and autonomous bodies are part of the public sector's housing delivery subsystem. A private formal housing delivery system consists of a private formal subsystem, individual entities, and cooperative housing.⁴⁷

The rising demand for apartments in the cities has resulted in the growth and expansion of developers' business enterprises. Simultaneously, microcredit institutions have become dominant in providing housing credit to low-income group populations in rural areas. Below are briefly described the major players in the supply of housing.

i) **Public Sector Suppliers of Housing:** Amongst public sector suppliers of housing units, RAJUK is the single largest Dhaka city player. It provides 75 percent of the total public sector housing.⁴⁸ Currently, RAJUK has extended its role to the supply of the private sector housing in addition to development of plots. Public Works Department undertakes to supply houses for accommodating Government employees. The Ministry of Housing and Public Works is responsible for managing and supervising the Department's operations. The forms of housing

⁴⁶ BIGD (2017). The State of Cities 2017: Housing in Dhaka (Dhaka: BRAC Institute of Governance and Development, BRAC University, Dhaka) p.34.

⁴⁷ Ibid.

⁴⁸ BIGD (2017). The State of Cities 2017: Housing in Dhaka. Op. cit. p.34:

supply include readymade apartments, independent houses, duplex housing units, and bungalows. Salary grades determine the category of the house an employee is entitled to. The public sector could meet less than 10 percent of the requirements, while formal and informal private subsystems supplied the rest.⁴⁹ Regarding housing units' delivery, public sector organizations were weak, and whatever resources they possessed were used in serving the small upper-and upper-middle-income groups.⁵⁰

National Housing Authority (former Housing and Settlements Directorate) was responsible for providing various types of houses for meeting the needs of some groups such as refugees, squatters, and the general public. After completing the project, National Housing Authority (NHA) and other development authorities used to hand over the apartments to the lease system's target population. The process's primary activities included infrastructure improvement, site development, services schemes, slum upgrading, resettlement, and supply of core houses and flats.

A review of NHA's activities indicates that the National Housing Authority (NHA) could complete about 40,000 apartments for people with low-pay, including nucleus houses. NHA undertook a Pro-Poor Slums Integration Project (PPSIP) for resettling 7500 families at different townships in collaboration with World Bank.⁵¹ It has upcoming flat projects for 2000 slum dwellers who would repay on a daily installment basis.⁵² Besides, the organization has been implementing four slum-upgrading models. Activities involved in the pilot models include in-situ upgrading, re-blocking, land-sharing, and voluntary resettlement.⁵³

Similarly, the Defense Officer Housing Society (DOHS) built several housing estates throughout the city.⁵⁴ This organization serves the members of the Bangladesh Army, Bangladesh Navy, and Bangladesh Air Force. In collaboration with UNDP and DFID, Bangladesh's government took a project entitled “Urban Partnerships for Poverty Reduction (UPPR)” to provide for the needs of underserved and underprivileged urban populations between 2008 and 2015. With UPPR’s assistance, the municipality of Gopalganj undertook a housing program in collaboration with the

⁴⁹ Islam, N (1996). Sustainability Issues in Urban Housing in a Low-income Country: Bangladesh. *Habitat International* Vol. 20, No. 3. p.378.

⁵⁰ Ibid. p.386.

⁵¹ Urban Development Directorate (2016). Bangladesh Country Report: HABITAT III (Dhaka: Ministry of Housing and Public Works, Govt. of Bangladesh). p.42.

⁵² Ibid.

⁵³ Ibid

⁵⁴ BIGD (2017). *The State of Cities 2017: Housing in Dhaka*. Op. cit. p.34.

private sector and community. The project was designed to offer tenure security to 346 evicted families in 2009.⁵⁵

Government undertook the Ashrayan-1 Project to settle landless and homeless families on Khas land and provide title jointly in the husband and wife's name. The project was implemented from 1997 to 2010. As many as 108,646 families were resettled and rehabilitated. The government took Ashrayan-II to resettle and rehabilitate a further 50,000 families, and the same was planned to be implemented from 2010 to 2014, and the project was extended to 30 June 2017. The Prime Minister's Office funded the project, and the physical implementation of the project was done by the Armed Forces Division (AFD), different Government agencies, and District & Upazila Administrations.⁵⁶

ii) Cooperative Housing: Cooperatives refer to associations of groups registered under the Cooperatives Societies Act 2001 and intend to invest in land and housing. Members of cooperatives are drawn from people of similar economic and occupation status. As observed in a study, the cooperative housing subsystem provided a few thousands of housing units, mostly in and around Dhaka city.⁵⁷ Under the cooperative subsystem, the cooperative society typically buys large tracts of undeveloped land in semi-urban areas and develops the same for final distribution. Cooperative societies also construct apartments and distribute the same to the members. Housing cooperative societies contribute to making homes more affordable for low- and moderate-income populations. As observed by Joint-Registrar, Department of Co-operatives, Govt. of Bangladesh, more than 100 housing cooperative societies could ensure 30,889 housing facilities.⁵⁸ As many as 1354 "Asrayon" cooperatives provided housing to about two lack people.⁵⁹

iii) NGOs: In the recent past, NGOs were found to assist lower-income groups in addressing housing problems by mobilizing and developing appropriate community organizations. An NGO, ARBAN 1, implemented a housing project in 2010 at Borobagh, Mirpur. A multi-storied building

⁵⁵ UNDP (Posted on April 10, 2019). Housing solutions for the urban poor in Bangladesh. Retrieved on January 5, 2021 from <https://www.bd.undp.org/content/bangladesh/en/home/presscenter/pressreleases/2019/04/07/housing-solutions-for-the-urban-poor-in-bangladesh.html>

⁵⁶ Bangladesh Housing, Land And Property (HLP) Rights Initiative(2014). Climate Displacement in Bangladesh: Stakeholders, Laws and Policies - Mapping the Existing Institutional Framework (Dhaka: Bangladesh: Displacement Solutions & Young Power in Social Action (YPSA). p.51.

⁵⁷ Ibid. p.379.

⁵⁸ Rahman, M.A (2014). Social protection and Economic Development Through Co-operative. Journal of Co-operative Sector, Bangladesh, July - December 2014. p.36.

⁵⁹ Ibid

was constructed for 40-member households, sized about 450-550 sft. for its members.⁶⁰ The apartments were handed over to the applicants in 2012. In meeting the flat's cost, the member paid 54 percent while ARBAN contributed 46 percent as loan repayable in 15 years with a service charge of 5 percent.⁶¹ The sources of funds of NGOs, based on data of June 2018, were clients' savings (35.44 percent), loans from commercial banks (20.51 percent), cumulative surplus (34.82 percent), the loan from PKSF (6.45 percent), donors' fund (1.01 percent), and other funds (1.77 percent).⁶² The government's assistance to NGOs appears to be insignificant.

iv) Private Formal Subsystem or Developers: Housing is a fundamental right for every citizen in the country. Bangladesh's real estate developers initiated a real estate development venture a couple of decades back to solve the growing urban housing problem rapidly. The Government's policy of supporting private sector initiatives in the housing sector has had a favorable effect on an impressive boom in investment and developmental activities. The real estate industry seems to have contributed positively to the economy.

The real estate market began to emerge in 1970, with only five firms, which increased to 42 developers in 1988.⁶³ In 1991, the Real Estate & Housing Association of Bangladesh (REHAB) was formed with only 11 members. The number of companies operating in the real estate sector rose to 1500 in 2012, out of which 1081 were REHAB members⁶⁴. The number of REHAB members increased to 1151 in 2016, which further rose to 1191 in 2020.⁶⁵ Developers construct multi-story walk-ups or elevator-fitted high-rise multifamily units. They are of moderate to luxury quality, catering to the needs of the upper-middle-and high-income households. The domain of operations of the subsystem is limited mostly to Dhaka and Chittagong.⁶⁶

Till 2016, private companies have built 0.15 million housing units.⁶⁷ This sector has contributed about 6-7% to Bangladesh's GDP, and the annual turnover is about Tk. 28 billion.⁶⁸ It generates

⁶⁰ Urban Development Directorate (2016). Bangladesh Country Report: HABITAT III. Op. cit. p.44.

⁶¹ Urban Development Directorate (2016). Bangladesh Country Report: HABITAT III. Op. cit. p.44.

⁶² MRA (2018). NGO-MFIs in Bangladesh: A Statistical Publication (Dhaka: Microcredit Regulatory Authority). June 2018. p.22

⁶³ REHAB (2012). A Comprehensive Study on the Real Estate Sector of Bangladesh. p.17. Retrieved on December 5, 2020 from https://www.rehab-bd.org/mis/attachment/add_page/page_121.pdf

⁶⁴ Ibid

⁶⁵ REHAB (2020). Retrieved on December 4, 2020, from https://www.rehab-bd.org/index.php?page=brief_rehab

⁶⁶ Islam, N (1996). Sustainability Issues in Urban Housing in a Low-income Country: Bangladesh. Op.cit. p.379.

⁶⁷ Khare, H.S (2016). Barriers Constraining the Low- And Middle-Income Housing Finance Market in Bangladesh (Washington, DC: . International Finance Corporation). p.27.

⁶⁸ REHAB (2020). Retrieved on December 4, 2020, from https://www.rehab-bd.org/index.php?page=brief_reha

2.5 million employment opportunities for skilled & unskilled personnel.⁶⁹ It also stimulates the demand for several supplementary industries, e.g., steel, cement, tiles and sanitary ware, cable and electric wire, paint, glass and aluminum, brick, various building materials, consumer durables, and so on. They also directly contribute to the Government's exchequer by paying Registration Fees, VAT, Advance Income Tax (AIT), Stamp Duty, etc.

1.2.2.2 Informal Housing Delivery System

Informal settlements refer to human settlements, which do not ordinarily meet requirements for legal recognition. As mentioned in the Vienna Declaration, informal settlements' distinguishing features include informal or insecure land tenure, inadequate access to basic services, social and physical infrastructure, and housing finance.⁷⁰ Regardless of legal status, the informal housing sector plays a vital role in providing accommodation to low-income people. Informal housing delivery system consists of informal housing subsystem, slum housing subsystem, squatter subsystem (housing accommodation in non-residential spaces or public land), and homeless or pavement dwellers subsystem.⁷¹ Chart 1.2.1 show types of informal housing delivery systems.

i) ***Informal Housing Subsystem:*** Under the informal housing subsystem, landowners construct houses for renting purposes, mostly without facilities. Those who build homes do not comply with housing regulations. Landowners construct housing units either for individual households or for mess housing.⁷²

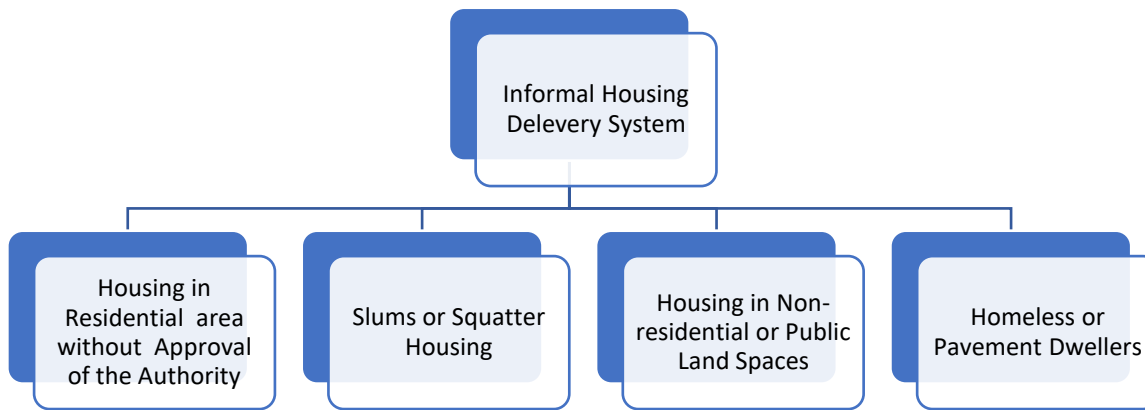
⁶⁹ Ibid

⁷⁰ Paragraph II of Vienna Declaration on Informal Settlements in Southeastern Europe at Ministerial Conference on Informal Settlements in Southeastern Europe, OSCE Hofburg in Vienna, 28 Sep – 01 Oct 2004.

⁷¹ Khare, H.S (2016). Barriers Constraining the Low And Middle Income Housing Finance Market in Bangladesh op. cit. P.26.

⁷² Rahman, K.K. (24 July 2009). Development of housing finance and its impact on socio- economic uplift in the emerging economy in Bangladesh. (IFC Bulletin No 31.) In: Proceedings of the IFC Conference on "Measuring financial innovation and its impact", Basel, 26-27 August 2008. p.101.

**Chart 1.2.1:
Types of Informal Housing Delivery**



ii) **Slums:** Private landowners create slums to supply low-cost rental accommodations to the urban poor. They do not comply with legal requirements. Slum areas are characterized by housing structures made of relatively cheaper materials like straw, leaves, polythene sheets, wood, bamboo, coarse papers, etc.⁷³ The business of slum housing depends upon the intensity of politicization in a given area. People involved in using unauthorized housing cannot thrive if the political elite does not back them.

The slums were found to increase over the years. In 2014, a total of 13,938 slums were recorded covering city corporations, municipalities, Upazila headquarters, and all other urban areas, while the same was 2,991 in the Census of Slum Areas and Floating Population 1997.⁷⁴ The total of slum households with an average size of 3.75 persons per household rose to 592,998 in 2014 against 334,431 slum households with an average size of 4.17 persons per household in 1997.⁷⁵

In Bangladesh, 5.25 percent of the total urban population lived in the slum areas in 2014.⁷⁶ The highly dense slum settlements have multidimensional effects on urban life, particularly on the quality of adjacent water bodies and the cleanliness of surrounding areas. In informal slum housing, dwellers were hardly provided with utility services. In the slum areas, *mastaans* or

⁷³ BBS (2015). Census of Slum Areas and Floating Population 2014 (Dhaka: SID, Ministry of Planning, Govt. of Bangladesh). p.55.

⁷⁴ Urban Development Directorate (2016). Bangladesh Country Report HABITAT III (Ministry of Housing and Public Works, Govt. of Bangladesh). p.54...

⁷⁵ Ibid

⁷⁶ General Economic Division (2015). Millennium Development Goals: Bangladesh Progress Report 2015 (Dhaka: Bangladesh Planning Commission, Govt. of Bangladesh). p.91. Retrieved on January 15, 2021, from <https://dliiv03.media.osaka-cu.ac.jp/contents/osakacu/kiyo/DB00000200.pdf>

musclemen dominated as service providers. They controlled all services like restrooms, tube-wells, water and electricity connections, and other amenities. The utilities in the slum areas were mostly acquired illegally. Some residents of the slums having networking with the *mustaans* worked as brokers.⁷⁷ They mainly depended on informal credit markets (ICMs) to meet their housing investment requirements. The slum dweller's area was prone to various vector-borne diseases, which might be attributable to the absence of clean drinking water and toilet facilities.⁷⁸

iii) ***Squatter Settlements:*** Squatter settlements refer to land-grabber or occupier-built shacks or shanties on government or semi-government land.⁷⁹ Squatting may be viewed as the unlawful occupation of an uninhabited building or the process of settling on public, semi-public, or private land by destitute migrants. Squatters typically occupy land on embankments, road and railway sides, open spaces, and vacant plots. They have no access to utility services. NGOs and pourashava in some large settlements provided common services.⁸⁰ The distinguishing features of squatting included no rent for accommodation, rent to a third party offering the security of tenure, shelters built by a third party on illegally occupied land and rented to the occupiers.⁸¹ The residents are not required to pay rent, but rather "tolls" to *mastaans* (musclemen) and representatives of the land-occupier authority.⁸²

iv) ***Homeless or Pavement Dwellers:*** Homeless or pavement dwellers refer to the mobile and vagrant category of rootless people having no "permanent dwelling units."⁸³ They mostly live on the streets, rail station, launch ghat, bus station, hat-Bazar, Mazar, a staircase of public/government buildings, and open spaces.⁸⁴ In unfolding the meaning of rootless, BBS categorized the term homeless as a vagrant, displaced, landless, or people exposed to the risk of total economic deprivation.⁸⁵ The pavement dwellers, having no permanent home, suffer from a lack of essential

⁷⁷ The World Bank (2007). Dhaka: Improving Living Conditions for the Urban Poor, Bangladesh Development Series Paper No. 17 (Dhaka: The World Bank Office). p.57

⁷⁸ SENES Consultants and Techno Consult International (2007). Dhaka Metropolitan Development Plan: Strategic Environmental Assessment. (Washington, DC: The World Bank) p. 2-4.

⁷⁹ Islam, N (1996). Sustainability Issues in Urban Housing in a Low-income Country: Bangladesh. Op. cit. p.379.

⁸⁰ Khare, H.S (2016). Barriers Constraining the Low And Middle Income Housing Finance Market in Bangladesh. op. cit. p.27.

⁸¹ Chowdhury, I.U. Problems of Squatter Settlements In Bangladesh: A Case of Chittagong City. p.106. Retrieved on January 15, 2021, from <https://dlisv03.media.osaka-cu.ac.jp/contents/osakacu/kiyo/DB00000200.pdf>

⁸² Shams, S. et al (2014). Housing Problems for Middle and Low Income People in Bangladesh: Challenges of Dhaka Megacity, Environment and Urbanization Asia, Vol. 5, Issue 1. p.180.

⁸³ BBS (2015). Census of Slum Areas and Floating Population 2014 (Dhaka: Ministry of Planning, Govt. of Bangladesh). Pp.16-17.

⁸⁴ Ibid.

⁸⁵ Ibid

facilities. As revealed in a study, street dwellers were the most deprived people in terms of living conditions, access to critical facilities, and health indicators. Morbidity was significantly high among street dwellers, and the most common general health problems were respiratory infections, scabies, diarrheal diseases, infective hepatitis, rheumatic arthritis fever, and eye infection.⁸⁶ The dwelling place is unhealthy and environmentally hazardous because of random garbage and sewer discharge, making it suitable for breeding diseases.⁸⁷

1.2.3 Analysis of Demand and Supply

Given purchasing power, house choice is influenced by a set of variables that includes dwelling size, structural quality of dwelling, access to a better quality of a toilet, access to water supply, and access to drinking water. As observed by some experts, the majority of middle- and lower-income demographics in Bangladesh have been experiencing a severe lack of accessible homes, despite the oversupply of luxury homes on the market.⁸⁸ The number of flats remaining unsold in Bangladesh, according to REHAB source, was 27185 in 2016, and the number of apartments remaining unsold in Dhaka city was 12185.⁸⁹ In contrast, the demand for small-size apartments rose, and such apartments' supply was much below the market. The BHBFC reports revealed a great demand for houses priced moderately between Taka six lakh to ten lakh. But the supply of such apartments was almost non-existent because of high land prices in metropolitan cities, particularly in Dhaka City.⁹⁰ The housing shortage's probable reasons include increased urbanization, high-income inequality, and people's displacement by natural disasters and conflict.⁹¹ The non-availability of updated, relevant housing data makes it challenging to predict

⁸⁶ ICDDR, B (2011). Urban Street Dwellers (Dhaka: ICDDR, B). Evidence to Policy Series Brief No. 4, May 2011.Pp.1-2.

⁸⁷ Ahsan, R. and Quamruzzaman, J.M (2019). Informal Housing and Approaches towards the Low-income Society in Developing Countries. p.4. Retrieved on January 14, 2021 from https://www.researchgate.net/publication/228453920_Informal_Housing_and_Approaches_towards_the_Low-income_Society_in_Developing_Countries

⁸⁸ Nenova, T (2010). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda (Washington, DC: The International Bank for Reconstruction and Development). p.85. See also Kamal, M. and Hossain, M.S (2016).. Housing Finance Institutions in Bangladesh: A Study on Delta BRAC Housing (DBH). International Journal of Economics, Commerce and Management, United Kingdom, Vol. IV, Issue 4, April 2016. p.329

⁸⁹ MTB Group R&D (2017). Real Estate Market Bangladesh. MTBiiz Monthly Business Review, Vol. 8, Issue 4 (May 2017).. p.3.

⁹⁰ Nenova, T (2010). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda. Op. cit. p.85.

⁹¹ Nenova, T. (2010). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda (Washington, DC: The World Bank). p.9.

location-wise and income group-wise data on housing. A survey conducted by BIBM reveals that 70% of all urban-dwellers units and 85% of all rural-dwellers units fall under inadequate/deficient categories. They remain outside the area of formal banking and financial institutions.⁹²

As estimated by the Planning Commission, there was a shortage of about 5 million houses in the urban areas in 2009 in Bangladesh.⁹³ In the rural area, the demand for homes was estimated at 3.5 million a year, assuming two percent new household formation annually. The market for houses in the urban areas was estimated at three to five lakh houses annually.⁹⁴ The strategic challenge is to transform the need for housing into the demand for housing.

It has been assumed that households with more than Tk. 25,000 a month are potential clients for house purchases. Those who belong to the income category of less than Taka 25,000 remains outside the market structure.⁹⁵ Developers and other intermediaries do not serve the largest chunk of the population in urban and rural areas. The absence of organized forces in the housing market and the lack of supporting activities contributed to creating a wide gap between demand and supply. The housing situation in the urban areas is worse than that of the rural areas.

1.2.3.1 Gaps in Housing Demand and Supply

The whole population covering various income and occupational groups does not have access to the traditional real estate markets due to the demand and supply-side constraints. As observed in the Government report, the Government and formal private developers' achievements were insignificant compared to their massive needs. As estimated in the study, housing units' supply was not even one percent of the total demand.⁹⁶ People belonging to the lower-income group are affected by increasing inequality, small earnings, absence of access to credit and perilous job. Construction prices, real estate speculators, and operational issues in the industry all hurt those on

⁹² IDLC Finance Limited (2018). Affordable Housing: Capturing Bangladesh's "Missing Market". IDLC Monthly Business Review Volume 14, Issue 9 (September 2018). p.7.

⁹³ Figure is estimated based on Table 1.2.2

⁹⁴ Nenova, T. (2010). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda. Op. cit. p.85.

⁹⁵ Nenova, T. (2010). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda. Op. Cit. p.83...

⁹⁶ Urban Development Directorate (2016). Bangladesh Country Report: HABITAT III (Dhaka: Ministry of Housing and Public Works, Govt. of Bangladesh). p.43.

the supply side. As observed by Planning Commission, the availability and price of building materials significantly influenced housing supply. The cost of building materials, in most cases, was high, and the supply was erratic.⁹⁷ The mismatch between demand and supply prices hinders the real estate market's smooth functioning.⁹⁸ The following paragraphs focus on selected dimensions of mismatch between demand and supply.

i) Housing Deficit in the Rural Areas: Low-quality housing is both an effect and a cause of poverty in rural areas. The housing conditions during the last decade, however, slightly improved. The percentage of homes with cement or ceramic tile flooring climbed from 19% in 2007 to 37% in 2017.⁹⁹ Housing quality remains a significant concern in rural areas. The proportion of dwelling units that were semi-pucca or temporary structures (Katcha, Jhuprie) constituted 88.3 percent of the total households.¹⁰⁰ A study indicates that the housing shortage in rural areas is estimated at 2.15 million out of the country's total deficiency of 3.1 million housing units.¹⁰¹

ii) Urban Housing Deficit: Despite the country's achievement in different fields, Bangladesh is yet to tackle adequately one of its basic needs—that of housing for all. Compared to the demand for housing, the supply of housing was inadequate. Most of the market was concentrated in the lower- and lower-middle-income groups.¹⁰² In the urban areas, the housing deficit grew from 1.13 million units in 2001 to 4.6 million units in 2010. According to the Planning Commission, Govt. of Bangladesh, the estimated urban housing shortage would reach 8.5 million units in 2021 (Table 1.2.2). By 2021, approximately 8.5 million new houses need to be constructed to overcome the existing deficit in urban areas. Demand for new dwellings is concentrated in the lower and lower-middle-income groups.

⁹⁷ GED (2015). The 7th Five Year Plan FY2016-FY2020. Op. cit. p.470.

⁹⁸ Gonçalves, J.M and J. M. R. F. Gama, J.M.R.F (2020). A systematization of policies and programs focused on informal urban settlements: reviewing the cases of São Paulo, Luanda, and Istanbul. *Journal of Urbanism*. 2020, VOL. 13, NO. 4. p. 468.

⁹⁹ National Institute of Population Research and Training (2019). Bangladesh Demographic and Health Survey 2017–18: Key Indicators . op. cit.

¹⁰⁰ Figure was estimated based on data in Table 1.2.1

¹⁰¹ Khan, S (2020). Thrust on durable rural housing . (Dhaka : The Financial Express, February 22, 2020). Retrieved on December 24, 2020 from <https://thefinancialexpress.com.bd/public/views/thrust-on-durable-rural-housing-1582387686>

¹⁰² Nenova, T. (2009) Expanding housing Finance to the Underserved in South Asia: Market Review and Forward Agenda. (Washington, DC: The World Bank). p. 83

**Table 1.2.2:
Urban Housing Deficit**

| Year | Housing Deficit in urban areas (Million units) | Total Urban Population (Million) |
|-------------|---|---|
| 1991 | 0.95 | 20.87 |
| 2001 | 1.13 | 28.81 |
| 2010 | 4.60 | 43.43 |
| 2021 | 8.50 ¹⁰³ | 60.00 |

Source: GED (2015). The 7th Five-Year Plan. FY2016 – FY 2020. (Dhaka: Planning Commission, Govt. of Bangladesh). p.468

The increasing urban population trend positively impacts the rising demand for housing in urban areas, particularly in large cities. There has always been an absolute deviation between housing demand and current housing stock, which might negatively affect per capita floor space. Many potential customers belonging to middle and low-middle-income groups could not purchase houses mainly due to the lack of affordability. In overcoming the problems of housing, some measures were taken. There was, however, no comprehensive study to evaluate the extent to which policy measures could bring forth favorable changes in improving the housing sector.

The gap in demand and supply may be attributed to several reasons. Land supply is minimal, and there has been a sharp rise in land prices for building construction. The enhancement in the price of building materials has had an impact on the cost of houses. Due to the lack of affordability, permanent housing is rare, with barely 5.3 percent in rural areas and 32.5 percent in urban centers. (Table 1.2.1)

1.2.3.2 Measures Undertaken to Bridge the Gap

A significant proportion of urban slums and squatter settlements with the worst living conditions concern policymakers. The rural poor, often landless or with little land holding, struggle to afford residential land, which is generally not inexpensive due to high population density. Although the housing quality remains low, renting such a house is very costly. As revealed in a Bangladesh University study in 2017, a slum dweller pays Tk. 47 per square feet per month for occupying 168 sq ft. room in a

slum area, which is twice the amount tenants pay in a good location like Dhanmondi.¹⁰⁴

The rapidly growing urban population's pressure has significantly impacted the scarcity and costs of urban land for housing and other purposes. Some projects were designed to serve the disadvantaged group in the urban areas, although efforts were minimal compared to the needs. The Government could meet only 7 percent of the annual housing demand.¹⁰⁵ The rest of the market is met by the private sector. Different housing agencies mostly focus on the upper- and upper-middle-income groups; the most vulnerable groups remain neglected.

However, the government emphasized affordable urban housing in the 7th Five-Year-Plan (FY 2016-2020). In 1909, Urban Partnerships for Poverty Reduction (UPPR)" project was undertaken by Gopalganj municipality. In collaboration with the community and the private sector, the project aimed to grant tenure to 346 evicted families. With the World Bank's support, the National Housing Authority (NHA) undertook a project of US\$ 50 million to develop housing for the urban poor by 2021. As many as 24,000 urban poor who lived in informal and low-income settlements would benefit from the project.¹⁰⁶ BGMEA, in collaboration with the Chittagong Development Authority (CDA), built a dormitory for 3000 workers. There was a plan to set up another dormitory in Ashulia.¹⁰⁷ Compared to the needs of the working class's accommodation, housing units' delivery seems negligible.

1.3 Housing Policies, Plans, Laws, and Regularity Bodies

A significant component of a market-based economy is the market mechanism. It is used to optimize the distribution of goods and services in a society. The intent is to allow market forces to operate without state intervention. However, the free interplay of the market forces without an

¹⁰⁴ UNDP, Bangladesh (2019). Housing solutions for the urban poor in Bangladesh. Retrieved on January 18, 2021 from <https://www.bd.undp.org/content/bangladesh/en/home/presscenter/pressreleases/2019/04/07/housing-solutions-for-the-urban-poor-in-bangladesh.html>

¹⁰⁵ Rahman, A. (2019). Housing solutions for the urban poor in Bangladesh. Retrieved on November 20, 2020 from <https://www.bd.undp.org/content/bangladesh/en/home/presscenter/pressreleases/2019/04/07/housing-solutions-for-the-urban-poor-in-bangladesh.html#:~:text=of%20Bangladesh%20has%20recently%20approved,with%20GoB%20and%20UNDP's%20support.>

¹⁰⁶ Ibid

¹⁰⁷ Dormitory for Garment Workers. Retrieved on January 18, 2021 from https://www.bgmea.com.bd/index.php/page/Sustainability_Wellbeing_Safety

appropriate regulatory framework may create continuous market distortions. In meeting the challenge of ensuring housing for all, the policy directives to develop housing development infrastructures were issued. Necessary laws were enacted, and regulatory bodies were established to ensure compliance by concerned parties. Policies, plans, laws, and regulatory bodies are interrelated and interdependent. Any lag or inadequacy in any of the components may have an unfavorable impact on concerned parties' behavior. Below is given an overview of housing policies, plans, laws, rules, and regularity bodies

1.3.1 An Overview of Housing Policies

In 1976, Vancouver, Canada, hosted the first major convention on human settlement. In the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992, the United Nations appealed to governments worldwide to implement the recommendations and declarations regarding human settlements. As a strong commitment to the Universal Declaration of Human Rights¹⁰⁸ and the state's constitutional obligation, the Government approved the “National Housing Policy 1993” on September 27, 1993.¹⁰⁹

Housing was regarded by the policy as one of the three fundamental needs of men and women. The government would make land available at affordable prices in suitable locations. Particular emphasis was laid on the low and middle-income people.¹¹⁰ The policy document stated that the state should avoid forcible relocation to displace slum dwellers as far as possible.¹¹¹ The policy's focus was to encourage in slum renovation, progressive housing developments, and situ upgrading. The policy further stated that the community should be involved in the relocation and clearance of priority sites in the public interest.¹¹² The role of the government was limited to that of an enabler or facilitator to improve access to land, infrastructure, services, and funding. The Government would also take steps to make building materials available at a fair price for low- and middle-

¹⁰⁸ Article 25(1) of the Universal Declaration of Human Rights

¹⁰⁹ National Housing Authority (2016). National Housing Policy 2016. (Dhaka: National Housing Authority, Govt. of Bangladesh). p.5.

¹¹⁰ Ashiq-Ur-Rahman, M (2012). Housing the Urban Poor in Bangladesh: A Study of Housing Conditions, Policies and Organizations (PhD Thesis). (London: Heriot-Watt University). p.171.

¹¹¹ Paragraph 5.7.1 of the Housing Policy 1993. (Dhaka: Govt. of Bangladesh)

¹¹² Nawaz, R (2004). Right to shelter: Bangladesh A paper presented at international conference on “ Adequate & Affordable Housing for All” at Centre for Urban and Community Studies, University of Toronto, Canada on June 24-27, 2004. p.7

income groups. Although the policy's contents were expansive in coverage, they did not prove meaningful because of the absence of implementation mechanisms. As observed by the Planning Commission, there were several inadequacies in the policy framework. Follow-up activities in implementing the policies were minimal. There were hardly any government initiatives to improve rural dwelling conditions.¹¹³ There were no slum dweller relocation initiatives, and there were few affordable housing options available to low- and middle-income populations. Housing development activities were limited to metropolitan cities and their surrounding areas.¹¹⁴

In making the housing policy more comprehensive and compatible with the housing sector's needs, the procedure was updated and revised in 1999.¹¹⁵ One of the core objectives of the policy was to ensure housing for all citizens.¹¹⁶ The approach focused on providing housing for all, highlighting the low- and middle-income segments as well as the marginalized, homeless, and destitute populations.¹¹⁷

Some of the critical issues incorporated in the revised policy included increasing availability of roads and other materials, facilitating the poor to purchase land, setting up “urban land banks” for dealing with khas land, banks of dry rivers, arranging housing credit programs, providing drinking water, sanitation, and welfare services, and promoting people's participation in maintaining social, physical infrastructure, and community facilities. There was also a provision for sanitation, water, and shelters for pavement dwellers and the homeless.

A new housing policy was formulated in 2008, which aimed to make “housing accessible to all strata of society.....”¹¹⁸ The Government's strategy was to act as a promoter and facilitator and, to a limited extent, as a housing provider. The priority target groups constituted the disadvantaged,

¹¹³ Planning Commission (1997). The Fifth Five Year Plan 1997-02 .(Dhaka: Ministry of Planning, Govt of Bangladesh). p.414.

¹¹⁴ Ibid. p.414...

¹¹⁵ National Housing Authority (2016). National Housing Policy 2016. Op. cit. p.5.

¹¹⁶ Akter, M.S. and Akram, A.B (2020). Trend of National Housing Policy: Bangladesh Perspective (Can meet the challenge of housing for all?). International Journal of Research and Innovation in Social Science (IJRISS). Volume IV, Issue I, January 2020. p.285

¹¹⁷ Ibid.

¹¹⁸ Govt. of Bangladesh (2008). Bangladesh National Housing Policy 2008. Quoted in Displacement Solutions & Young Power in Social Action (2014). Climate Displacement in Bangladesh: Stakeholders, Laws and Policies -Mapping the Existing Institutional Framework. (Dhaka: Bangladesh Housing, Land and Property (HLP) Rights Initiative). p.61.

the needy, and the shelter-less poor. Necessary steps would be taken “for reconstruction and rebuilding of houses damaged by cyclones, floods, and other natural disasters.”¹¹⁹ Some of the critical objectives of the National Housing Policy included making suitable land available for housing at an affordable price, discouraging the formation of slums and squatter settlements, creating a legislative and institutional framework for accelerating housing, encouraging universities and research institutes to do housing-related research, and mobilizing resources for housing through individual savings and financial institutions.¹²⁰ The specific housing strategies, as envisaged in the National Housing Policy, were supplying serviced land at reasonable prices, helping create and promote housing financing institutions, increasing affordability for the disadvantaged and the low-income groups through providing credit for income generation, improving the existing housing stock alongside new housing; and preserving cultural heritage in new housing projects as well as ensuring the conservation of the natural environment.¹²¹ Despite categorical policy statements in favor of the disadvantaged, the needy, and the shelter-less poor, the target groups had to swallow the pains of being forcefully evicted without alternatives to many. Eviction of target groups from slums continued as before. A brief account of evicted slums in Dhaka city from 1999 to 2002 is shown in Table 1.3.1.

As there were some inadequacies in the previous policy regarding some pressing issues, the Government declared a new policy in 2016. As stated in the policy, some expensive houses were constructed to meet the rich and the foreigners' demand. But the private sector did not give any importance to the construction of housing for mass people.¹²² With this background in mind, the new policy known as the National Housing Policy 2016 was declared. The National Housing policy 2016 has been based on the premise that “none should be homeless.”¹²³ In addressing the housing deficit, the Government would play a proactive role in guaranteeing access to affordable housing for all. As mentioned in the policy, some of the critical objectives include ensuring suitable

¹¹⁹ Ministry of Housing and Public Works (2008). National Housing Policy of Bangladesh 2008 (Dhaka: Ministry of Housing and Public Works). p.15

¹²⁰ HLP: Climate Displacement In Bangladesh: Stakeholders, Laws And Policies - Mapping The Existing Institutional Framework Rights Initiative. (Australia: Arteria Studio). p.61.

¹²¹ Ibid.

¹²² NHA (2016). National Housing Policy 2016. Op. cit. p.9.

¹²³ Ibid. p.5

accommodation for all, reflecting manifestation of content and spirit of National constitutions, charters of United Nations, international acts, and human rights.

**Table 1.3.1:
The Number of Dhaka’s Evicted Slums from 1999 to 2002**

| Year | Number of Slums | Examples |
|------|-----------------|--|
| 1999 | 30+ | Sayedabad rail crossing slum, KM Das Lane Baste, Golapbagh slum, Methorpati, Sonar Bangla Baste, TT Para Baste, Rail Barrack slum, etc. |
| 2000 | 20+ | Boat ghat slum [Rayerbazar], Paribagh Nalirpar Baste, Jheelpar Baste [Pallabi], Tongi Diversion Road slum, FDC Front slum, Kawranbazar slum, Tejgaon Industrial Area slums, etc. |
| 2001 | 24+ | Agargaon, Badda, Baridhara J Block, Bagunbari, Circuit House Area, Gulshan Taltola, Tejgaon Industrial Area, Tejgaon Railway Colony, Tongi, Tongi Diversion Road, etc. |
| 2002 | | Amtoli, among others |

Sources: Newspapers, Ain O Salish Kendro, Coalition for Urban Poor

Nawaz, R (2004). Right to shelter Bangladesh. Op. Cit. p.9

Other objectives were attaining sustainable human settlement development, optimum utilization of resources, including optimum utilization of land, accommodating an underprivileged and distressed population of the society, developing a cooperative based organization by a conglomeration of the people to address housing need and other basic needs.¹²⁴

Some of the unique features of the Housing Policy 2016 included the conservation of the environment, protection of biodiversity, protecting cultural heritage, and formulation of a 'Land Bank'.¹²⁵ As mentioned in the policy, adequate measures would be taken to ensure compliance with the National Building Code in constructing houses and apartments. Provisions of the Fire Resist and Extinguish Act 2003 would be implemented. Acquirement of "Occupancy Certificate"

¹²⁴ NHA (2016). National Housing Policy 2016. Op. cit. p.41. Pp.9-11.

¹²⁵ Ibid. p.51.

has been made compulsory in case of construction of high-rise apartment/ building.¹²⁶

In addressing the housing problems, both Government and other stakeholders are expected to play a specific role. Individuals and communities would play the role of decision-maker and builder, while the government's position would be to play the role of “comprehensive facilitator and enabler of services and amenities.”¹²⁷ In playing its role as facilitator and supervisor in housing activities, the government has to ensure that a “major share of responsibility is carried out by the private sector properly by upholding certain standards.”¹²⁸

The Government's supportive activities would include supplying developable land, ensuring interconnected transportation roads, water supply, sewage disposal, and other infrastructural facilities.¹²⁹ Besides, the policy stresses encouraging public and private partnerships (PPP) in housing activities.¹³⁰ The policy seems to be comprehensive in coverage. The policy contains provisions regarding the environment, heritage, and culture and mechanisms to address the target group's issues and ensure compliance with the national building code. Emphasis was laid on housing for slum and squatter settlement, rural housing, social housing for house reconstruction and rehabilitation, social housing for distressed, women-headed families, the elderly, and the poor.¹³¹ However, the policy lacks necessary administrative reforms to ensure transparency, clear-cut division of responsibility, and accountability for implementing policy.

1.3.2 Development Plans and Housing

The historical perspective of housing development may be examined in terms of policy directives, given in the Five-year plans, perspective plans, and other planning documents. Some of the planning documents that have relevance in housing include Perspective Plan of Bangladesh 2010-2021, National Sustainable Development Strategy 2010-2021, National Social Security Strategy of Bangladesh, National Water Management Plan, Millennium Development Goal (MDG),

¹²⁶ Ibid.p.43.

¹²⁷ NHA (2016). National Housing Policy 2016. Op. cit. p.41.

¹²⁸. NHA (2016). National Housing Policy 2016. Op. cit. p.43

¹²⁹. NHA (2016). National Housing Policy 2016. Op. cit. p.41 (Section 4.11 of the policy).

¹³⁰ Ibid. p.43.

¹³¹ Ibid. Pp. 33-39.

Guidelines for Mainstreaming Disaster Risk Reduction, Dhaka Structure Plan, and Mymensingh Strategic Development Plan (MSDP), 2011-2031 and five-year plans.¹³² The primary policy approach in Bangladesh that guides the development efforts include the five-year plan and a long-term (15-20 years) perspective plan. The macro plan aims to foster economic growth, which has been assumed to be the key to development.

After independence in 1971, the Government of Bangladesh was very much preoccupied with addressing a series of burning problems that needed to be solved immediately. The Government's challenges included caring for the wounded and disabled, helping the war widows, orphans, and urban poor, and restoring law and order. The approach pursued after independence may be viewed as an effort for pro-poor development initiatives. However, no comprehensive measures were taken to transition towards socialism, despite all the rhetorical concepts of socialism. The post-independence development era was sustained for three years, having the first five-year plan as the guiding principle for action. Below are given the overviews of the housing issues emphasized in development plans for the nation.

i) Housing in the First Five Year Plan (1973-1978): The primary objectives of the First Five Year Plan (1973-1978) were to reduce poverty, to ensure a wider diffusion of economic opportunities, wide and equitable distribution of income and employment opportunities, meeting basic needs including housing demand, and reduce dependency on foreign assistance.¹³³ One of the first five-year plan's primary objectives was to handle the enormous demand for housing resulting from high migration from rural to urban areas. Some essential features of the housing plan relating to accommodation were as follows:¹³⁴

- Rural housing was planned to be tackled as an integral part of development. IRDP was broad-based to include housing as one of its responsibilities;
- The village and union level's primary cooperatives would construct, maintain, and manage the housing sector. The federation of primary cooperatives (TCCAs) would be responsible for the primary cooperatives' supervision of credits;

¹³² Urban Development Directorate (2016). Bangladesh Country Report HABITAT III (Dhaka: Ministry of Housing and Public Works, Govt. of Bangladesh). P.iv

¹³³ Planning Commission(1973). The First Five Year Plan 1973-78. (Dacca: Planning Commission, Govt of Bangladesh). Pp.9-10

¹³⁴ Ibid. Pp.394-395

- A new financing institution styled Cooperative Housing Finance Corporation would be created to finance the urban cooperative apartments;
- The government would stimulate cooperatives through various incentives, including acquiring land to benefit housing cooperatives and preferential treatments in exemption from registration fees, stamp duties, etc.;
- For the lowest income classes in the metropolitan region, multistory apartments and minimal shelters would be built. This scheme would consist of multistoried apartments and nucleus shelters providing pucca accommodation of a basic sort;
- The introduction of cooperative apartment housing for the low and middle-income groups was encouraged. The land would be developed under the metropolitan agencies' sites and service scheme along with layout and building plans;
- Special sites for low-income groups would be set aside for the location of temporary settlements, which would have to be provided with essential services; and
- The industrial workers' housing program would be financed from the profits of the public corporations, supplemented by loans from the public sector finance corporations.

ii) Interim Two-Year plan for 1978-80: As a *temporary* measure, a Two-Year Plan 1978-80 was formulated. It was observed that "enough was catered for the rich, favored by the government service and finance agencies, shunning attention and investment for the others."¹³⁵ Hence, there arose the need for a broad-based inclusive.

iii) The Second Five Year Plan (1980-1985): It was observed in the Second Five Year Plan (1980-85) that the "conventional approach couldn't solve the massive housing problem. Selectivity ought to be practiced by using own resources to ease the shortage, increasing the stock by providing plots, utilities, and easy term finance, and reducing the residential entitlement to optimize resource-utilization."¹³⁶ In the Second Five Year 1980-1985) Plan, the primary goals and tactics for housing were:¹³⁷

- It would take less time and money to build a lot more inexpensive semi-permanent dwelling units, which would make up for the shortage of government workers;

¹³⁵ Rahman, M. Sustainability of Low-Income Housing: approaches in Bangladesh. Paragraph 3.1. Retrieved on December 29, 2020 from <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.472.659&rep=rep1&type=pdf>

¹³⁶ Ibid.

¹³⁷ Planning Commission (1983). The Second Five Year Plan 1980-1985. (Dhaka: Ministry of Planning, Govt. of Bangladesh). Pp.268-269

- Multistoried flats might be constructed in high-cost areas of the cities, and semi-permanent units would be built in other areas;
- Providing developed land with utilities and easy terms of finance;
- Change of previous entitlements of residential accommodation to provide more housing units within the available resources;
- The specification for structures, fittings, and finishes needs to standardize to reduce cost;
- Provision of small-sized serviced plots with nucleus units for government employees on a hire purchase basis;
- Provision of suitable land, utilities and services, and easy terms of finance to employees of Government and semi-government organizations to help them build their own houses; and
- A National Housing Council would be formed to formulate a strategy and policy of housing.

iv) Housing in the Third Five Year Plan (1985-1990): The Third Five Year Plan (1985–1990) concentrated on developing policies to encourage private sector participation in the housing industry.¹³⁸ With the third five-year plan's directive to liberalize the economy, a number of policy tenets were established in the housing sector to expand market opportunity. They may be summed up as under:¹³⁹

- The main focus of the housing sector was to provide the required policy prescriptions to encourage increased private sector engagement.
- Only inevitable investments in the public sector, such land improvement, water supply, road building, and the creation of housing for public employees, would be authorized.
- Resettling squatter families was viewed as the public sector's obligation. For some low-income groups, it was intended for the government to offer basic housing on a self-financed basis.
- The Government established a seed finance plan to build small-sized serviced plots for low-income people in order to encourage private investment in district towns.

¹³⁸ Planning Commission (1985). The Third Five Year Plan 1985-1990 (Dhaka: Ministry of Planning, Govt. of Bangladesh). p.327.

¹³⁹ Planning Commission (1985). The Third Five Year Plan 1985-1990. Op. Cit. Pp. 327-334.

v) ***Housing in the Fourth Five Year Plan (1990-1995)***: The public sector's continued failure to satisfy the housing demand with its limited resources was acknowledged in the Fourth Five Year Plan (1990-95). Formulating a "policy prescription to support enhanced private sector engagement" was the plan's main goal.¹⁴⁰ The provision of specific plans for both public and private sectors was one of the Fourth Five Year Plan's distinguishing features. Some of the crucial objectives for the development of housing by both private and public sectors during the plan period included the following:¹⁴¹

- Limiting the Government's role to being 'facilitator' or 'enabler' by giving access to land, finance, and building materials;
- Undertake cluster housing program for the landless people in locations where *khash* land is available;
- Taking up integrated area development projects with environmental improvement in the urban fringe areas of Dhaka and Chittagong in collaboration with ADB and the World Bank;
- Allotting plots to groups with middle and lower incomes through the City Development Authorities;
- Limiting the public sector agencies' involvement to land development, road construction, water supply, sanitation, gas, and electricity;
- Updating Master Plans for Dhaka and Chittagong and embarking on land development projects, and distributing plots in major cities on a self-financing basis;
- Transforming the Housing and Settlement Directorate into the National Housing Authority for mobilizing both local and foreign resources for housing for low and middle-income groups on a commercial basis;¹⁴²
- Providing fiscal incentives such as income tax exemption for dwelling units not exceeding 1000 sft. in the plinth to promote private sector housing;¹⁴³ and
- Reconstituting the House Building Finance Corporation to facilitate credit to cooperative groups and individuals.¹⁴⁴

¹⁴⁰ Planning Commission (1995). The Fourth Five Year Plan 1990-1995 (Dhaka: Ministry of Planning, Govt. of Bangladesh). p..xiv-5

¹⁴¹ Planning Commission (1995). The Fourth Five Year Plan 1990-1995 (Dhaka: Ministry of Planning, Govt. of Bangladesh). pp.xiv-12-xiv-13

¹⁴² Ibid. .Pp.x1v-12.

¹⁴³ Ibid.

¹⁴⁴ Ibid

vi) Housing in the Fifth Five Year Plan (1997-2002): The Fifth Five Year Plan aimed to improve people's life quality and their working environment by providing adequate physical infrastructures and other services. The main objectives of the plan included the following: ¹⁴⁵

- Development of low-cost houses and multistoried buildings for housing, and resettlement of the disadvantaged, slum-dwellers, homeless, and the destitute and in situ development of the slums and squatter settlements;
- Development of sites and services schemes for the accommodation of the low and middle-income groups of people;
- Developing condominiums for low and middle-income groups of people;
- In order to alleviate housing issues, multistory apartments that could be purchased by government employees would be constructed in various locations;
- Constructing housing for employed women;
- Low-cost housing construction in Bangladesh's coastal areas; and
- Necessary incentives in the housing sector would be provided for greater involvement of the private sector ;

vii) Housing in the Sixth Five Year Plan (2011-2015): Housing for everyone was a goal of the government's vision 2021, which was set for 2015.¹⁴⁶ In strengthening the household sector, the Government undertook the public-private partnership (PPP) concept. To implement the vision of 2021, the Commission chalked out several programs. Some of the SFYP targets included the following:¹⁴⁷

- The government will conduct a comprehensive assessment of land policy and land management to suggest corrective adjustments in light of the acute land limitation and market inefficiencies;
- Both in urban and rural locations, the private sector would manage a large portion of the housing supply. The availability of land, pricing, taxation, registration, and other issues

¹⁴⁵ Planning Commission (1997). The Fifth Five Year Plan 1997-2002 (Dhaka: Ministry of Planning, Govt. of Bangladesh). Pp.414-415..

¹⁴⁶ Planning Commission (2011). The Sixth Five year Plan: FY2011-FY2015 (Dhaka: Ministry of Planning, Govt. of Bangladesh). p. 231.

¹⁴⁷ Planning Commission (2011). The Sixth Five year Plan: FY2011-FY2015. Op. Cit. Pp. 231-233.

would be tried to resolve. Permits for housing, registration, mortgages, housing infrastructure, and other issues would all need to be addressed;

- RAJUK would establish a planned capital city as a result of expanding the city area under the DAP;
- To address the severe housing shortage, PWD planned to construct 1,802 residential apartments on vacant land for government employees and officers;
- The National Housing Authority (NHA) would construct high-rise apartments in the cities of Dhaka and Chittagong as well as residential plots in district towns;
- The National construction Code would be updated, and a method for recycling at least 1% of polymer materials would be developed by the home Building Research Institute (HBRI), which would take on various initiatives for employing fuel-efficient brick and inexpensive home construction technology.; and
- The Project Proposal for the Nation's Comprehensive Development Plan would be created by UDD.

The plan emphasized a more balanced growth of urban centers across the entire country through proper institutional reforms. Efforts would be made to reform the property tax base to strengthen their financial autonomy and block grants from the budget based on equity and population principles. To stop the skyrocketing costs of urban land, a special emphasis will be placed on upgrading land administration and management systems. The rising costs of land stood as a barrier to provide inexpensive housing.

viii) Housing in the Seventh Five Year Plan (FY2016-FY2020): Instead of being a source of affordable housing, the government's main function will be that of a regulator and facilitator. The strategy must be put into effect in order to create a market that is competitive yet controlled in land, housing financing, construction materials, and superfluous bureaucratic restrictions at various phases of house production.¹⁴⁸ The following were some of the action plans or tactics to be used throughout the plan period:¹⁴⁹

- To promote and support land markets, efforts would be undertaken to update the legal and regulatory framework and computerize the land record system;¹⁵⁰

¹⁴⁸ GED (2015). The Seventh Five Year Plan: FY2016-Fy2020. (Dhaka: Planning Commission, Govt. of Bangladesh) p. 483.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid

- The creation of an enabling framework for market participants for encouraging efficient private sector participation in housing delivery. Continuous housing demand and supply assessment would be made by regularly collecting, analyzing, and disseminating information about housing markets.¹⁵¹
- Improving the Mechanism for Financing Housing¹⁵² through:
 - Strengthening the foundations of the mortgage system by improving the efficiency of mortgage collateralization and investing in the new land registration system;
 - Enhancing the mobilization of long-term resources for housing;
 - Improving the competitiveness of the mortgage market and reorganizing BHBFC to provide a level playing field;
 - Developing a well-targeted assistance policy that leverages public support by market resources by rationalizing the mosaic of implicit subsidy mechanisms;
 - Constructing tools for evaluating and controlling risks related to real estate, such as increased prudential regulation and market transparency; and
 - Making sure that implementers have a good environment with low costs, high tech, and fast housing PPP implementation.

ix) Perspective Plan of Bangladesh (2010-2021): In the Perspective Plan, overall development policies and strategies are given. It focused on institutional reforms and the decentralization of responsibilities and resources to local governments. Besides, the issues on which emphasis was laid included the following:¹⁵³

- Participation of civil society, including women in the design;
- Implementation and monitoring of local priorities;
- Building capacity of all actors (institutions, groups, and individuals) to contribute fully to decision making and urban development processes; and
- Facilitating networking at all levels.

x) Mymensingh Strategic Development Planning (MSDP) Area (2011-2031): This plan addresses land-use development planning and management issues at the municipal level. The Mymensingh Strategic Development Plan (MSDP) timeframe is twenty years (2011-2031). The

¹⁵¹ Ibid

¹⁵² Ibid. p.484.

¹⁵³ Planning Commission (2012). Perspective Plan of Bangladesh 2010-2021 : Making Vision 2021 A Reality. (Dhaka: Planning Commission, Govt. of Bangladesh). p.75

plan is designed to prepare an integrated development plan covering Structure Plan, Urban/Rural Area Plan, and Action Area Plans.¹⁵⁴ This also includes a training module, including disaster risk reduction measures into comprehensive land-use planning and management. The same model is expected to be replicated elsewhere.

1.3.2.1 Review of the Plans

A review of five-year plans indicates that policymakers were aware of the problems and also possible measures. However, an appropriate mechanism to monitor the achievements and failures could not be developed during the last five decades. Plans were found rich in language, extremely poor in setting targets and implementation mechanisms. The database needed to estimate housing needs, demand, the existing stock of housing, and yearly additions to the housing stock, targets, and achievements is yet to develop. In the individual plans, a comprehensive picture of achievements levels in terms of targets could not be made available in the respective plans.

Housing for all is no more than a ritual, not backed by the planners' committed support. The low and middle-income group of households, which is the largest segment of the population, remain left out by the concerned authorities. Some of the weaknesses in planning, as observed by TIB, include failure in the development control process that made Dhaka an unplanned, overcrowded, polluted megacity, improper procedure for obtaining planning permission and systemwide corruption.¹⁵⁵ The housing sector in other cities also suffers from the same type of inadequacies.

The procedures involved in getting land-use clearance and building permission are yet to be simplified to avoid hassles and delays. It has been observed that the common practices in sections of the regulatory bodies dealing with land-use clearance, as observed in a study, included unnecessary harassment, time-killing, missing of specific files, and putting objections on files.¹⁵⁶

While assessing the planning effectiveness, Bird et al. observed that Dhaka city was expanding in an unplanned and unchecked manner. Rivers and canals were increasingly filled with solid waste, and roads were built in a piecemeal fashion, leaving the connectivity network poorly

¹⁵⁴ Urban Development Directorate (2016). Bangladesh Country Report HABITAT III op. cit. p.4

¹⁵⁵ Mahmud, M.A (2007). Corruption in Plan Permission Process in RAJUK: A Study of Violations and Proposals (Dhaka: Transparency International Bangladesh). p.2

¹⁵⁶ Ibid. p.4

established.¹⁵⁷ They further observed that housing developed haphazardly, and services were not well integrated with housing development.¹⁵⁸ Situations in other cities were not significantly different.

Lack of attention and allocation by the Government undermined its crucial role in national development and economy. The investment was left to the profit-driven private sector, while the Government, considering housing as a consumptive good, placed more importance on other sectors, not housing. Accommodation in rural areas and municipalities remains outside the scope of planning at the national level.

1.3.3 Legal Framework

The housing and real estate development legal and regulatory framework includes laws, regulations, codes, and directives of the Government issued from time to time. The salient features of the components of the regulatory framework are highlighted below:

i). The Government Buildings Act, 1899: The Act was designed to provide for the exemption of certain Government buildings from municipal laws to regulate the erection, re-erection, construction, alteration, or maintenance of facilities.

ii) The Building Construction Act, 1952 (Act no. II of 1953): The Act was enacted to prevent tanks from being dug up and buildings from being built haphazardly, which could disrupt the planning process in some parts of Bangladesh.¹⁵⁹ The law made it obligatory for everyone to obtain permission from the concerned authority. As per law, no person is entitled to construct or re-construct or make addition or alteration to any building or excavate or re-excavated any tank without sanctioning of the concerned authority.¹⁶⁰

iii) The Town Improvement Act, 1953: The Act provides for the growth, enhancement, and extension of selected areas. The areas include the Narayangonj and Tongi Metropolises and the specific regions to their neighborhood and authorities' constitution [Kartripakkha].¹⁶¹ Under this

¹⁵⁷ Bird, J. et al. (2018). *Toward Great Dhaka: A New Urban Development Paradigm Eastward* (Washington, DC: The World): Pp. 7-8.

¹⁵⁸ Ibid.

¹⁵⁹ Preamble of the Building Construction Act, 1952 (East Bengal Act)

¹⁶⁰ Sub-section (1) of Section 3 of the Building Construction Act, 1952 (East Bengal Act)

¹⁶¹ Preamble of the Town Improvement Act, 1953.

Act, the Rajdhani Unnayan Kartripakkha was created as a body corporate with ceaseless progression and a typical seal. The authority is empowered to sue and be sued in its name.¹⁶²

iv) Bangladesh National Building Code 2006: To ensure standards in buildings' construction and design, the Bangladesh National Building Code (1993) was prepared. The Code was designed to secure the occupants' health, safety, and overall well-being by ensuring proper standards in buildings' construction and design. The government published the Bangladesh National Building Code (BNBC) in 1993 to regulate the technical details of building construction and maintaining the construction standard. It was a detailed document specifying safe and acceptable practices in all aspects of building design and construction. Since the Code's publication, significant changes and developments in building technology and material properties require the present state of the art knowledge. More than two decades have nearly been elapsed since the publication of the first version of the Code. Keeping in view the rationale of updating the Code, the Government took the initiative to change the existing Code and replace with BNBC "Bangladesh National Building Code 2015" to regulate the construction, alteration, repair, removal, demolition, use, or occupancy of buildings, structures or premises, through structural strength, stability, means of egress, safety from fire and other hazards, sanitation, light, and ventilation.¹⁶³

v) ***The Land Development Rules for Private Housing (2004)***: The purpose of land development regulations is to regulate land development for private sector housing. They offer policies and standards for environmental preservation and land development. The regulations specified in detail the percentages of land for community amenities, the quantity of property to be sold, the locations of schools, the order of roads, and most crucially, planning requirements.

vi) ***Bangladesh Building Construction Rules, 2008***: The present rules superseded the previous Building Construction (BC) rules of 1984. The rules seek to control development plot-by-plot and case-by-case. The regulations-imposed conditions on setbacks, site coverage, construction of garages, access to the plot, provision of lift, land use of that particular plot, and building height. In some way, limiting a building's size under the Building Construction Regulations of 1996 aids in managing the city's growth and controlling an area's density.

¹⁶² Section 3 of The Town Improvement Act, 1953

¹⁶³ Housing and Building Research Institute (2015). Bangladesh National Building Code 2015 .Paragraph 1.2 (Final Draft)

There is, however, no separate code for the design and construction of earthquake-resistant structures. Till now, there are no specific rules and regulations for constructing high-rise buildings. Before starting a construction project, every developer has to get the project approved by concerned agencies. Most of the construction work was delayed due to the lengthy, time-consuming and bureaucratic procedure. This process also incurs a handsome amount of unseen/illegal costs for the developers. Violations of the building construction rules were common in all cities. In a study on Rajshahi corporation, reasons for the breach of construction rules were identified. The reasons behind the violation of rules included lack of institutional strength, negligence of duties, and responsibilities of the Concerned Authorities, corruption, lack of awareness of the residents, and the objective of floor area maximization.¹⁶⁴

vii) Dhaka Mahanagar Imarat Nirman Bidhimala 2008: The Dhaka Mahanagar Imarat (development, preservation, and removal) Rules, 2008 cover almost all dimensions of buildings, including exit, natural air, wall, parking space, sanitation-related issues, finished floor level, finished ground level, finished ceiling level, Floor Area Ratio or FAR, heating, acoustics, setback, sun shed, and such other issues regarding livability of a building. Development bodies or approved Government bodies are authorized to check if an application conforms to the construction rules.

1.3.4 Regulatory Bodies/Authorities

The regulatory bodies that have been set up to handle specific housing dimensions are many. Organizations that directly or indirectly influence housing development may broadly be divided into three categories, viz., National Government Agencies, Special Purpose Authorities, and Local Government Organizations. Some of the critical agencies involved in planning, implementing, monitoring, and controlling housing issues are mentioned below:

1.3.4.1 National Government Agencies

National-level agencies actively participate in policymaking and monitor the implementation of policies at the national level. Some of the critical housing-related national agencies include the Urban Development Directorate (UDD), National Housing Authority (NHA), City Development Bodies like RAJUK, CDA, RDA, KDA, and Department of Cooperatives, Government of Bangladesh.

¹⁶⁴ Kibria, D.G (2005). Application of Building Construction Rules on Residential Building: a case study (Dhaka: Bangladesh University of Engineering and Technology). (MS thesis). p.62.

i) National Housing Authority (NHA): The National Housing Authority (NHA) is a crucial central government agency that provides housing and land for all citizens, regardless of their income. It aims to solve the country's urban and rural areas' acute housing problem, including the capital city. As stated by the authority, the NHA's mission is to construct sustainable, safe, and affordable housing for the country's low and middle-income people by ensuring optimal land use through sound planning.¹⁶⁵ Its primary duty is to carry out the national housing policies' policy statements. NHA fulfills its potential role as an enabler and, in the event that it is required, as a housing provider. The organization has been implementing as many as 34 projects. Out of the 34 projects implemented by NHA, 17 projects were designed to develop plots, and 17 projects were for building flats. These projects were being implemented in 18 different districts. Under 17 projects, 6,592 apartments were planned to be handed over to the people after completion.¹⁶⁶

ii) City Development Bodies: In some corporation areas, development and regulatory functions have been assigned to the corporation. Separate development and regulatory bodies have been set up for four corporations to prepare and implement their plans. The statutory development and monitoring bodies that are in operation include Rajdhani Unnayan Katripakkha (RAJUK), Chittagong Development Authority (CDA), Khulna Development Authority (KDA), and Rajshahi Development Authority (RDA). According to the plan, each body is now the primary public agency in charge of providing housing in its respective areas. Under enabling strategies, they are in charge of strategic development plans and the construction of housing facilities for all citizens, regardless of income or occupation. As per the Town Improvement Act, 1953 (TI Act 1953), the legitimate authority to prepare a land-use plan, oversee plan implementation, control development, and manage the city's growth is each development body. The primary objective was to guarantee a planned development; promote a healthy urban environment, lessen crowds and congestion, stop land use conflicts, etc. Anyone intending to construct any building in a plot must apply for a land-use clearance to check its conformity with the master plan's land-use proposals. Each of the development agencies is the legitimate issuing authority of any building construction and is authorized to control future development. Before any structure, a landowner needs to take permission from the concerned authority. Processing of planning permission involves two stages:

¹⁶⁵ NHA. Vision and Mission. Retrieved on January 9, 2021 from <http://www.nha.gov.bd/site/page/e6f70bc2-1f3c-48a1-92a8-5e4f6ea188a5/>

¹⁶⁶ The Independent (28 November 2017). National Housing Authority implementing 34 projects. Retrieved on January 19, 2021, from <http://www.theindependentbd.com/post/125716>

land-use clearance and building permission. Taking the land use clearance is a must before submitting construction plans. For obtaining building permission, an applicant has to submit detailed plans, the elevation of the proposed building following the building construction rules. To obtain building permits for residential cum commercial buildings in more than six storied heights, the city development body demands prior clearance certificates from concerned authorities like WASA, TITAS Gas, Civil Aviation Authority, etc. All of them, however, eventually benefitted upper-middle- and high-income populations only. The main criticisms leveled against RAJUK by a cross-section of institutions, including other Government agencies, were the lack of transparency and accountability combined with the absence of publicly available information.¹⁶⁷

iii) Department of Architecture (DOA): The Department of Architecture (DOA) is responsible for most government organizations' architectural design. The operation fields include accommodation projects, hospitals, auditoriums, art centers, circuit houses, cyclone shelters, and memorials.¹⁶⁸ In addition to its various areas of operations, it also has the responsibility to design for human settlement and land use planning.¹⁶⁹

iv) Civil Aviation: By the Civil Aviation Authority Law of 1985, the Government established the Civil Aviation Authority, Bangladesh (CAAB). The Ministry of Civil Aviation & Tourism oversees the organization's operations. It is construed as the regulatory body for all aviation-related activities. The CAAB also works as one of the regulatory bodies for exceptionally high-rise buildings in the cities.

1.3.4.2. Special Purpose Authorities

The organizations set up to perform and regulate specific services to dwellers are known as Special Purpose Authorities. Some of the organizations rendering special services include Road Transport Authority, Electricity Supply Authority, Water Supply and Sewerage Authority, etc.

i) Water Supply and Sewerage Authorities (WASAs): One of the categories of special-purpose authorities is Water Supply and Sewerage Authorities (WASAs), formally responsible for drainage, sewerage, water supply, and sanitation services. The authorities now in operation include

¹⁶⁷ Halcrow Group Limited, UKG (2012). Bangladesh: Strengthening Regional Planning and Governance (Dhaka: Rajdhani Unnayan Kartripakkha (RAJUK). ES8 [Final Report, Volume 1. Main Report, December 2012]

¹⁶⁸ Directorate of Architecture, Ministry of Housing and Public Works. An Introduction to Directorate. Retrieved on January 1, 2021, from <http://www.architecture.gov.bd/site/page/64fdbcba-828f-4855-822f-ec6e672e937f/>

¹⁶⁹ Ibid

DWASA, CWASA, KWASA, and RWASA, one for each metro area. The authorities have been entrusted with the responsibilities of (i) maintenance of water treatment plants, operation, construction, and water distribution system, (ii) maintenance of sewerage systems, operation, development, and sewage treatment plants, (iii) maintenance of storm drainage system designed to remove water-logging operation and, development, (iv) solid waste collection and disposal.¹⁷⁰

ii) TITAS Gas Transmission & Distribution Co. Ltd: On November 20, 1964, the TITAS Gas Transmission and Distribution Company Ltd was founded. Its activities include building, owning, and running natural gas transmission and distribution infrastructure. It concentrates on civil works, energy efficiency and conservation, pipeline expansion and modification, and system loss reduction initiatives. Construction, ownership, and operation of natural gas transmission and distribution infrastructure in Bangladesh's eastern midlands were the company's primary goals. In addition mid-eastern region, greater Mymensingh, Brahmanbaria, and other additional places were added to its gas supply area.¹⁷¹

iii) Dhaka Electric Supply Company Limited (DESCO): The Company was established in November 1996 under the Companies Act, 1994. Dhaka Electric Supply Company (DESCO) Ltd. covers 400 sq km. The geographical area covered by it includes Uttara, Cantonment, Baridhara, Pallabi, Kafrul, Gulshan, Purbachal, Kalyanpur, Banani, Mirpur, Mohakhali, Badda, Tongi, Uttar Khan, and Dakshin Khan.¹⁷² Its primary function is to distribute electricity in the areas mentioned above. The company performs its operations under the Ministry of Power, Energy, and Mineral Resources. The company's products are of two types: prepaid connections and post-paid connections. The services rendered by the company include providing temporary and permanent electric connections, electric line accessories supply, customer solar panel inspection, electric bill re-print, and delivery, etc.¹⁷³

As a utility service provider, it participates in the decision-making process of housing-related issues. Ordinarily, slum dwellers do not have access to permanent post-paid connections because of the lack of land tenure security and apprehension of fear of sudden eviction.

¹⁷⁰ GED (2015). The 7th Five Year Plan FY2016-FY2020. Op. cit. p.475.

¹⁷¹ TITAS Gas Transmission and Distribution Limited, Ministry of Power, Energy and Mineral Resources. Retrieved on December 30, 2020 from <https://mpemr.gov.bd/power/details/41>

¹⁷² Dhaka Electric Supply Company (DESCO) Ltd. DESCOS Geographical Area. Retrieved on January 9, 2021 from <http://desco.gov.bd/site/page/8479861f-c208-48b3-904a-8d9d3b56c4fe/->

¹⁷³ Dhaka Electric Supply Company (DESCO) Ltd. Business Summary. Retrieved on January 9, 2021, from <https://www.marketscreener.com/quote/stock/DHAKA-ELECTRIC-SUPPLY-COM-6501194/company/>

iv) Dhaka Electric Supply Authority (DESA): In order to relieve the administration of BPDB of some of the administrative burden, the Dhaka Electric Supply Authority (DESA) was established by an Ordinance in 1990. The new agency was assigned to relieve the responsibility of managing about 50 percent of the entire country's energy distribution. DESA's service boundaries are "Greater Dhaka Area." Greater Dhaka area means all the municipal and industrial regions (Dhaka, Gazipur, Manikganj, Narayanganj, Munshiganj, and Narsingdi) and the adjacent regions declared by Government through the gazette notification.¹⁷⁴

v) The Bangladesh Fire Service & Civil Defense: This is an emergency service provider. The organization works under the Ministry of Home Affairs of the Government of Bangladesh. The services provided by the organization include fire protection, technical rescue, the primary response to biological, chemical, and radioactive hazards, and emergency medical services to the people of Bangladesh.

vi) Department of the Environment (DEO): It is a government department created in 1989 and works for the Ministry of Environment, Forests, and climate change. The Department is entrusted with the responsibility of protecting the environment in Bangladesh.

1.3.4.3 Local Government Institutions

Local Government Institutions include the City Corporations, Zila Parishad, Upazila Parishad, Union Parishad, and, Paurashavas. There are essentially two types of local government agencies: There are rural and urban local governments. The Urban Local governments are of two types, viz. city corporations at divisional level and Paurashavas at municipality levels. Paurashavas are divided into three categories depending upon annual income level, viz., Class I Paurashavas, Class II Paurashavas, and Class III Paurashavas. Rural Government institutions include Zila Parishad, Upazila Parishads, and Union Parishads, which work in the areas not covered by Paurashavas and City Corporations. Below is given an overview of local government institutions.

A. Urban Local Government Institutions

The urban local government institutions include the following:

i) City Corporations: 12 city corporations are operating in Bangladesh, out of which four city corporations have well-developed infrastructure compared to other corporations. These city

¹⁷⁴ Rationalization of DESA & DESCO'S Boundaries. Retrieved on December 28, 2020, from <https://www.desco.org.bd/bangla/history.php>

corporations are responsible for the construction and maintenance of infrastructure and services (e.g., drainage, roads, limited supply of water to slum areas, etc.) within the jurisdiction of each and the collection of holding tax. This tax includes property and conservancy tax consisting of sanitation, solid waste management, and street lighting. The city corporations offer a limited number of services, such as drinking water, sanitary toilets, health care for mothers and children in varying degrees.

ii) Pourashavas/Municipalities/Ward commissioner: Under the Local Government (Pourashava) Act 2009, pourashava authorities are empowered to prepare Master Plan, implement development schemes, and exercise building control.¹⁷⁵ They are responsible for monitoring and overseeing educational institutions and health and family welfare service facilities, including the town's water supply, electricity supply systems, and sewerage systems. In some cases, ward commissioners are assigned to monitor a project located in the area of a concerned commissioner. Despite their authority and power, they may not be able to work because they lack administrative, financial, and technical skills. Analysis of the local government laws reveals that local government organizations' existing legal framework suffers from inadequacies. The absence of a common legal framework for local government units has resulted in asymmetric organizational structure, jurisdictional, and functional overlap. As the laws retained bureaucrats' predominance over the elected bodies over the whole council or Parishad, a contentious relationship with local bureaucracy arises.¹⁷⁶

B. Rural Local Government Institutions

The following paragraphs are devoted to providing an overview of the rural local government institutions:

i) Zila Parishads: The principal functions of a Zila Parishad include the scrutiny of development efforts, the undertaking of socio-economic and infrastructure projects, and assisting the Zila Parishads. The Zila Parishad concentrates on planning, promoting, and executing development and welfare programs within the district. The Parishad would consist of a chairperson, fifteen members, and five female members of reserved seats.¹⁷⁷ The Chairman,

¹⁷⁵ Section 44 to Section 46 of the Local Government (Pourashava) Act, 2009.

¹⁷⁶ Urban Development Directorate (2016). Bangladesh Country Report HABITAT III. Op. Cit. p.33.

¹⁷⁷ Clause (Ka) To Clause (Ga) of Sub-section (1) of Section 4 of the Zila Parishad Act, 2000.

members and women members would be elected by the constituency vote consisting of elected members of local government bodies.¹⁷⁸

ii) **Upazila Parishad:** The Upazila Parishad works under Upazila Parishad Act 1998. The Upazila Parishad consists of the Chairman, two Vice-Chairmen, (one of whom shall be a woman), the Chairman of each union Parishad in the Upazila area, the mayor of each municipality under the Upazila, and Women members of reserved seats.¹⁷⁹ The Chairman and Vice-Chairmen members would be elected by the constituency vote consisting of elected members of local government bodies.

iii) **Union Parishad:** The Union Parishad performs multidimensional functions concerning the development of the people, culture, economy, and environment of the Union. As mentioned in the Local Government (Union Parishad) Act 2009, some of the functions to be performed by Union Parishad include administration and management, maintenance of law and order, public welfare-related services, preparation and implementation of the economic and social development plan for the Union.¹⁸⁰ The total number of union parishads in the country is 4571.¹⁸¹ The Parishad has to perform several other functions such as providing health services, supervising family planning-related activities and services, monitoring the same, and encouraging people to undertake various income-generating activities.¹⁸²

1.3 Institutional Set-up for Providing Housing Finance

Institutional set-up is the function of goals and prioritized housing finance goals centered around loans and target customers. According to Bangladesh Bank, the financial system consists of three broad fragmented sectors: the formal sector, semi-formal sector, and informal sector.¹⁸³ The institutions regulated by Bangladesh Bank fall under the formal sector category, while the semi-formal sector consists of regulated organizations but not under Bangladesh Bank's control. The

¹⁷⁸ Sub-section (2) of Section 4 of the Zila Parishad Act, 2000. . See also Sub-section (1) of Section 17 of the Zila Parishad Act, 2000.

¹⁷⁹ Clause (Ka) To Clause (Gha) of Sub-section (1) of Section 6 of the Upazila Parishad Act, 1998.

¹⁸⁰ Clause (Ka) to Clause (Gha) of Sub-section (1) Section 47 of The Local Government (Union Parishad) Act, 2009.

¹⁸¹ BBS (2020). Statistical Yearbook Bangladesh 2019 Op. Cit.

¹⁸² Second Schedule as mentioned in the Local Government (Union Parishad) Act, 2009.

¹⁸³ Bangladesh Bank. Overview of Financial System of Bangladesh. Retrieved on January 10, 2021, from <https://www.bb.org.bd/fnansys/index.php>

semi-formal sector is represented by Bangladesh House Building Finance Corporation (BHBFC), Grameen Bank, Samabay Bank, Palli Karma Sahayak Foundation (PKSF) and non- Governmental Organizations.¹⁸⁴ The informal sector refers to private intermediaries providing financial services, which are outside the orbit of the regulatory framework.¹⁸⁵

In analyzing the institutions involved in housing finance, types of home loans, target customers, and credit suppliers need to be examined. The types of home loans offered by financial institutions include home purchase loans, home improvement loans, home construction loans, balance transfer, home extension loans, land purchase loans, bridge loans, and loans for the non-resident.¹⁸⁶ Rahman classified Bangladesh housing markets or customers into three tiers based on the buyers' income.¹⁸⁷ The first tier refers to the higher-income group (less than 3% of the housing market), the second tier consists of the middle-income group (representing 12 to 15 % of the housing market), and the third-tier for the low-income group (covering the rest of the customers).¹⁸⁸ First-tier households with the highest disposable income may afford high-quality houses in fully serviced areas. They can avail themselves of the credits from banks or specialized housing finance institutions. The second-tier households mostly depend on specialized housing financial institutions, mainly Bangladesh House Building Finance Corporation (BHBFC). The largest segment of the market constitutes those belonging to the third tier, who depend mostly on the private formal and informal sectors. The informal housing finance sector consists of those who render financial services to the third tier without conforming to any regulation or rules. The third and largest of the tiers' low-income households is served by the private sector, mostly under illegal and unsatisfactory site conditions.¹⁸⁹ The main bottleneck to offer financial services to the third-tier was the lack of healthy, competent retail-level institutions.¹⁹⁰ As observed in the Housing Policy 2016, banks,

¹⁸⁴ Ibid

¹⁸⁵ Ibid.

¹⁸⁶ Patnaik, B.C.M. et al (2017). Home loan - A conceptual framework. *Journal of Advance Management Research*, Vol.05 Issue-03, (August 2017). Pp. 73-74.

¹⁸⁷ Rahman, K.K.(24 July 2009). Development of housing finance and its impact on socio- economic uplift in the emerging economy in Bangladesh. (IFC Bulletin No 31.) In: Proceedings of the IFC Conference on "Measuring financial innovation and its impact", Basel, 26-27 August 2008. p.98.

¹⁸⁸ Ibid.

¹⁸⁹ Rahman, K.K. op. cit. p.98.

¹⁹⁰ Helms, B (2006). *Access For All: Building Inclusive Financial Systems* (Washington, DC: The World Bank). p.35

insurance, and other financial institutions did not initiate significant housing loans.¹⁹¹ Below is given an overview of some of the institutions providing housing finance to customers.

1.4.1 Sources of Housing Finance

The housing sector's finance sources include builder's and buyers' private assets, savings of expatriates, government loan and allocation, support from international donors, commercial banks, other specialized financial institutes, and private organizations' assets. Depending on financial institutions' status, they may broadly be divided into two categories, viz., formal and informal financial institutions.

Based on institutions' providing financial services to customers, Bangladesh Bank classified the formal credit institutions into four categories: specialized housing finance providers, banks, non-bank financial institutions, and micro-credit lenders. Specialized housing finance providers include National Housing Finance and Investment Limited, BHBFC (state-owned), and Delta-BRAC Housing Finance. At the same time, banks were classified into three categories: private commercial banks, state-owned commercial banks, and other banks (which include foreign and specialized banks). Another type of institution providing housing finance is non-bank financial institutions. They include microcredit lenders, cooperatives, employers, and life insurance policies.¹⁹² The housing cooperatives constitute one of the significant housing finance providers in the third-tier housing finance market. As revealed in a homeowner survey, housing finance's vital source was household savings (more than one-third). Other sources of housing finance included the sale of land and loans from relatives and friends.¹⁹³

The housing sector comprises a complex network of actors ranging from builders, lenders, manufacturers, suppliers, land developers, real estate agencies, architects, engineers, government agencies, etc. A strong interrelation among all these actors is necessary for an efficient market. However, this interrelationship is very fragile in Bangladesh due to institutional weaknesses. The

¹⁹¹ National Housing Authority (2016) National Housing Policy 2016. (Dhaka: Government of Bangladesh).. p.7

¹⁹² Rahman, K.K (2009). Development of housing finance and its impact on socio-economic uplift in the emerging economy in Bangladesh. In IFC Bulletin No. 31 (Measuring financial innovation and its impact). (Switzerland: Bank for International Settlements). p.101.

¹⁹³ Rahman, K.K (2009). Development of housing finance and its impact on socio-economic uplift in the Emerging economy in Bangladesh. Op. cit. p.101.

institutional weaknesses constrain the formulation and implementation of efficient plans and policies for affordable housing. It was further observed from several studies that there was a very high degree of functional overlap/conflicting mandates among the government institutions responsible for housing in Bangladesh.¹⁹⁴ Simultaneously, the lack of clearly delineated roles and responsibilities for various authorities caused inefficiency and delays in delivering housing and necessary infrastructure output.¹⁹⁵ The formal housing finance market was found to be out of reach of low-and middle-income households. The situation becomes riskier because there are no official data on the cost of construction, land price, supply & demand of different income groups, supply-demand gap, and defined income groups. A brief review of various institutions involved in housing finance is given below.

1.4.2 Bangladesh House Building Finance Corporation (BHBFC)

Bangladesh House Building Finance Corporation (BHBFC) is the leading purveyor of institutional housing finance for different people. The organization was launched in 1952 to provide house loans on account of house building. Until now, the BHBFC could offer loans to constructing more than 2 lakh housing units.¹⁹⁶ As of June 2017, the outstanding loan of BHBFC was Tk. 2991.14 crore.¹⁹⁷ Compared to the past, there has been an improvement in the operations of BHBFC. Profitability ratios improved, and there was a declining trend in the proportion of non-performing loans since 2014-15. The balance of non-performing loans declined to 6.27 percent in 2016-17 from 6.81 percent in 2014-15.¹⁹⁸

The BHBFC, however, suffers from some inadequacies. Some of the constraints to operations of BHBFC include lengthy approval time (as much as a year), low rate of interest on the mortgage, political process of allocation, and low loan performance.¹⁹⁹ As viewed by the Planning Commission, the BHBFC was charged with providing financial assistance to the lower-income

¹⁹⁴ Khare, H.S(2016). Barriers Constraining the Low and Middle Income Housing Finance Market in Bangladesh (Washington, DC: International Finance Corporation). p.57.

¹⁹⁵ Ibid.

¹⁹⁶ Shoyeb, K.M (August 08, 2017). State-owned finance provider plans big with low-cost housing. Retrieved on January 17, 2021, from <https://www.thedailystar.net/business/state-owned-finance-provider-plans-big-low-cost-housing-1445158>

¹⁹⁷ BHBFC. Annual Report: 2016-2017. p.30.

¹⁹⁸ Ibid. p.29

¹⁹⁹ Rahman, K.K (2008). Development of housing finance and its impact on socio-economic uplift in the emerging economy in Bangladesh. Op. cit. p.102.

group for housing, but it could not do it due to a shortage of funds.²⁰⁰ The organization also suffered from improper procedures and systems and was exposed to an excessive level of non-performing loans.²⁰¹

The traditional lender, the state-owned Bangladesh House Building Finance Corporation (BHBFC), is in a precarious financial situation. It relies on recoveries after defraying operating and debt servicing costs for lending.²⁰² The loans provided by BHBFC were categorized into eight categories, viz. general loan, group loan, apartment/flat loan, extension loan, loan for the middle and lower-middle-income group, five-year term loan, loan for construction of semi-pucca house beyond Dhaka and Chittagong metropolitan areas.²⁰³

Bangladesh House Building Finance Corporation (BHBFC) is considered the market leader with a share of 70 percent of the mortgage market if measured based on the number of loans. It disburses concessional loans generally at 5 percent interest at the thana level and 11 percent in Dhaka and other country cities.²⁰⁴ The conditions for eligibility for loans under the house loan scheme is ownership of the land with a value that can assure at least 20 percent of the investment needed for house construction.²⁰⁵ HBFC's loan is, thus, limited to upper-middle and high-income people. Despite its weaknesses and limitations, BHBFC is the only organization serving the low-and middle-income groups with broader geographic coverage beyond Dhaka and a few larger cities.²⁰⁶

1.4.3 Banks

Banks have been a major player in offering housing loans. Banking institutions were classified into four, viz., private commercial banks, state-owned commercial banks, and foreign and specialized banks. Analysis of housing loans advanced by financial institutions shows that banks were dominant out of the total loans advanced to the housing sector. The credit giving institutions' relative position was measured based on the total loan outstanding as of June 30. The outstanding loans to the housing sector by the banking institutions was estimated at 81.92 percent of the total

²⁰⁰ GED (2015). The 7th Five Year Plan Fy2016- Fy2020. (Dhaka: Bangladesh Planning Commission, Govt. of Bangladesh). p.468.

²⁰¹ Ibid.

²⁰² Khare, H.S (2016). Barriers Constraining the Low and Middle Income Housing Finance Market in Bangladesh (Washington, DC: International Finance Corporation). p.46.

²⁰³ Ibid. p.22.

²⁰⁴ Nahiduzzaman, K.M. (2012). Housing the Urban Poor: An Integrated Governance Perspective: The Case of Dhaka, Bangladesh (Stockholm: Royal Institute of Technology (KTH). Doctoral Thesis. p.170.

²⁰⁵ Ibid

²⁰⁶ Khare, H.S (2016). Barriers Constraining the Low and Middle Income Housing Finance Market in Bangladesh Op Cit. p.47.

outstanding loans to housing in 2019 (June), out of which the share of PCBs was 54.50 percent, the same of SCBs was 23.49 percent, and the percentage of share of other banks was 3.92. However, banks meet the financial needs of the housing of the first and second tier of the clients. Banks almost ignore the third tier of the market.

In 1999, the Government undertook a program, the *Ghore Phera* (back to home), designed to encourage slum dwellers to return to their villages by offering them loans ranging from Taka 20,000 to Taka 150,000. In special cases, Taka 3,00,000 was offered to start income-generating activities. As reported by the General Manager of Bangladesh Krishi Bank, 1,746 families received a loan and returned to their villages, and they were involved in various income-generating activities.²⁰⁷

In 1998, the Bhashantek Rehabilitation Project (BRP), aiming to construct a modern satellite town for the *bastee* dwellers and the low-income people of Dhaka City, was allotted 47.9 acres of land in Bhashantek, Mirpur Section-15.

1.4.4 Non-bank Financial Institutions

The enactment of the Financial Institutions Act 1993 has had a positive influence on the growth of private housing finance businesses in Bangladesh. Non-Bank financial institutions (FIs) refer to institutions regulated by Bangladesh Bank under the Financial Institutions Act 1993. As of January 2021, there are 34 FIs. Two are entirely government-owned, one is the subsidiary of a SOCB, private domestic entrepreneurs established 15, and 15 were joint ventures.²⁰⁸

Out of private companies offering loans, the Delta-BRAC Housing Finance Corporation Ltd. and the National Housing Finance and Investment Ltd were found dominant. The housing loans provided by them include loans for construction of houses, extension, and improvement in the flats and houses acquired. The proportion of non-performing loans extended by NBFs (non-bank financial companies) was 1.87 percent in 2015,²⁰⁹ while the same by BHBFC was 6.81 percent in 2014-14.²¹⁰ But the rate of interest charged by these institutions was very high compared to that of state-owned BHBFC.

²⁰⁷ Mohit, M.A (2012). *Bastee Settlements of Dhaka City, Bangladesh: A Review of Policy Approaches and Challenges Ahead*. Procedia - Social and Behavioral Sciences, Vol. 36 . p.618.

²⁰⁸ Bangladesh Bank. Banks and FIs. Retrieved on January 10, 2021 from <https://www.bb.org.bd/fnansys/bankfi.php>

²⁰⁹ Khare, H.S (.2016) *Barriers Constraining the Low and Middle Income Housing Finance Market In Bangladesh* (Washington, DC: International Finance Corporation). Pp.44-45.

²¹⁰ Annual Report:2016-2017 (Dhaka: BHBFC). p. 29.

1.4.5 Microfinance Institutions

A set of financial services designed to meet the needs of the poor is referred to as microfinance. In rural areas, microfinance institutions have offered a variety of microfinance programs to varying degrees since 1976. A wide range of financial and non-financial services are covered by microfinance, including insurance, enterprise growth, self-reliance and skills development, marketing, managerial skills, and social intermediation services including literacy training and health care.²¹¹ In this sector, clients have access to a variety of loans, including general microcredit, loans for the extremely poor, loans for microenterprises, loans for houses, etc.²¹² Ordinarily, the institutions engaged in microfinance aim to provide finance to those who do not have access to banks' formal financial services. Unlike traditional financial institutions, the repayment time for microcredit is set monthly or weekly. As revealed in a report, 805 licensed microfinance institutions (MFIs) were in Bangladesh in June 2018.²¹³ As many as 18,196 branches of microcredit institutions were there to serve 31.22 million clients.²¹⁴

The amount of loans outstanding in microcredit institutions increased to Tk. 673.90 billion in 2018 (June) from Tk. 282 billion in 2014 (June).²¹⁵ Institution-wise analysis of micro-credit disbursement reveals microenterprise loans, the top 20 MFIs disbursed Tk. 403.06 billion, of which BRAC disbursed 57.84 percent and ASA contributed 10.11 percent.²¹⁶

Location-wise distribution of microcredit institutions indicates that about 70 percent of the institutions worked in rural areas²¹⁷ while only 30 percent worked in urban areas. Villages were the unit of operation in the rural areas, while slums and shanties form the urban areas' operation unit. Microfinance institutions offer micro-finance services to those who do not have access to formal banking institutions. They cover both rural and urban areas.

²¹¹ Ledgerwood, J. (1999). *Microfinance handbook: An Institutional and financial perspective*. IBRD/The World Bank. Washington, D.C. pp. 1-2.

²¹² MRA (2018). *NGO-MFIs In Bangladesh June 2018*. (Dhaka: Microcredit Regulatory Authority). p.10.

²¹³ MRA (2018). *NGO-MFIs In Bangladesh June 2018*. (Dhaka: MRA). p.10.

²¹⁴ Ibid..

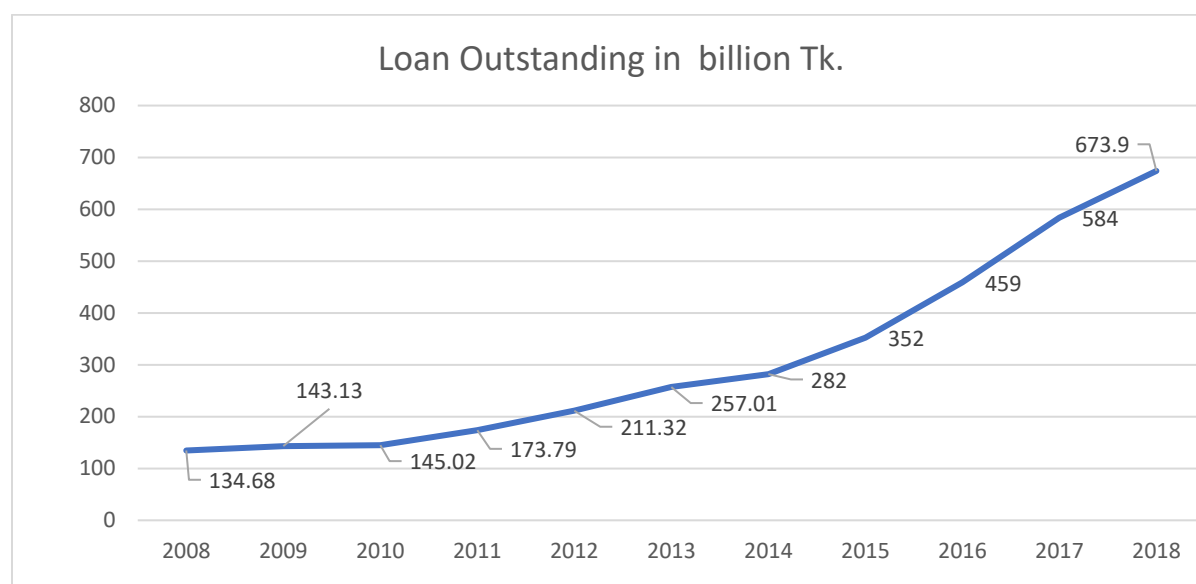
²¹⁵ Ibid. p.10.

²¹⁶ Ibid. p.13

²¹⁷ Hossain, B. and Wadood, S.N. (2020). Impact of urban microfinance on the livelihood strategies of borrower Slum dwellers in the Dhaka city, Bangladesh. *Journal of Urban Management*. Elsevier B.V. Vol.9 (2020). p.152.

The urban microfinance programs (UMP), first initiated by Manabik Shahajya Sangstha (MSS) in Dhaka city, have been operating in Bangladesh since 1984.²¹⁸ Compared to rural finance, urban finance programs have some unique risks. Risks in urban microfinance mainly include a change in the residence of urban slums, mobility across cities or towns, and severe health hazards.

Figure 1.4.1:
The trend in outstanding housing loans by micro-credit lenders since 2008.



Source: Microcredit Regulatory Authority (MRA).

Several programs to rehabilitate the poor and the helpless were taken from time to time. Some of the projects undertaken by the Government since independence include Guscho Gram (cluster villages), Asrayon (shelter), Gharey Phera (return home), and Ekti Bari Ekti Khamar (one homestead, one farm). The Government built the housing fund (*Grihayan Tahbil*) to provide low-cost funds to NGOs and private sector developers to construct houses meant for low-to-moderate-income group people. The Prime Minister’s Office administered the fund.²¹⁹

On September 29, 2003, a public-private partnership (PPP) agreement was signed between the Ministry of Land and North-South Property Development Ltd. (NSPDL). Under the project, two

²¹⁸ Hossain, B. and Wadood, S.N . op. cit. p.152.

²¹⁹ Rahman, K.K (2009). Development of housing finance and its impact on socio-economic uplift in the emerging economy in Bangladesh. In Measuring financial innovation and its impact (Proceedings of the IFC Conference, Basel, 26–27 August 2008) .(Switzerland: Bank for International Settlements) p.100.

categories of flats-one for *bastee* dwellers (Type-A: one room, 215 sq ft) and another for low-income families (Type B: two-room, 395 sq ft) were constructed. A total of 15,024 flats was planned to be constructed, of which 9,024 for *bastee* dwellers) and 6,000 for low-income families.²²⁰

1.4.6 Cooperative Housing Banks

Cooperative Housing Banks are also formed out of urban poor credit savings. Such a bank's operation is similar to Grameen Bank, where a significant portion of the share capital belongs to cooperatives members. Borrowers for housing are the members of NGOs and CBO's (Community-Based Organizations) who contribute to the cooperative's funding.

1.4.7. NGOs:

In the recent past, some NGOs came forward to help the poor build their houses by providing housing loans. Structured finance and purpose-built institutions and intermediaries could disburse funds faster, reach beneficiaries better, and improve recovery through small groups.

1.4.8. Informal Credit Institutions

Informal credit institutions are the progeny of circumstances created by formal institutions. Some of the reasons behind the emergence of informal organizations include lack of awareness of borrowers, poor communication, absence of alternative credit sources, and economic and political power disparities. Barriers to the credit facilities of formal organizations have created an atmosphere of exploitative informal credit relationships. Some studies found positive elements, such as a fairly low rate of interest rates and a substantial share of loans from friends and relatives, which are often interest-free.²²¹ In the informal credit markets (ICMs), there are three different kinds of credit providers: transactional credit providers, such as traders, money lenders, pawnbrokers, employers, etc.; mutual credit providers, such as chit funds, credit unions, credit societies, self-help groups, etc.; and "personal" credit providers, such as friends, relatives, coworkers, and neighbors.²²²

²²⁰ Mohit, M.A (2012). *Bastee Settlements of Dhaka City, Bangladesh: A Review of Policy Approaches and Challenges Ahead*. Procedia - Social and Behavioral Sciences, Vol. 36. p.618.

²²¹ Igel, B and Srinivas, H (1996). The co-option of low-income borrowers by informal credit suppliers. *Third World Planning Review*, Vol. 18, No, 3. p.288

²²² Srinivas, H (2021). 14 Reasons why the Informal Credit Market is used by the Poor: Policy Implications for Microcredit Programmes in Developing Countries. GDRG Research Output E-111. Kobe, Japan: Global

Many families with financial ability fail to take advantage of the formal credit institutions because of the lack of collateral or personal guarantor. They have to rely on the fund of informal credit markets even if the rate of interest is high. This system is generally known as the hawala system, based on traditional methods of paperless transactions. Although such transactions do not have legal coverage, they carry on business with the local power elite's support. Informal Credit Markets (ICMs) offer a wide range of financial services from accepting deposits, pawning, borrowing, and mortgaging and lending.²²³ The advantages of ICMs include flexibility in terms and conditions, little or no collateral, easy accessibility, prompt liquidity, and low administrative and procedural costs.²²⁴ Based on the loan from ICMs, entrepreneurs invest in housing for income generation. CBOs generally mediate between households and government agencies and provide finances, self-help resources.

Landowners in urban areas construct high-density, low-rise housing units for rental, without adequate services, either for individual households or group living (mess housing). People with land and desire to invest in housing cannot materialize their dreams due to the credit system's weaknesses. In housing investment, several factors like weak institutions, narrow coterie interests, corruption, and market manipulation create obstacles to achieving success.²²⁵

1.4.9 Constraints to Housing Finance Market

All people covering various income and occupational groups need access to a wide range of financial services that are “convenient, flexible, and reasonably priced.”²²⁶ The financial sector's weakness in leveraging long-term finance is a significant challenge. It limits the system's ability to provide funds for the housing sector. The formal mortgage finance system's main features include small size relative to new housing construction and coverage of only the highest income groups. Besides, weak underwriting, poor loan administration, and risk management practices also affect the housing finance market. Despite the Financial Loan Court's creation under the Financial

Development Research Center. Retrieved on January 24, 2021, from <https://www.gdrc.org/icm/14reason.html>

²²³ Ibid .

²²⁴ Ibid. p. 289.

²²⁵ Rahman, M. Sustainability of Low-Income Housing: approaches in Bangladesh. Retrieved on December 11, 2020 from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.472.659&rep=rep1&type=pdf>

²²⁶ Consultative Group to Assist the Poor (2006). Access For All: Building Inclusive Financial Systems (Washington, DC. : The World Bank). p. 17

Loan Court Act, 1990, the execution process remains cumbersome until now, and settlement of the case can take more than ten years. Some of the constraints to the functioning of housing finance markets include the following:

i) The lack of long-term funding: The lack of long-term financing remains a strong constraint. The degree of development of the bond market has not allowed long-term housing loans by matching resources. This is a sturdy constraint for lenders' liquidity management, even those mostly relying on deposits, and excludes fixed-rate lending, thus exposing borrowers to interest rate risk.

ii) Absence of a functioning mortgage market: The absence of a mortgage market is a significant challenge, limiting the system's ability to provide funds for the housing sector. It is observed that the formal mortgage finance system (1) is small relative to new housing construction, (2) only serves the highest income groups, (3) is restricted to selected high-income housing markets in Dhaka, (4) weak underwriting, loan administration, and risk management practices and (5) a segregated structure. The segregated structure provides advantages to the government-owned Bangladesh House Building Finance Corporation (BHBFC), which operates in the same higher income market. The enforcement of mortgage rights is inefficient: The second-hand property market's underdevelopment also contributes to making mortgage collateral little more than a moral suasion tool. This has negative implications on the deepening of the market and raising funding from the capital market.

iii) Weak Second-hand property market: The underdeveloped second-hand property market also contributes to making mortgage collateral little more than a moral suasion tool. This has negative implications on the deepening of the market and raising funding from the capital market.

iv) Complex Transfer Process: Some of the major problems hindering the smooth transfer of houses include foreclosure and land administration frameworks, registration procedures and costs, land and titling procedures, and a weak regulatory framework.²²⁷ However, in recent years, the government took steps to simplify the titling and registration of property by computerizing land records management. The process of transition needs further intervention to make the system effective.

v) Poor Management of Resources: The slow growth of the housing sector might be attributed to higher lending rates, the lack of accessibility to housing loans, few specialized housing institutions,

²²⁷ GED (2015). The 7th Five Year Plan FY2016- FY2020. Op. Cit. p.469.

non-availability of electricity and gas connections. As Government agencies cannot provide secured land and affordable infrastructure and services on a large scale, the informal sector meets various income and occupation groups.²²⁸

vi) Lack of Access to Scarce Resources: The existing policies and institutions for urban growth management and distribution of resources could not provide the poor access to land and shelter in Bangladesh. To overcome these, the Government ought to provide shelter for the poor, and assist others in supplementing its efforts. Individuals with low and low-middle incomes cannot take advantage of the public offering or real-estate developers due to the lack of adequate finance.

vii) Land Price Speculation: Skyrocketing of land value in recent years due to the progressive decline in vacant land availability has made the land transaction more speculative. Between 1990 and 2000, the average land value per year in Dhaka city increased to 22.26 percent, and the same increased to 74 percent between 2000 and 2010.²²⁹ The less than the efficient and non-transparent land market has made it almost impossible for most city dwellers to buy land to build their own houses.

viii) Access to land information: Access to reliable and complete information on land and property rights is a prerequisite for houses' marketing. Accurate land information allows for low-cost verification of land-ownership status, which forms the basis for low-cost land transfers to more productive use or users and may facilitate the use of the property as collateral in financial markets. The legal and institutional framework meant for the allocation of property rights suffers from some inadequacies. Non-appearance of accountability and transparency makes it difficult to access information. The lack of an effective system causes different land-related problems, including price speculation and land grab by the influential.

ix) Simplifying Land Transfer System: For land markets to operate efficiently, there needs to be a legal and institutional framework that clearly defines the rules for allocating property rights and allows cost-effective enforcement, encourages and facilitates land-related investment.

x) The Cost of Building Materials: The rising cost of building materials affected the real estate sector: Apart from land, building materials' availability and price significantly influence housing

²²⁸ Rahman, K.K (2008). Development of housing finance and its impact on socio-economic uplift in the emerging economy in Bangladesh. In Proceedings of the IFC Conference on "Measuring financial innovation and its impact", Basel, 26-27 August 2008. p.101.

²²⁹ Alam, M.J (2018). Rapid urbanization and changing land values in mega cities: implications for Housing development projects in Dhaka, Bangladesh. Journal of the Global South (Bandung), Vol. 5, No.2. p.1.

supply. In Bangladesh, building materials are considered the second most crucial factor influencing house construction. Building materials are, in most cases, expensive, and the supply is erratic. Building-related materials, raw materials, and inputs are imported. There are trade protection-related issues, which may affect the prices at the consumer level, and the same has to be looked into in the context of broad trade policy. Besides, Bangladesh has investment climate-related issues, which will have to be resolved to address the rising material cost-related challenge better.

xi) Complicated Enforcement of Mortgage Rights: The enforcement of mortgage rights is lengthy and complicated. As observed by IMF, the legal framework proved to be “an obstacle even to the modest loan collection efforts....”. The current system of bad loan recovery encourages defaulters not to repay despite their repayment capability.

xii) Lack of Mortgage Market Development: Some components of the house finance influence the mortgage market's development. The critical issues of housing finance, as identified by Hare, include mortgage market infrastructure, financial instruments, and institutions, housing availability, low-income housing.²³⁰

1.5 Population and Housing in Dhaka City

Dhaka, Bangladesh's capital city, has been an urban area for more than four hundred years. The Mughals established Dhaka city as their capital in the early seventeenth century.²³¹ The city is surrounded by rivers Buriganga, Turag, Tongi Khal, and Balu on the south, west, north, and east. Being the largest metropolitan city of Bangladesh with its diverse opportunities, Dhaka attracts migrants from different parts of the country. According to World Urbanization Prospects 2014 published by the United Nations, Dhaka city moved up to the 11th rank position in 2014.²³² The average annual rate of population change was 7.86 percent during 1970-1990, which came down to 3.92 percent during 1990-2014. The rate of change of population is estimated to decline further to 2.98 percent during 2014-2030.²³³ By 2030, Dhaka city is expected to become the 6th largest

²³⁰ Khare, H.S (2016). Barriers Constraining The Low And Middle Income Housing Finance Market In Bangladesh (Washington, DC: International Finance Corporation). p.18.

²³¹ Karim, A., "Origin and Development of Mughal Dhaka" in Sharif Uddin Ahmed (eds), Dhaka Past Present Future. The Asiatic Society of Bangladesh, Dhaka: 1989, 24-42. See also Kabir, A.. and Parolin, B (2012). Planning and Development of Dhaka – A Story of 400 Years. Paper presented at 15th International Planning History Society Conference, 15-18 July 2012, at: Brazil. p.8.

²³² UN (2015). World Urbanization Prospects: The 2014 Revision (New York: United Nations). p.93

²³³ UN (2015). World Urbanization Prospects: The 2014 Revision (New York: United Nations). p.93

megacity in the world.²³⁴

The rapid increase in the number of people in Dhaka city has multidimensional effects on city life. The population explosion in the city areas has put strains on urban housing, transport, water supply, and sanitation. The people with low income are crammed into sprawling shantytowns with no urban facilities, where infectious diseases spread, and fires sporadically raze homes. The middle class and upper class spend a lot of time caught in endless traffic jams.²³⁵ Crimes in the city were found to increase with urbanization in Dhaka city. As observed by Ahmed and Baqee, about 61 percent of the country's crime occurs in Dhaka City.²³⁶ Traffic congestion, which has almost made the city unlivable, is the outcome of unplanned growth and expansion allowed in the past. In the following paragraphs, endeavors have been made to address some of the changes over time in Dhaka city.

1.5.1 Population Trends

The proportion of the national urban population in Dhaka city is estimated at 33.26 percent in 2019.²³⁷ It is the most industrialized area accommodating the largest number of garments and knitwear factories. The Dhaka metropolitan area contributes about 36 percent of the country's GDP.²³⁸ In the city of Dhaka, the employee density per square kilometre increased to 4,241 in 2009 from 3,242 in 2001²³⁹. Table 1.5.1 shows the trend in population in Dhaka city since 1974. The percent of the population in Dhaka city to the total population increased to 12.44 percent in 2019 from 2.99 in 1974.

²³⁴ Ibid. Annex IV.I. Urban agglomerations with 5 million inhabitants or more, 1970, 2014 and 2030. p.86.

²³⁵ McPherson, Poppy (2018). The dysfunctional megacity: why Dhaka is bursting at the sewers. Retrieved on January 13, 2021 from <https://www.theguardian.com/cities/2018/mar/21/people-pouring-dhaka-bursting-sewers-overpopulation-bangladesh>

²³⁶ Ahmed, N. and Baqee, M.A(1996). 'Urban crimes in Bangladesh', in N. Islam and R. M. Ahsan (eds.) Urban Bangladesh, pp. 45-55. Data were quoted in Hossain, S. Social characteristics of a megacity: a case of Dhaka City, Bangladesh. Retrieved .on January 14, 2021 from https://www.researchgate.net/publication/228734585_Social_characteristics_of_a_megacity_a_case_of_Dhaka_City_Bangladesh

²³⁷ Data relates to 2019. .

²³⁸ Muzzini, E. and Aparicio, G (2013). Bangladesh: The Path to Middle-Income Status from an Urban Perspective. (Washington, D.C.: The World Bank). p. 22.

²³⁹ Ibid. p. 23.

Table 1.5.1
The trend in the population of Dhaka City

| Year | Population (in million) | Percent of urban population | Percent of the total population |
|------|-------------------------|-----------------------------|---------------------------------|
| 1974 | 2.06 | 33.11 | 2.99 |
| 1981 | 3.52 | 27.24 | 4.30 |
| 1991 | 7.04 | 32.92 | 6.67 |
| 2001 | 10.70 | 34.12 | 8.22 |
| 2011 | 15.26 | 32.75 | 10.23 |
| 2019 | 20.28 | 33.26 | 12.44 |

Sources: United Nations (2019). World Population Prospects 2019. Bangladesh Metro Area Population 1950-2020. Retrieved on December 6, 2020 from [https://www.macrotrends.net/countries/BGD/Bangladesh/urban population](https://www.macrotrends.net/countries/BGD/Bangladesh/urban%20population). Cf Planning Commission, Govt. of Bangladesh. 7th Five Year Plan, p.462. A given source's population data may not match another source's data due to variations in methodologies used in prognosis.

Inter-city comparison of the population indicates that the population's growth rate was highest in Dhaka city area between 1974 and 2019, which was estimated at 5.22 percent, while the same were 4.25 percent in Rajshahi, 3.69 percent in Chattogram, and 1.73 percent Khulna, respectively (Table 1.5.2).

Table 1.5.2: Trends in the population of major cities in Bangladesh since 1951 (in lakh)

| City/year | 1951 | 1961 | 1974 | 1981 | 1991 | 2001 | 2011 | 2019 | Growth Rate* (%) |
|------------|------|-------|-------|-------|--------|--------|--------|--------|------------------|
| Dhaka | 3.44 | 5.44 | 20.56 | 35.19 | 70.41 | 106.96 | 152.64 | 202.84 | 5.22 |
| Chattogram | 2.96 | 3.76 | 9.62 | 14.09 | 21.12 | 34.32 | 41.89 | 49.15 | 3.69 |
| Khulna | 0.66 | 1.33 | 4.46 | 6.61 | 10.23 | 12.55 | 10.82 | 9.63 | 1.73 |
| Rajshahi | 0.4 | 0.58 | 1.37 | 2.6 | 5.53 | 6.91 | 7.97 | 8.93 | 4.25 |
| Total | 7.46 | 11.11 | 36.01 | 58.49 | 107.29 | 160.74 | 213.32 | 270.55 | 4.58 |

Source: United Nations (2019). World Population Prospects 2019. Bangladesh Metro Area Population 1950-2020. Retrieved on December 6, 2020 from [https://www.macrotrends.net/countries/BGD/Bangladesh/urban population](https://www.macrotrends.net/countries/BGD/Bangladesh/urban%20population). UN Population data may not match another source's data due to variations in methodologies used in prognosis.

Note : * Base year =1974

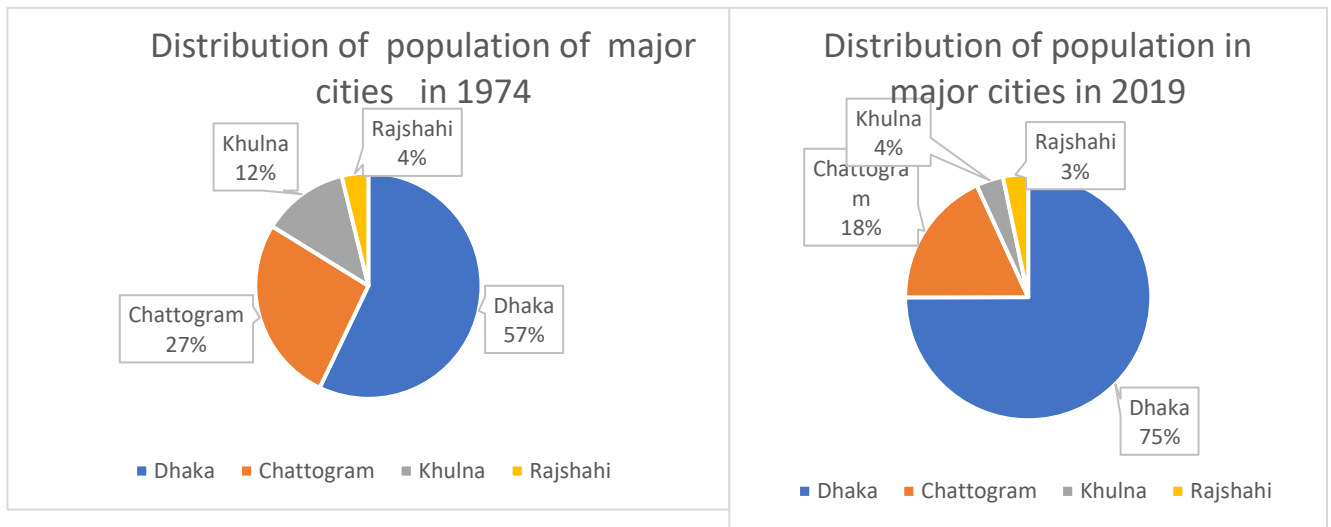
The higher population growth rate in Dhaka city with no urban planning has resulted in several problems like unemployment, housing shortage, sanitation facilities, and slum creation.²⁴⁰ Table 1.5.2 displays an intercity comparison of trends in the population of major cities in Bangladesh since 1951. The proportion of Dhaka's population increased to 75 percent of the combined

²⁴⁰ Planning Commission, Govt. of Bangladesh. The 7th Five Year Plan. p.460

population of four cities' in 2019 from 57 percent in 1974. The ratio of other cities' people declined in varying degrees to the combined population of four cities.

The rising trend in population growth rates was not uniform in all urban areas. The city-wise distribution of population indicates that only four cities- Dhaka, Chittagong, Khulna, and Rajshahi, accounted for 44.36 percent of the urban population in 2019.²⁴¹ Out of the four cities, Dhaka city alone accounts for 33.26 percent of the urban population in 2019.²⁴² Dhaka is viewed as the growth engine of the country. It provides about half of the formal employment and generates one-fifth of the nation's GDP.²⁴³ As estimated by the planning commissions, Dhaka city's population is projected to increase to 27.4 million by 2030.²⁴⁴

Figure 1.5.1:
Change in the population of four major cities in 2019 compared to that of 1974



Source: Bangladesh Metro Area Population 1950-2020. Retrieved on December 6, 020 from [https://www.macrotrends.net/countries/BGD/Bangladesh/urban population](https://www.macrotrends.net/countries/BGD/Bangladesh/urban%20population)

UN Population data may not match another source's data due to variations in methodologies used in prognosis.
Note : * Base year =1974

The population in Dhaka city increased to 10.70 million in 2001 from 0.34 million in 1951. The population in Dhaka increased more than nine times in 2019 since 1974. Dhaka city is viewed to

²⁴¹ United Nations (2019). World Population Prospects 2019. Op. cit.

²⁴² Ibid .

²⁴³ Julia Bird, J. et al. (2018). Toward Great Dhaka: A New Urban Development Paradigm Eastward . (Washington, DC: IBRD/The World Bank). p.9.

²⁴⁴ Planning Commission, Govt. of Bangladesh. The 7th Five Year Plan:FY2016-FY2020 . p.462.

be one of the most densely populated urban areas in the world.²⁴⁵ It is the largest non-farm employment provider, where industrial and business services are the highest of all the country's cities. Dhaka accommodates the largest number of the garment and knitwear manufacturing industries. Also, finance and real estate services are the highest in this City of all the four major cities.

The urbanization activities in Dhaka City have had tremendous growth for the newly independent country's capital. Overall, Dhaka city has experienced its highest physical and population growth rate in recent decades, transforming it into a megacity. Dhaka alone contains more than one-third of the total national urban population, conforming to the classic case of primate city. Dhaka's relentless growth as a primate city is mirrored in the extreme centralization of decision-making and political authority.

1.5.2 Sources of Population Growth

The growth of cities is a function of a complex set of factors. Some of the critical factors contributing to the population's growth include natural increase due to the predominance of births over deaths, migration from rural areas, the annexation of previously rural areas, and the reclassification of formerly rural areas as urban.²⁴⁶ In estimating urban growth sources, two major components, namely natural increase, and net migration, are used together with area reclassification.²⁴⁷ Primarily the factors mentioned above influenced the exponential growth of the population in Dhaka city over the years. Table 1.5.3 displays the trend in the components of population growth in Dhaka city.

Analysis of the population growth in Dhaka city reveals that the population's annual average growth rate was 3.96 percent compared to the national average growth rate of 1.47 percent during 2001-2011 (Table 1.5.2). The population growth in Dhaka city due to in-migration was estimated at 63 percent, and the same due to natural increase was 37 percent. The dominant factors

²⁴⁵ Muzzini, E. and Aparicio, G (2013). Op. Cit. p.19.

²⁴⁶ UN (2015). World Urbanization Prospects: The 2014 Revision (New York: Department of Economic and Social Affairs, United Nations) p.23

²⁴⁷ Ibid.

responsible for high rural-urban migration rates include the attraction of employment in urban areas and the landlessness of migrants caused by river erosion and other natural calamities.²⁴⁸

Table 1.5.2:
Population and In-Migration Trend in Dhaka City from 1941 to 2011

| Year | Population (in million) | Growth Rate in Dhaka City (% per year) | National Growth Rate (% per year) | In-migration Rate (% per year) | Growth due to In-migration (%) | Growth due to Natural Increase (%) |
|------|-------------------------|--|-----------------------------------|--------------------------------|--------------------------------|------------------------------------|
| 1941 | 0.24 | 4.14 | | | | |
| 1951 | 0.41 | 1.28 | | | | |
| 1961 | 0.72 | 5.18 | | | | |
| 1974 | 2.07 | 9.32 | 2.5 | 6.62 | 73 | 27 |
| 1981 | 3.44 | 9.94 | 2.32 | 7.62 | 77 | 23 |
| 1991 | 7.12 | 7.55 | 2.01 | 5.54 | 73 | 27 |
| 2001 | 10.25 | 3.71 | 1.58 | 2.13 | 57 | 43 |
| 2011 | 15.12 | 3.96 | 1.47 | 2.49 | 63 | 37 |

Sources: Bangladesh Bureau of Statistics, Bangladesh National Population Census Report 1974 (Dhaka: Ministry of Planning, 1977); Bangladesh Population Census 1981 & 1991 Urban Area Report (Dhaka: Ministry of Planning, 1997); Population Census 2001 & 2011. Data were collected from RAJUK (2015) Dhaka Structure Plan: 2016-2035. (Dhaka: Ministry of Housing and Public Works, Govt. of Bangladesh) and processed. p.2-5

The population growth in Dhaka city may be attributed to the expansion of economic activities and the concentration of small and medium industries in the city area. Dhaka is the largest non-farm work provider where industrial and business services are the highest of all cities. About 33 percent of the industrial units employing 38.35 percent of the country's industrial labor were located in the Dhaka division.²⁴⁹ Also, finance and real estate services are the highest in Dhaka City of all the four major cities.

Some of the explanatory factors to the expansion of urban population, particularly in Dhaka city, include scarcity of space in the crucial areas, hassles involved in purchasing land & construction of a building, rise in nuclear families, shortage of employment opportunities in the rural areas and lack of security and service facilities in rural areas. Without creating jobs or employment opportunities in other areas, the possibility of minimizing the migration of people to Dhaka city is bleak.

²⁴⁸ General Economic Division (2015). The 7th Five Year Plan Fy2016-FY2020 (Dhaka: Planning Commission, Govt. of Bangladesh). p.464

²⁴⁹ Figures were computed based on the data of BBS (2015). Economic Census 2013. (Dhaka: Ministry of Planning, Govt. of Bangladesh) p.40.

1.5.3 Dwelling Types and Structures

The overall housing condition may be assessed based on the type of dwelling of a given area. Dwelling houses are broadly classified into three categories: separate structure, apartment, and joint/barrack house. In the Dhaka city area, 41.4 percent live in joint or barrack houses, 38.1 percent live in apartments, and only 20.5 percent live in a separate structure.²⁵⁰ As revealed in a BBS study, 45.6 percent of housing structures were pucca, and 36.6 percent of housing structures were semi-pucca. In comparison, 15.9 percent of the housing structures were kutcha, and 1.9 percent of the housing structure were Jhupri.²⁵¹ This state of housing condition indicates that 54.4 percent of the houses need replacement to ensure livable conditions. Besides, most areas of Dhaka city are vulnerable to annual flooding during the monsoon season. In case of abnormal floods, about 75 percent of Dhaka city go underwater.²⁵²

A study of per capita space available for residents in Dhaka city indicates that per capita space in Dhaka city corporation area (DNCC and DSCC) was too little if the same is compared with some Asian megacities. The average room space per person in the Dhaka city corporation area (DNCC and DSCC) was 12.5 per square meter while the same were 87.4 per square meter in Delhi, 32.3 per square meter in Mumbai, 230.2 per square meter in Tokyo.²⁵³ The average population density per square kilometer in city corporation area (DNCC and DSCC) was estimated at 79,900 and the same in Dhaka Metropolitan Region (DMR) was 31000.²⁵⁴ There are many areas in the city having no place for parking or recreation.

One of the critical issues is the upward trend in the people living in slums. A slum is defined as "a cluster of compact communities of five or more homes" that develop on public or private unoccupied land under unsanitary conditions.²⁵⁵ The number of slums in Dhaka city increased to 3394 in 2014 from 1579 in 1997.²⁵⁶ The average density of population in the slums was 2,20,246 people per square kilometer in 2005.²⁵⁷ As revealed by a survey on slums, about one-

²⁵⁰ BBS (2015). Housing Condition in Bangladesh (Population Monograph: Volume-10). (Dhaka; Ministry of Planning, Govt. of Bangladesh) Data relate to 2011.. p.19.

²⁵¹ Ibid. p.13.

²⁵² Hossain, S (2006). Social characteristics of a megacity: a case of Dhaka City, Bangladesh. (Australia: TASA Conference 2006, University of Western Australia & Murdoch University, 4-7 December 2006). p.5.

²⁵³ BIGD (2017). State of Cities 2017 : Housing in Dhaka. (Dhaka: BIGD, BRAC University). p.31

²⁵⁴ Ibid

²⁵⁵ BBS (2015). Census of Slum Areas and Floating Population 2014 (Dhaka: Ministry of Planning, Govt. of Bangladesh). p.15.

²⁵⁶ Ibid. p.22

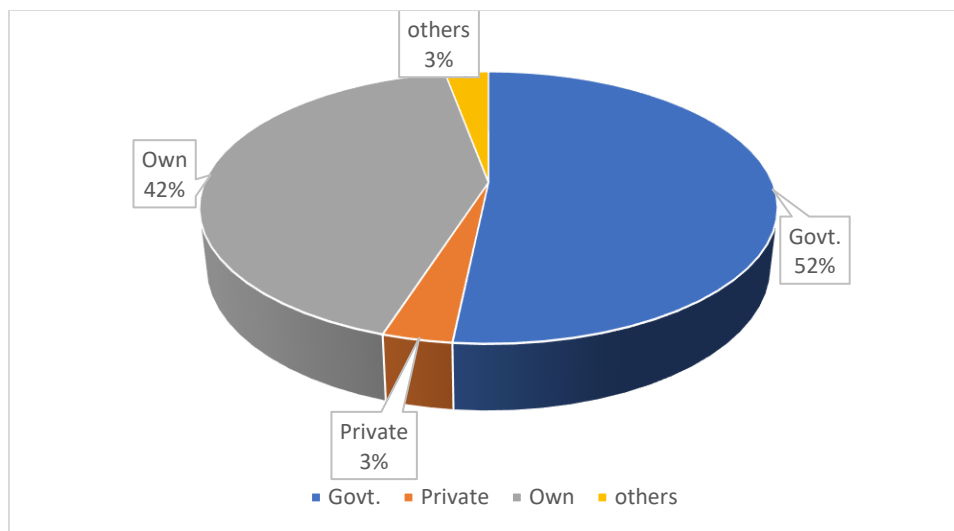
²⁵⁷ Centre for Urban Studies (2006). Slums of Urban Bangladesh: Mapping and Census. 2005. (Dhaka: Centre for Urban Studies) p.40.

third of the Dhaka city population live in the slums and squatter settlements.²⁵⁸ The city's unplanned growth has had an adverse impact on the quality of life of the people living in the slums.

The issues driving people to Dhaka city are complex. The main reasons for settling down in the slum area under Dhaka city corporations include seeking job/services (41.75 percent), river erosion (18.96), low income (18.62 percent), uprooted (13.33 percent), and other causes (7.34 percent).²⁵⁹ Most of the slums were unauthorized and were mostly controlled by political party cadres.²⁶⁰

Figure 1.5.2:

Distribution of slum households in the corporation area by ownership of land in 2014.



Source: BBS (2015). Census of Slum Areas and Floating Population 2014. (Dhaka: Ministry of Planning, Govt. of Bangladesh). p.24.

Analysis of data on land ownership in the slums indicates that 52 percent of the households were established on unauthorized Government land, and 47 percent were established on their land. (Figure 1.5.2). People in the slums do not have access to essential services like drinking water, sanitation, education, and health. The unhygienic conditions in the slums cause further damages to the surrounding water bodies through the discharge of untreated household waste

²⁵⁸ RAJUK (2015). Dhaka Structure Plan: 2016-2035. (Dhaka: Ministry of Housing and Public Works (RDP), Govt. of Bangladesh). p. 2-4

²⁵⁹ BBS (2015). Census of Slum Areas and Floating Population 2014. (Dhaka: Ministry of Planning, Govt. of Bangladesh). p.76

²⁶⁰ Ibid..

and sewage.²⁶¹ The unhygienic conditions in the slum areas might be due to the absence of a comprehensive system for collecting and managing bio-medical waste and industrial waste. They are either disposed into the public waste bins or disposed of in open areas and watercourses.²⁶²

The escalation in the land price, causing the high building cost, is mainly due to a scarcity of urban land, uncontrolled land market, inappropriate taxation policy, land speculation, and unregulated land business. The shortage of land, high construction costs, and the lack of credit facilities have negatively affected housing growth in the urban areas. The existing regulatory/permit system constrains the activities of developers.

The people who live in the slums are responsible for paying the slum owners rent. In the case of squatter settlements built on Government land, occupants have to pay tolls to “mastaans (musclemen)” backed by the political party and local police administration. In private slums and 'mess' units, slum dwellers have to pay a landlord or homeowner regular rent.

1.5.4 Housing Need Estimation and Supply

The rapid growth of Dhaka's population has led to a demand for significant housing units, including land for housing. But the pattern of land ownership in Dhaka is highly skewed. Housing need reflects the actual requirement of accommodation for a particular size of the population. In contrast, housing demand usually reflects the housing stock for which the population backed by purchasing power is willing to buy. Financial capability may play a critical role in transforming housing needs into housing demands. The increase in housing supply becomes meaningless unless they are met with effective demands that can purchase them.

1.5.4.1 Housing Demand Estimation:

In assessing the housing need at a given time, three components are considered: the growth of new households, shortage of existing dwelling units, and replacement of old dwelling units. Partition of existing extended families and migration of new families from other areas constitute a new household. The current backlog of unmet housing needs is the shortage of housing units.²⁶³

²⁶¹ SENES Consultants and Techno Consult International (2007). Dhaka Metropolitan Development Plan: Strategic Environmental Assessment (Washington, DC: The World Bank). [Final Report]. p. 2-8

²⁶² Ibid. p. 2-12

²⁶³ Saman et al (2015) Dhaka Structure Plan 2016-2035. (Draft), p. 120.

The formula used for estimating the housing requirements for Dhaka city was: $H=P/S$. Here, H refers to the number of housing requirements, P refers to the forecasted population, and S denotes the forecasted average household size.²⁶⁴ Using this formula, housing requirements for Dhaka city were computed in Dhaka Structure Plan 2016-2035. Housing requirements unto 2035, as estimated in Dhaka Structure Plan 2016-2035, are presented in Table 1.5.4.

Table 1.5.4:
Housing Need Estimation for RAJUK areas unto 2035 (in million)

| Variables/ Year | 2010 | 2015 | 2020 | 2025 | 2030 | 2035 |
|-------------------|-------|-------|-------|-------|-------|-------|
| Population | 14.73 | 17.32 | 19.82 | 22.21 | 24.22 | 25.64 |
| No of households | 3.36 | 3.89 | 4.55 | 5.24 | 5.91 | 6.52 |
| Demand (in units) | 0.68 | 0.76 | 0.88 | 0.88 | 1.14 | 1.26 |

Source: Population Census 2011 & Compiled by Consultant, RDP. Quoted in Dhaka Structure Plan 2016-2035, p.120. The household size in 2011 was 4.51. The assumption was that household size was expected to be lowered to 4.01 in 2035 through government effective population planning and motivational measures.)

Using the aggregated household method, the future housing need was calculated with a 5-year interval. The population for Dhaka city in the year 2035 was estimated to be about 26 million. As estimated in Dhaka Structure Plan: 2016-2035, other things remaining unchanged, the demand for housing would increase to 0.88 million by 2025. At the end of the plan (2035), the housing demand would be about 1.26 million. Unless both public and private sectors become more active in addressing the housing issue, there is the probability that housing problems would further aggravate. In Dhaka city, people of a lower-income group, despite their need and desire for a house, cannot afford to own a house unless an appropriate mortgage package with different land allotment treatment is introduced. The affordability of the people belonging to the middle-income group to have a rental house, not to speak of owning a house, is also lacking. In a study on affordability, 67.5 percent of the middle-income group respondents expressed that they could not afford a rental home due to high rent.

Table 1.5.5:
Affordability of respondents by different categories of middle-income groups

| Affordability Income Level | Affordable | Unaffordable | Severe Unaffordable |
|----------------------------|------------|--------------|---------------------|
| Lower middle | 1.67 | 26.67 | 5.83 |
| Middle- middle | 7.50 | 24.17 | 2.50 |
| Upper middle | 15.00 | 16.67 | 0.00 |
| Total | 24.17 | 67.50 | 8.33 |

²⁶⁴ Ibid

Source: Jahan, R., and Kalam, A.K.M.A (2012). Measuring Rental Housing Affordability of Middle-Income Group in Dhaka City. Journal of Bangladesh Institute of Planners, Vol. 5, December 2012. p.88

The affordability of an individual was measured using the house rent to income ratio method. Table 1.5.5 shows the affordability of people living in Dhaka city belonging to different categories of middle-income groups.

1.5.4.2 Housing Supply: Both private and public sector organizations play a role in providing housing to households in varying degrees. Despite the high return on housing investment, housing investment remains scarce to fulfill the rising necessity for houses. The factors affecting the supply of housing include high population, lack of land availability for housing, a lack of affordability for the low and middle-income.²⁶⁵ The following paragraphs focus on the public and private sectors providing accommodation to people in Dhaka city.

i) Public Sector: As revealed by the Ministry of Housing and Public Works' data, there are only 24,000 government residences against around 1.3 million public servants in the country. Of those, approximately 15,000 homes in Dhaka and Chittagong cities. There are about 13,000 houses in Dhaka against 200,000 public servants.²⁶⁶ The public sector provides accommodations to only about 2 percent of government employees.

ii) Private Sector: Given limited resources in the country, it is almost impossible for the government to ensure housing for all. The private sector plays a vital role regardless of high, middle, and low-income people for the past two decades in providing accommodation. In Dhaka, the private housing sector accounts for approximately 93% of the total supply, while public sector housing only accommodates approximately 7% of the market supply.²⁶⁷

Despite the enormous unmet demand for housing, developers could not exploit the market due to some problems. A favorable investment climate is yet to develop to use the full potential of the real estate industry. As observed by the World Bank, the housing development process was lengthy and costly, attributed to the poor preparation of master plans and the shortage of planning professionals

²⁶⁵ Nahrin, K (2018). Analysis of inclusionary housing as an urban planning instrument of the North in the South: the context of Dhaka. Urban Development Issues, vol. 58. p.22.

²⁶⁶ BIGD (2017). State of Cities 2017: Housing in Dhaka (Dhaka: BIGD, BRAC University). p.33

²⁶⁷ RAJUK (2015). Dhaka Structure Plan 2016–2035 (Dhaka: Ministry of Housing and Public Works, Govt. of Bangladesh). p.6-3.

in the public sector, land acquisition, inadequate infrastructure provision, construction, and mortgage financing.²⁶⁸ For example, a developer must have to go through 11 procedures to get a construction permit.²⁶⁹ According to the World Bank source, the number of days needed to obtain a construction-related permit in Bangladesh was estimated at 53.4 in 2013.²⁷⁰ The absence of transparency, weak competition, underdeveloped structure (such as second-tier lenders), and lack of a level playing field for financial institutions were the main features of the housing finance market.²⁷¹ The weak housing finance market stood as a barrier to developers' smooth functioning. Figure 1.5.3 displays the supply of apartments in Dhaka city since 1991.

In estimating the average rate of change in supply in response to a unit change in time, the regression equation was computed. The period covered was 1982-2013. Analysis of the regression equation indicates that the average rate of increase of apartments per year measured in terms of regression coefficient in response to year was estimated at 484.03 units. The said equation was statistically significant at 0.00 level, and R^2 for the equation reflecting the equation's explanatory power was estimated at 0.72. In 2011, the highest number of apartments (17300) was supplied, and the lowest number of apartments provided was 164 units in 1982. The inter-year variation in the supply of apartments measured in terms of standard deviation was 5363.53 during the period under review.

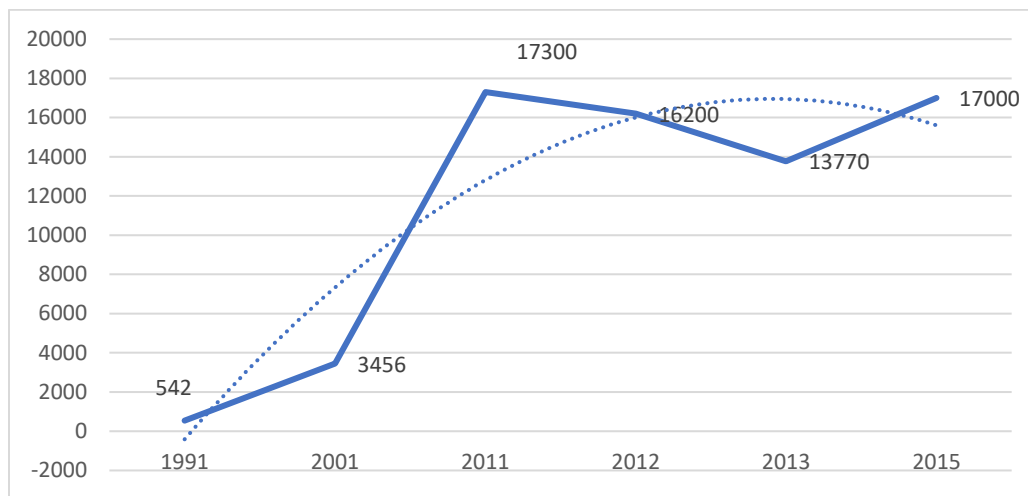
²⁶⁸ Nenova, T (2010). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda (The World Bank: Washington, DC) . p.15

²⁶⁹ The Economist (September 19, 2012). Procedure of Getting A Construction Permit in Bangladesh. Retrieved on March 5, 2021 from <http://bangladesh-economy-businessmen.blogspot.com/2012/09/procedure-for-dealing-with-construction.html>

²⁷⁰ Siddiqui, M.S (2019). Hurdles to acquiring RAJUK and CDA permits. Retrieved on March 4, 2021 from <https://dailyasianage.com/news/208499/hurdles-to-acquiring-rajuk-and-cda-permits>

²⁷¹ Nenova, T(2010).). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda. Op. Cit. p. 83

**Figure 1.5.3:
Trends in the supply of apartments in Dhaka city since 1991**



Sources: Dhaka Structure Plan:2016-2035 Draft. p. 118
Data on the number of apartments in 2015 was collected from BIGD (2017). The State of Cities 2017: Housing in Dhaka. Op. Cit. p.34:

iii) Cooperative Housing: One of the suppliers of housing in Dhaka city is cooperative. A cooperative society aims to provide dwellings to members at lower prices than a similar home in the open housing market. A housing cooperative's prime objective is to provide a serviced plot for housing or the right quality house at affordable costs. Real estate owned by housing cooperatives is run by the members who are not guided by the profit motive. Hence, cooperative societies are not subject to speculation. The benefits members derive from the harmonious housing society include effective maintenance of buildings, proper use of shared space, homogeneity in community, and social interaction. Such an organization contributes to social cohesion and community belongingness. In Dhaka city, the concept of cooperative housing is yet to be popular amongst low, middle-income, or households belonging to the lower-income groups. Government initiative in popularizing cooperative housing amongst middle and low-income families through allotting land for a group of people who cannot afford to apply individually for a plot for house construction may ease housing problems.

In the last decade, the number of housing cooperative societies declined to 58 in 2017 from 70 in 2010, while the number of cooperative members during the given period increased. The annual average growth rate of memberships was estimated at 5.77 percent, and the average growth rate of the share capital of the societies was 30.83 percent during 2010-2017. Table 1.5.6 shows the

trends in the selected parameters of housing cooperatives in Dhaka city.

Table 1.5.6:

Trends in the number of housing societies, members, and share capital in Dhaka city since 2010.

| Variables | 2010 | 2011 | 2014 | 2015 | 2017 | Growth Rate (%) |
|----------------------------|--------|--------|-------|--------|--------|-----------------|
| No of Societies | 70 | 70 | 60 | 58 | 58 | -2.65 |
| No of members | 13801 | 13811 | 20408 | 20270 | 20441 | 5.77 |
| Share Capital (in lakh Tk) | 142.64 | 142.64 | 27.17 | 903.70 | 935.75 | 30.83 |

Source: BBS (2012). Statistical Yearbook Bangladesh-2011 (Dhaka: Ministry of Planning, Govt. of Bangladesh). p. 355;

BBS (2020). Statistical Yearbook Bangladesh 2019 (Dhaka: Ministry of Planning, Govt. of Bangladesh), p.378

Note: Data for 2016 was not available.

1.5.4.3 Gap between Demand and Supply:

As estimated in a business review, the yearly requirement of dwelling units to the added population in Dhaka city is more than 120,000 household units. In comparison, the supply of housing units is about 25000 units in the private sector. Out of the total supply of 25000 units per year, real estate development companies supply about 15,000 units. The rest are provided by individual landowners and independent developers who are not REHAB members.²⁷² Vigorous and diverse public financing schemes need to be devised and made available to improve housing situations.

1.5.5 Government Intervention: City Development Plans:

After independence in 1971, Dhaka became the nucleus of administrative activities. Over time, there has been the peripheral expansion of Dhaka city through encroachment on low-lying land, wetlands, agricultural land, and environmentally sensitive areas.²⁷³ As Dhaka city's growth was allowed for more than a century in an unplanned way, settlements were dense with narrow streets and poor drainage.

²⁷² IDLC Finance Limited (2018). Affordable Housing: Capturing Bangladesh's "Missing Market". IDLC Monthly Business Review Volume 14, Issue 9 (September 2018). p.7

²⁷³ Kasphia Nahrin, N (2018). Analysis of inclusionary housing as an urban planning instrument of the North in the South: the context of Dhaka. Urban Development Issues, vol. 58. p.22.

In overcoming the problems arising out of unexpected growing and extension of the city, Government endeavored to intervene city development through urban planning with regulatory bodies. The following paragraphs are devoted to providing an overview of the history of Dhaka city development plans.

- i) ***Geddes' Report: Dhaka Master Plan (1917):*** With the change in the political and administrative setup in the then Bengal, several programs were undertaken to develop Dhaka. Patrick Geddes proposed a master plan to the Government in 1917. His report was a 22-page document divided into nine chapters. Factors taken into account in preparing the plan included the geography of Dhaka and social aspects. Some argued that his proposal was a sketchy guideline for the future development of the city. The main drawbacks of the plan, as viewed by Hayder, were incompleteness and lack of details.²⁷⁴ Geddes's plan was designed to conserve the city's indigenous character and make plans to accommodate growth and expansion. He divided Dhaka city into zones in his plan, which offered an outline for developing the old town area with offices and residential buildings around Ramna Green.²⁷⁵ However, the plan was not adopted formally, and no efforts were made to implement the same.²⁷⁶
- ii) ***Minoprio, Spencely, and Mcfarlane Plan- Dhaka Master Plan (1959):*** In an attempt to develop urban areas, the government enacted the Town Improvement Act 1953. Later on, in 1956, the Government established the Dhaka Improvement Trust (DIT) to improve Dhaka city's urban conditions under the Town Improvement Act 1953. Under the Technical Cooperation Scheme of the Colombo Plan, the British Secretary of State for Commonwealth Relations instructed Minoprio, Spencely, P.W. Macfarlane, the London-based architects town-planning consultant, to prepare the first Master Plan (FMP) for the area covered by DIT.²⁷⁷ The consultants prepared the first comprehensive master plan for Dhaka in 1958 for a 20-year planning horizon (1958-1978), and the same was published in 1959.²⁷⁸ When designing a master plan, the city's population, including those in the suburb of Narayanganj and surrounding areas, was one million. The Master

²⁷⁴ Hayder, Z. (1987). Organic Cities and the Case of Patrick Geddes in Dhaka. Architecture. (Massachusetts, Massachusetts Institute of Technology). P.12

²⁷⁵ RAJUK, Govt. of Bangladesh (2015). Dhaka Structure Plan: 2016-2035. p.1-13

²⁷⁶ Kabir, A. and Parolin, B (2012). Planning and Development of Dhaka – A Story of 400 Years . Presented the paper at 15th International Planning History Society Conference, 15-18 July 2012 held at Brazil. p.13.

²⁷⁷ Iqbal, I (2013). First Master Plan for Dhaka City: An Environmental Exploration. (Berlin: Südasiens-Chronik - South Asia Chronicle 3/2013, S. 42-61). p.48.

²⁷⁸ Kabir, A. And Parolin, B (2012). Op. Cit.

Plan aimed to provide a comprehensive plan to cope with Dhaka's anticipated rapid population growth and offer planning principles rather than a detailed and inflexible scheme.

The plan was designed to provide a comprehensive plan for the anticipated rapid population growth of Dhaka. As Dhaka was the provincial capital, planners gave due importance to its physical, social, economic, and cultural aspects.²⁷⁹ The report suggested that the Dhaka Improvement Trust would be the planning authority, which would function with other government authorities' help.

The objective of the DIT was to improve the physical condition of Dhaka City. In 1956, the Dhaka Improvement Trust (DIT) was replaced by RAJUK and covered 320 square miles or 82,880 hectares. The consultants warned about the concentration of national administration, industry, and population in the capital city. They were aware of the problem of overcrowding and the unplanned growth of capital cities.²⁸⁰ In addition to Dhaka City, the plan also covered Narayanganj and Tongi Municipalities and their surrounding areas. The consultants suggested three to four acres per 1,000 people in Dhaka for shared benefits, two acres for public parks, and two acres for common neighborhood areas, especially playgrounds.

Although the plan was rich in content, there were hardly any concrete schemes and administrative mechanisms to ensure compliance. The laws were not adequate to facilitate resolving habitation problems. The existing rules needed readjustment with changes in the demands of an expanding city and target groups. The rigid land-use zoning of the Master Plan (1959) was viewed to be out of date as a basis for further development management. Rules, regulations, and administrative mechanisms, framed so far, were not responsive to address the habitation problems. The rigid land-use zoning of the Master Plan (1959) was out of date as a basis for development management.

iii) ***Dhaka Metropolitan Area Integrated Urban Development Project (DMAIUDP), 1981:***

In 1981, the Second Master Plan for Dhaka city was prepared. This plan was viewed as the first urban development strategic plan of the country. The project aimed to design a long-term development strategy for future Dhaka City.²⁸¹ ADB and UNDP supported the plan. Flood protection was the main focus of the plan. The plan provided three alternatives of a long-term growth strategy for the development of Dhaka, which included (1) Comprehensive Flood

²⁷⁹ Hossain, B. and Wadood, S.N. (2020).. op. cit. p.450.

²⁸⁰ Ibid. p.

²⁸¹ RAJUK, Govt. of Bangladesh (2015). Op. cit. p.1-14.

Protection, (2) Peripheral Growth, and (3) Northern Expansion. The plan recommended the northern expansion of the urban area to accommodate approximately 9 million people by 2000.

The Dhaka Metropolitan Area Integrated Urban Development Project (DMAIUDP) was prepared between 1979-1981 with UNDP and ADB's financial assistance. The Planning Commission executed the project under the Ministry of Planning. The project aimed to design a long-term development strategy for future Dhaka City with flood protection as the primary focus. The most crucial policy issues dealt with in the DMAIUDP were economy, physical planning, socio-cultural aspects, etc.

Despite some of its strengths, DMAIUDP was not implemented. The potential cause for why the project has not been carried out, as observed in a report, included the nature of the project being not statutory, a project being undertaken by the Planning Commission which was not empowered to execute a plan or policy, and the lack of adoption of the recommendations as Dhaka development policies by the highest body of the government.²⁸²

iv) ***Dhaka Metropolitan Development Plan, DMDP (1995-2015)***: The Dhaka Metropolitan Development Plan (DMDP), a multi-sectoral development plan within the RAJUK administrative area, was formulated in 1995 by the UNDP's technical assistance. The World Bank and the Asian Development Bank also collaborated. The major components of the DMDP were: Urban Area Plan (UAP), Structure Plan, and Detailed Area Plans (DAP). RAJUK administered the DMDP under the Town Improvement Act 1953. The government decided to provide a long-term strategy for 20 years (i.e., 1995-2015) to develop the Dhaka Metropolitan Area with 1,528 sq. km.²⁸³

Some of the significant development policies encapsulated in the plan included areas of high agricultural value, Flood Flow Zones, Flood Retention ponds, Land Resource Optimization, Urban Fringe Development Acceleration, Special Economic Zones, Open Space, Improved Access to and within the CBD, Eastern Bypass, Commuter Rail Network, and Satellite Town Development.²⁸⁴

Urban Area Plan (UAP) was prepared for the ten years with effect from 1995 (i.e., 1995- 2005) based on the structure plan concepts. The areas covered by the plan included the existing urban space and its adjacent areas. The UAP gave each of the 26 Spatial Planning Zones' (SPZ) salient features, including DCC, Narayanganj, Jinjira, Uttara, and the Eastern Fringe. The UAP covered

²⁸² RAJUK, Ibid.

²⁸³ Ibid. p. 2.

²⁸⁴ Ibid. Pp.3-4.

the existing urban area and its adjacent areas. The UAP described the salient features for each of the 26 Spatial Planning Zones (SPZ) and DCC, Narayanganj, Jinjira, Uttara, and the Eastern Fringe. Besides, the outlying areas of Tongi, Gazipur, Savar, and Dhamarai/Dhamsona were considered as the SPZ.²⁸⁵

In 2008, a draft Detailed Area Plan (DAP) was prepared based on the concepts of Structure Plan (SP) and Urban Area Plan (UAP). The plans provided more detailed planning proposals for specific sub-areas called Detailed Planning Zone (DPZ), which were smaller than Spatial Planning Zones used in the UAP.²⁸⁶ As viewed by experts, DMDP 1995-2015 was quite comprehensive, setting strategic directions and spatial development policies. The plan was approved in 2000 but was not implemented without making any objective scrutiny.²⁸⁷

v) **Dhaka Structure Plan 2016-2036:** Dhaka Structure Plan 2016-2036 (DSP), funded by the Asian Development Bank (ADB), was prepared under the Regional Development Planning (RDP) Project within the City Region Development Project. The Rajdhani Unnayan Karttripakkha (RAJUK) under the Ministry of Housing and Public Works was the implementing agency on behalf of Bangladesh's Government (GoB). A team of international and national consultants began its work in 2012 and completed it in March 2015.²⁸⁸ The RDP project's main objective was to study the existing DMDP (1995-2015) and prepare a revised and updated Strategic Plan based on past experiences. The RDP project's other objectives included conducting a feasibility study for a new satellite city and facilitate the RAJUK professionals' capacity building. As viewed by Mowla, the Dhaka Structure Plan 2016-2036 in its current format was a failure and required gross revision, as the said plan did not comply with the main ToR of the RDP under CRDP.²⁸⁹

DSP 2016-35 borrows heavily from the immediate past structure plan, but there was hardly any indication of drawing lessons from past mistakes or failure to match the plan's actual activities.

²⁸⁵ Ibid. p.11-4.

²⁸⁶ Ibid .

²⁸⁷ Mowla, Q.A (2016). Review of Dhaka Structure Plan 2016-2035. Pp.3-4. Retrieved on December 16, 2020 from

https://www.researchgate.net/publication/291973110_Review_of_Dhaka_Structure_Plan_2016-2035

²⁸⁸ Saman, et al (2015). Dhaka Structure Plan 2016-2035 p.1. Retrieved on December 16, 2020 from

²⁸⁹ Mowla, Q.A (2016). Review of Dhaka Structure Plan 2016-2035 p.7. Retrieved on December 22, 2020 from https://www.researchgate.net/publication/291973110_Review_of_Dhaka_Structure_Plan_2016-2035

One of the DSP 's prime tasks was to review the past plans to draw lessons for future strategy. Swapan et al. observed that the Detailed Area Plan proposed under DMDP did not integrate and consider local stakeholders' interests, making it more challenging to implement DAP in Dhaka successfully.²⁹⁰

1.5.6 Review of Dhaka City Planning

Dhaka has a long history of urban planning exercises. But for one reason or another, land interest groups never allowed the policymakers to implement the same. Dhaka's structure plans were prepared since Patrick Geddes first presented his ideas for Dhaka's development in 1917. Historically with no exception, none of the past successive plans were implemented, and no significant endeavors to ensure compliance of urban development with the structure plan were made. Dhaka city ranks near the bottom of the world's worst cities in 2015.' The overall Livability index score was 38.7 out of 100 ²⁹¹, and Dhaka's rank position was 139 out of 140 countries.²⁹². Dhaka city is considered one of the least livable countries in the world. The cause for the poor state of the city is the lack of proper urban planning. The approach to urban planning is purely reactive rather than proactive. From time to time, plans were prepared, but most of the time they were shelved.²⁹³

Urban planning, particularly Dhaka city, needs to prioritize addressing burning issues in making Dhaka city livable. As identified by the World Bank, the salient challenges to further urban growth include flooding, congestion, and messiness.²⁹⁴ Over 50 years, government agencies were involved in urban development and services provided in the Dhaka CCs (ADB 1998).²⁹⁵ Until now, however, no effective coordination system for various Government agencies could be developed.

²⁹⁰ Swapan, M.S.H. et al (2017). Transforming Urban Dichotomies and Challenges of South Asian Megacities: Rethinking Sustainable Growth of Dhaka, Bangladesh. Urban Science . 2017, Vol. 1, No. 31.. p.17.

²⁹¹ The Economist Intelligence Unit Limited (2015). A Summary of the Liveability Ranking and Overview August 2015.(London: The Economist Intelligence Unit Limited). p.6.

²⁹² The Economist Intelligence Unit Limited (2015). Liveability ranking and overview (London: The Economist Intelligence Unit Limited). p.4. The livability score is based on the combination of all the factors surveyed across the five main categories, which include Stability (50), Healthcare (29.2), Culture & Environment (43.3), Education (41.7), and Infrastructure (26.8).

²⁹³ Mowla, Q. A (2016). Review of Dhaka Structure Plan 2016-2035. P.6. Retrieved on December 4, 2020 from file:///C:/Users/bhatt/Downloads/Review_of_Dhaka_Structure_Plan_2016_2035.pdf

²⁹⁴ Bird, J. et al (2018). Toward Great Dhaka: A New Urban Development Paradigm Eastward. (Washington, DC: The World Bank). p.17.

²⁹⁵ Ibid. p.37.

It is high time that policymakers need to take up Dhaka city planning on a priority basis. The proposition that issues like traffic congestion, environmental pollution, and compliance with the building code to avoid the collapse of the high-rise building can not be addressed in isolation of the city structure plan deserves consideration of the concerned authorities.

Chapter II

Review of Literature

The survey of the literature is divided into six sections. The first section focuses on the literature on population, urbanization, and housing. The second section is devoted to various publications on housing demand and supply. The third section reviews the literature on factors influencing demand and supply. The fourth section addresses the issues relating to house purchase behavior and clientele perception of factors. The fifth section concentrates on the literature on the housing finance system, problems, and policy. The sixth section contains reviews of papers on bank loan purchase behavior and internal market orientation.

2.1 Population, Urbanization, and Housing

Rahman (1990)²⁹⁶, in his paper highlighted how the problem of housing low-income populations in developing nations is evolving, and strategies to provide a more sustainable solution. The study focused on how housing may be used as a mechanism to bring about a workable solution to the ongoing housing issue. According to the author, housing sustainability cannot be realized without taking into account all relevant aspects of other associated urban development sectors.

Vijayalakshmi (2001)²⁹⁷, in her study analyzed the impact of housing policy in general and sites and services schemes in Chennai city in particular. The author observed that the availability of necessary infrastructure facilities determined the occupancy rate. As revealed in the study, social obligation took precedence over that of housing in the areas. The author concluded that the housing moves led to improve the mover's living conditions in Chennai city.

CPD (2003) prepared a report on "Strengthening the Role of Private Sector Housing in Bangladesh Economy: The Policy Challenges."²⁹⁸ The issues covered by the report included major challenges

²⁹⁶ Rahman, M (2011) Sustainable Squatter Housing in the Developing World: Changing Conceptualization.. International Journal of Architectural Research, Vol. 5, Issue 1 (March 2011).

²⁹⁷ Vijayalakshmi, M (2001). Impact of housing policy: sites and services schemes in Chennai. Review of Development and Change , Vol. 6, Issue 2 (December 2001).

²⁹⁸ Center for Policy (2003). Strengthening the Role of Private Sector Housing in Bangladesh Economy: The

before the housing sector, contribution of the real estate sector, growth in the real estate, size of the real estate sector, housing sector trends in the output of the real estate business, market structure, legal and regulatory framework, financing the housing sector, budgetary measures in the FY2003 budget, policy challenges and critical issues. The keynote speaker pointed out that the top 10 companies still dominate about 95 percent of the business. He further observed that the reasons for the development of the real estate business in Dhaka city were: a scarcity of open spaces in important parts of the City, hazards of purchasing land, the rapid increase in the population of Dhaka, fiscal-financial incentives, and remittance flows. The keynote speaker observed a drop in housing output in 2000 compared to the production during the peak years of the 1990s. Factors causing poor performance in the sector included the economic downslide, global recession, and the poor law and order situation.

A World Bank study conducted in (2007)²⁹⁹ focused on analyzing critical issues for the poor. The analysis provided a platform for developing policy reform recommendations to meet the urban poor's growing challenges and urgent needs. The study concluded with few recommended priorities for poverty reduction. Chapter 3 reviewed the poor's shelter situation, policy constraints, and improving housing conditions for the urban poor. It was observed that the poor could not avail themselves from the opportunity of ownership of land and housing. The constraints mentioned in the study included unresponsiveness in pricing signals for a large portion of the City's land, an enabling housing policy without enablers, failures of coordination and services at the local level, and NGOs' limited role in housing urban poor.

Ahsan and Quamruzzaman (2010)³⁰⁰ conducted a study to examine housing implications in developing countries in the informal sector. As revealed by the authors, informal housing's distinguishing features included “insecurity of tenure, low standard of infrastructure and services.”

Policy Challenges (Dhaka: Center for Policy Dialogue (CPD)). Report No. 64 (November 2003).

²⁹⁹The World Bank Office, Dhaka (2007). Dhaka: Improving Living Conditions for the Urban Poor (Dhaka: The World Bank Office). [Bangladesh Development Series Paper No. 17].

³⁰⁰Ahsan, R. and Quamruzzaman, J.M (2019). Informal Housing and Approaches towards the Low-income Society in Developing Countries.. Retrieved on February 2, 2021 from https://www.researchgate.net/publication/228453920_Informal_Housing_and_Approaches_towards_the_Low-income_Society_in_Developing_Countries

They observed that some of the resettlement programs had some success, but in many cases, the evicted people returned to the inner City again after selling off their houses.

BBS (2015)³⁰¹ conducted a study on population distribution and internal migration in Bangladesh in collaboration with the Department of Statistics, the University of Rajshahi, to estimate the patterns, trends, and prospects of population distribution and internal migration in Bangladesh. The study's specific objectives included the nature and pattern of population distribution, the trend of internal migration, internal migration factors, and migration flow, measuring the causes and effect of internal migration, and investigating the socio-economic profile and demographic characteristics. The study also focused on housing characteristics and the living standard of internal migrants.

The study conducted by **Bangladesh Housing, Land and Property (HLP) Rights Initiative (2014)**³⁰² aimed at identifying and clarifying the existing institutional framework to ensure human rights and precisely the housing, land, and property rights of all climate displaced persons in Bangladesh. The areas covered by the study were government ministries and agencies relevant to climate displacement in Bangladesh, existing policies and laws in Bangladesh relevant to climate displacement, NGOs, civil society organizations, and networks pertinent to displaced persons' settlement.

Shams et al. (2014)³⁰³ explored the pattern of housing development under the public sector. They also examined the role played by microfinance institution Government's policies and strategies for the middle and low class. The major issues covered in the paper included conceptual dimensions of megacity, profile of Dhaka Megacity, housing problems, urban formal and informal housing, new housing and rent levels. The study also encapsulated promotional role of microfinance institutions for the

³⁰¹ BBS(2015).Population Distribution and Internal Migration in Bangladesh .(Dhaka: SID, Ministry of Planning, Govt. of Bangladesh)

³⁰² Bangladesh Housing, Land and Property (HLP) Rights Initiative (2014).Climate Displacement in Bangladesh: Stakeholders, Laws and Policies - Mapping the Existing Institutional Framework (Dhaka: Displacement Solutions & Young Power in Social Action (YPSA))

³⁰³Shams, S. et al. (2014).Housing Problems for Middle and Low Income People in Bangladesh: Challenges of Dhaka Megacity. Environment and Urbanization Asia, Vol. 5, Issue 1.

urban poor, and strengthening public institutions and implementing the national housing policy. The rural poverty, river erosion, and natural calamities were responsible for the increasing trend of urban migration. The authors observed that the public sectors could not properly address the accommodation issue for middle and low-income people. The authors felt the need for a legal framework and strategic planning through public-private partnership (PPP) to reduce housing shortage.

As revealed by the report of the **Housing and Public Works (2016)**³⁰⁴, more than fifty percent of the population in the urban areas were concentrated in Dhaka, Chittagong, and Khulna city areas. It was further observed that the lack of basic amenities, slums, and untreated industrial waste disposal stood as problems in the big cities. There was improper land development in the urban areas. It was observed that low-lying lands, ponds and canals were filled up for housing constructions. This caused waterlogging and created the problem of drainage. Unplanned road construction without appropriate environmental provision added to the existing problems. The report also described regulatory measures for building construction.

Bird et al. (2018)³⁰⁵ conducted a study entitled “Toward Great Dhaka: A New Urban Development Paradigm Eastward” sought to analyze how East Dhaka's opportunity could be realized. The study simulated population, housing, economic activity, and commuting times across the 266 unions that constituted Greater Dhaka. The major issues covered by the monograph included the critical challenges, urban development scenarios, modeling city growth, Dhaka in 2035, and returns and financing.

Alam (2018)³⁰⁶ carried on research to identify the effects of changing land values in Dhaka.. The study included the issues the land values which created land speculation amongst concern parties. The increasing trend in land values motivated the developers to go for housing construction in the restricted areas such as lakes, canals, flood zones, ditches, and channels used for drainage. The

³⁰⁴ Urban Development Directorate (2016). Bangladesh Country Report: HBITAT III (Dhaka: Ministry of Housing and Public Works, Govt. of Bangladesh).

³⁰⁵ Bird, J. et al (2018). Toward Great Dhaka: A New Urban Development Paradigm Eastward (Washington, DC.: International Bank for Reconstruction and Development).

³⁰⁶Alam, M.J (2018). Rapid urbanization and changing land values in mega cities: implications for housing development projects in Dhaka, Bangladesh. *Journal of Global South, Bandung*. Vol. 5, No.2.

author further indicated that rapid urban expansion through informality might have resulted in natural hazards of flooding, waterlogging, lakes and canals-filling, loss of forests, illegal land grabbing, and low landfilling in the urban periphery.

NIPORT and ICF (2019)³⁰⁷ conducted a study to generate data for monitoring and evaluating the performance of the Health, Population, and Nutrition Sector Program (HPNSP). The survey provided estimates of 14 indicators used for program monitoring. The survey also generated data about household characteristics and possessions covering both rural and urban areas. As revealed by the study, the proportion of households using cement as floor material of the house during 2017-18 was 33.5 percent in the country, while the same for rural areas was 21.8 percent and the same for the urban area was 63.3 percent. Similarly, the proportion of households using cement as roof material was 13.5 percent and the same for the metropolitan area was 30.5 percent, and the figure for the rural area was 6.8 percent. Data are indicative of the qualitative dimensions of housing in Bangladesh.

Akter and Akram (2020)³⁰⁸ conducted a study to describe housing policy development during different times and identify if the policy could meet the housing challenge for all. They observed that the physical quality of housing was not satisfactory in Bangladesh. Beneficiaries of the policies were the elite class people. They viewed that habitable housing for the poor rural and urban dwellers was still a myth than a reality.

2.2 Demand and Supply of Housing

In a paper entitled “Housing supply in Delhi” by **Sivam (2003)**³⁰⁹, the author reviewed the housing issues associated with the system of housing delivery in the Delhi city. As revealed by the study, multiple sectoral approaches were required to resolve the issues of housing delivery

³⁰⁷NIPORT and ICF (2019). Bangladesh Demographic and Health Survey 2017–18: Key Indicators (Dhaka: Ministry of Health and Family Welfare, Govt. of Bangladesh).

³⁰⁸Akter, M.S. and Akram, A.B (2020)..Trend of National Housing Policy: Bangladesh Perspective (Can meet the challenge of housing for all?). International Journal of Research and Innovation in Social Science (IJRISS) , | Vol. IV, Issue I, (January 2020).

³⁰⁹Sivam, Alpana (2003). Housing supply in Delhi, Cities, Vol. 20, No. 2.(Elsevier Science Ltd, UK).

system. The author observed that improvement in the essential infrastructure might improve housing and its quality in the informal sector.

Khan and Barua (2009)³¹⁰ conducted a study entitled “The Dynamics of Residential Real Estate Sector in Bangladesh: Challenges Faced and Policies Sought.” The study's objectives were to review the existing conditions, financing condition, market structure, growth and the potentiality of Bangladesh's housing sector. The significant areas included demand and supply analysis and critical factors influencing the business in the housing sector. The factors favoring the expansion of the real estate business, according to the authors, included the rise in house rent, increasing demand for housing and population, getting comfortable financing facilities, rapid urbanization, the inadequacy of land, and other factors.

The paper entitled “Housing demand and housing policy in urban Bangladesh” by **Ahmad (2014)** gave estimates of the demand for housing and the attributes of housing in the urban areas of Bangladesh.³¹¹ The sample size of the population was 4400 owners, renters, and squatter type of households. It was observed that the demand of housing was inelastic in respect to price, and income. The study revealed that income elasticity was more than the price elasticity in absolute terms. He further as observed by him the owner and renter households valued quality, sanitation, electricity, and a living room and dining room/kitchen. On the other hand, squatter households emphasized on space, pit latrine, electricity and water supply. Regardless of differing submarkets the strategy of increasing income was viewed to be effective means of enhancing housing development.

A research study was undertaken by a team or a researcher not mentioned in the report was **sponsored by REHAB (2012)**.³¹² The study's broad objective was to investigate various housing aspects and generate market-related data for the decision-making. The significant issues covered by the survey included the evolution of Dhaka city, real estate business, buyer behavior,

³¹⁰Khan, M.S. and Barua, S (2009).The Dynamics of Residential Real Estate Sector in Bangladesh: Challenges Faced and Policies Sought. Journal of Management Studies, Department of Management Studies, University of Dhaka (December, 2009 issue)

³¹¹Ahmad, S (2014). Housing demand and housing policy in urban Bangladesh, Urban Studies Journal Limited, Vol 52, Issue 4, 2014.

³¹² REHAB (2012). A Comprehensive Study on the Real Estate Sector of Bangladesh (Dhaka: Real Estate and Housing Association of Bangladesh (REHAB))

respondents' perception towards the real estate sector, bank loan facility, savings scenario of the respondents, usage of a bank loan or other credit schemes, bank loan scenario, scenario of developers, the scenario of the buyers of apartment, market demand analysis. Some of study's specific objectives included NRB investment in this sector, assessing the market trend, assessing the price hikes of land as well as apartments, and identifying various categories of prospective buyers.

BIGD, BRAC University (2017), conducted a study on the state of cities in 2017³¹³. The issues investigated by the team included reviews of the current housing policies, the institutional framework, the adequacy of housing considering both the supply and demand-side factors, the aspects of affordability of housing in Dhaka, four essential housing services (water, electricity, gas, and waste management) and the disaster preparedness of housing units, and tenant security.

MTB Group R&D (2017)³¹⁴ steered an investigation on Real Estate Market in Bangladesh.” The issues covered by the study included urbanization and real estate, demand and supply, market size and growth, price growth in the allied industry, and housing finance statistics. The study found that influential factors that were likely to boost the real estate market in the days ahead included positive GDP growth, there markable transformation towards urbanization, increased per capita income, the growing standard of living, declining price trend in the allied industry, and the falling rate in housing finance.

2.3 Factors Influencing Demand, Supply, and Prices

A study by **Islam (1996)**³¹⁵ examined the existing housing scenario and addressed housing delivery subsystems. The author identified the factors hindering housing growth. The factors constraining housing development, according to the author were inequitable social structure, rapid population growth low income, the lack of effective public policy, and a unfavorable

³¹³BRAC Institute of Governance and Development (2017). State of Cities 2017: Housing in Dhaka (Dhaka: BIGD, BRAC University)

³¹⁴MTB Group R&D (2017).Real Estate Market Bangladesh. MTBiz (Monthly Business Review), Vol. 8, Issue 04 (May 2017)

³¹⁵Islam, N (1996).Sustainability Issues in Urban Housing in a Low-income Country: Bangladesh. Habitat International, . Vol. 20, No. 3,(1996).

environmental conditions. Policy issues towards housing policy, according to the author, were making access to housing finance, following Grameen Bank's housing credit model, accessibility to land, building standards, and availability of material for building construction at low price materials and increasing involvement of the community.

In association with Techno Consult International Limited, SENES Consultants Limited prepared a final report based on **research in 2007**.³¹⁶ One of the study's prime objectives was to assess the process of formulating the Detailed Area Plans (DAPs) underway since 2005. The team identified constraints to implementing plans, including inadequate planning capacity, lack of local consultants' competency, and ineffective Technical Management Committee responsible for overseeing plan preparation. Some of the issues affecting the environment were increasing overcrowding, unplanned development in fringe areas and encroachment, surface water pollution, reliance on and depletion of groundwater, increasing vulnerability to floods, and inadequate sanitation and sewage network. The measures suggested by the team included strengthen the DAP planning process, engaging stakeholders in urban planning, enhancing communication with other players involved in the urbanization process. The team's short/medium-term actions included developing strategic planning directives for urban growth and evolving appropriate funding procedures for local development projects.

Yoko Moriizumi (2003)³¹⁷analyzed the targeted savings by renters for housing purchases in Japan. He found that the accumulation period was longer in Japan compared to other developed countries. As revealed by the study the average age of first-time house buyers was 40. This was higher than that in other developed countries. Household's wealth accumulation towards purchasing a house hurts the consumption budget severely.

Levy et al. (2008)³¹⁸, in their paper explored family decision making from the perspectives of two key agents involved in the formation of local property markets, estate agents, and a mature family

³¹⁶SENES Consultants Limited and Techno Consult International Limited (2007). Dhaka Metropolitan Development Plan Strategic Environmental Assessment (Washington, DC: The World Bank).

³¹⁷Moriizumi, Y (2003). Targeted saving by renters for housing purchase in Japan. *Journal of Urban Economics*, Vol. 53, Issue 3. (May 2003).

³¹⁸Levy, Deborah et al. (2008). Influences and Emotions: Exploring Family Decision-making Processes when Buying a House. *Housing Studies* Vol. 23, No. 2 (March 2008)

members who bought an apartment/house. As revealed in study, the members of the extended family participated in making purchase decision of the houses. The authors found that social collectivities influenced the decision-making process.

Al-Homoud et al. (2009)³¹⁹, in their paper identify the potentials and problems faced by the households belonging to the low-income category. The most plausible causality of undersupply of low-income housing was due to some controllable and uncontrollable variables. The controllable variables included capacity building, lack of human resources, and sales advertising, lack of marketing skills, technology and the lack of availability of appropriate building technology and unavailability of land. Uncontrollable variables were small capital operation and difficulties in bank loans and lending, government policies, social and cultural factors like a rejection of borrowing from financial institutions for religious reasons.

Gao (2011),³²⁰ in his study intended to identify the factors that influence homeownership and the accessibility of housing loans. The author sought to investigate the impact of homebuyers' socioeconomic factors such as gender, age, marital status, education, economic status, and race on the accessibility of housing loans in urban China. The data used in the study were derived from a household survey conducted in Nanjing City, Jiang Su Province of China, in November 2010. The author observed that there was a significant positive relationship between the respondent's decision in purchasing houses and the socioeconomic factors such as gender, race, educational attainment (Bachelor Degree), the number of dependents (less than two), and credit card ownership.

Labib et al. (2013)³²¹ conducted a study to identify the buyers preferences for location of houses, its size, and the factors considered for selection of the flats at different places in the Dhaka city. The research project was based on empirical data. As identified by the authors, the prime factors considered for choosing a flat site were residential environment, budget, and communication in

³¹⁹Al-Homoud, M. et al (2009). "The low-income housing market in Jordan". International Journal of Housing Markets and Analysis, Vol.2, No.3.

³²⁰ Gao, X (2011). Accessibility of Housing Loan Affect on Homeownership in Urban China: A Case Study of Nanjing (Canterbury: Lincoln University, Canterbury, New Zealand). M.Com thesis.

³²¹Labib, S.M. et al (2013). Location and Size Preference for Apartments in Dhaka and Prospect of Real Estate Market. Bangladesh Research Publications Journal, Vol. 9, Issue 2 (November - December, 2013)

different places. As revealed in the study, the dominant demand for the apartment size was 1200-1600 square feet. The preference of the location by the developers' coincide with the buyer's emphasize.

Akelola (2016),³²² in his dissertation adopted the “Stock-flow” model to establish the possible relationships that exist between housing supply and the various independent variables. Time series data for the period 1984–2014 were used. Independent variables chosen for the study were population, mortgage cost, income per capita, per unit construction cost, land unit price, and the dependent variable was the Nairobi county's housing supply. The author observed that construction costs and mortgage interest rates were negatively correlated to the housing supply. In contrast, the price of land was found positively associated with the levels of housing supply. The regression results showed that only mortgage interest/ lending rates, construction cost, and land prices were jointly significant in determining the supply of housing in Nairobi County at a 1% significance level. The author further observed no substantial improvement in the housing shortage situation, mostly in the urban centers characterized by rampant growth of slums and street families. Measures suggested included additional policies requiring more checks to control the construction cost, mortgage lending rates, and land prices. The author viewed that Government should be involved inland price negotiations through its institutions to ensure that land prices are fair and do away with land speculation

Kibunyi et al. (2017)³²³ carried a study that focused on the factors that influence house prices in Nairobi, Kenya. It was assumed that housing prices would have strong positive correlations with variables like GDP, loans to the real estate sector, and remittances from diaspora, and that housing prices would have strong negative correlations with lending rates. As revealed by the study, there was positive relationship between the price of houses with GDP, remittances of the diaspora, lending rates, facility of loans with landing rate in the housing sector as well as the cost of construction of houses. Granger causality tests indicated no causal relationships between house prices and diaspora remittances. Similarly, the expected negative relationship between housing price and the lending rate did not hold.

³²²Akelola, B.I (2016). Factors Influencing Housing Supply in Nairobi County (Nairobi,; University of Nairobi, Kenya). MA thesis in Economics.

³²³Kibunyi1,D. et al (2017). Real estate prices in Kenya: is there a bubble?Journal of Housing and the Built Environment . Vol. 32, No.4 (December 2017).

The paper by **Nahrin**³²⁴ (2018) examined the need for adapting inclusionary housing policies. Site surveys, in-depth semi-structured interviews, and published materials are the data sources used in the study. The author made the observation that the absence of a legal framework, financial, and organizational support created some challenges for the implementation of an inclusionary housing policy in Dhaka. According to the author, the institutions in charge of housing, planning, and financial assistance were unable to offer affordable homes in the City. According to Nahrin, inclusionary housing policies along with efficient urban planning and sensible fiscal policy may improve housing affordability and the inclusion of the low-income group in the city of Dhaka.

Ungayi (2019)³²⁵, in a study intended to analyze factors affecting residential real estate prices in Nairobi County. In this study, the author examined micro factors on residential housing prices in selected segments and determined macro factors' influence on residential estate prices growth. Both cross-sectional and time-series data were used to assess the relationship between housing prices in real estate and selected economic variables. As revealed by factor analysis, the number of rooms, number of bathrooms, backup generator, swimming pool, balcony, parking garage, and lift (micro variables) affected house prices. The relationship was significant at a 5% level of significance. Macro analysis of time series data using Vector Error Correction Model (VECM) was used to analyze time-series data. The author observed that on the one hand, Hass price, index inflation rate, investments in real estate and GDP while forex and diaspora remittances, on the other hand, had asymmetric long-run effects on growth in house prices on average, other things remaining the same.

2.4 House Purchase Behavior and Clientele Perception of Factors

Maki (1993)³²⁶, focused on the current liquidity problems of house purchases by households in Japan. In assessing the effects of liquidity problems, the author examined the relationship between households' purchase behavior and its determinants. As revealed by the study, liquidity problems was an important factor influencing the purchased behavior of housing.

³²⁴Nahrin, K (2018). Analysis of inclusionary housing as an urban planning instrument of the North in the South: the context of Dhaka. *Urban Development Issues*, vol. 58, No. 1.

³²⁵Ungayi, Hellen Musumba (2019). Assessment of Factors Affecting Residential Real Estate Prices in Nairobi County (Nairobi: Strathmore University). Retrieved from <http://suplus.strathmore.edu/handle/11071/6620> on February 7, 2021.

³²⁶Maki, Atsushi(1993). *Liquidity Constraints: A Cross-Section Analysis of the Housing Purchase Behavior of Japanese Households*, The Review of Economics and Statistics, MIT Press,, Vol. 75 , No. 3.

Salvoa and Ermisch (1997) ³²⁷ in their study addressed the effects of some variables like a person's, lifetime earnings prospects, family background, own spells of unemployment, unemployment rate in the region, regional house prices were estimated taking into account competing risk hazard model. The timing and location of the first significant tenure were shown to have substantial implications on how many years a person spent in each tenure throughout the course of their lifetime, according to the observed matrix of following tenure transitions.

Moriizumi (2000)³²⁸analyzed the current wealth, house purchase, and private housing loan demand in Japan. Japanese households accumulated wealth for a down payment. The study examined the effects of wealth on personal mortgage debt as well as house purchase. The study revealed that wealth effects on selected variables (private mortgage debt, the likelihood of borrowing, and housing consumption) were inelastic. It was further observed that the number of participants in the mortgage market had effect housing and private mortgage market.

Mark and Hadge (2001) found three important reasons for switching the banks by customers. They are service failures, high pricing, and non-availability of desired services. The pricing of services was found to be the most crucial reason for the switching behavior of customers. Further, lethargy over the customers' complaints by the bank has been reported as the factor driving the customers to discontinue their relationship with the bank.

Alka and Versha (2005) analyzed the perceptions of service quality in financial services. There is a significant difference in the service quality perception of customers in public and private sector banks. The UTI bank (now Axis Bank) is shown to have the highest tangibility in terms of the staff, tangible objects, and environment. In terms of dependability, PSBs perform better than private sector banks. In terms of responsiveness, Corporation Bank leads the PSBs. Overall, the PSBs have a higher quality perception than the private sector banks.

³²⁷Salvoa, P.D. and Ermisch, J (1997).Journal of Urban Economics, Vol 42, Issue 1 (July 1997).

³²⁸Moriizumi, Yoko (2000). Current Wealth, Housing Purchase, and Private Housing Loan Demand in Japan, The Journal of Real Estate Finance and Economics, Vol.21, No, 1.

Rizal Ahmed (2005)³²⁹, aimed at addressing issues on customer retention and bonding in the twenty-first-century environment. The author examined various interaction perspectives, relationships, and the bond between customers and providers of services. The author finally developed a model of the bond between the customer of retail banking and the banks.

Selvam (2005)³³⁰ studied the customer satisfaction of banking services. It is found that the level of the loan processing period, type of attitude of the employees, drinking water, provision of modern banking affected the customer satisfaction towards the bank.

Bui et al. (2011)³³¹, endeavored to examine the effects of regret on the consumer satisfaction levels, brand-switching intention and the extent of rumination. The paper also examined mediating effects between regret and reflection due to consumers' negative emotions. They observed that brand-switching intention were found to increase with the increase in regret. They further observed that customer satisfaction level decreased with the increase in regret. Another finding was that negative emotion acted as a partially mediating variable between satisfaction levels' effect on the extent of rumination and the impact of regret on satisfaction levels.

Khare, A (2011)³³², endeavored to assess the Indian customers' perceptions towards the service quality of multinational banks. The service quality attributes assumed by the author included convenience, reliability, tangibility, personal interaction, and competence. Each of the attributes consisting of the items was measured by the Cronbach alpha (α). As revealed by the study, Indian clients towards the multinational banks had favorable attitudes of them and thought they were competent and efficient. The study further showed that Indian customers' quality perceptions differed between the two genders and across age categories.

³²⁹Ahmad, Rizal (2005). "A conceptualization of a customer-bank bond in the context of the twenty-first century UK retail banking industry". *International Journal of Bank Marketing*, Vol. 23, No. 4.

³³⁰Selvam, M (2013). "Customer Satisfaction of Banking Services: An Overview" *SAJOSPS*, July/December 2013,

³³¹Bui, My, et al. (2011). Modeling regret effects on consumer post-purchase decisions. *European Journal of Marketing*, Vol 45, No. 78.

³³²Khare, Arpita (2011). Customers' perception and attitude towards service quality in multinational banks in India. *International Journal of Services and Operations Management*, Vol. 10, No. 2.

Bapat (2012)³³³ carried on a to examine the level of penetration of banks in a village. The study examined the extent of relationship between bank accounts holders and selected factors, such as occupation, income, and asset-holding status.

Kishada and Wahab (2013)³³⁴, in their paper examined the factors affecting loyalty among the Islamic banking customers. Initially, 46 items were classified into ten factors. Element 10 had no items loaded on the component and was dropped. The remaining 9 factors identified were renamed as social value, service encounter, trust, service experience, reliability, service dependability, expectation, satisfaction, and convenience value. The construct's items have an internal consistency of more than 0.7, as determined by the Cronbach alpha. As revealed by regression analysis, trust, was only one factor influencing customer loyalty.

Velmurugan (2017)³³⁵, endeavored to identify the reasons influencing customer satisfaction. As revealed by the study, most customers are satisfied with respect to bank physical appearance followed by cash withdrawal limit at ATM counter, DD commission rate. The author observed that customer satisfaction in the public sector was influenced by their customers' perception of service quality, the occupation of customer, type of account holders. The study was limited to the Coimbatore district of Tamil Nādu. Friedman Rank test was used to identify prominent reasons that satisfy a customer. Determinants of customer satisfaction selected included place of residence, gender, age, marital status, occupation, educational qualification, family income, type of bank account, multiple bank accounts, frequency of operation, duration of holding performance, and service quality. Multiple regression equation was deployed in assessing the extent of dependence of customer satisfaction on each of the independent variables. The coefficient of determination was at 0.577, which is indicative of the need for further studies.

³³³Bapat, D (2012). Perceptions on Banking Service in Rural India: An Empirical Study, *International Journal of Rural Management*. Vol. 6, Issue 2 .

³³⁴Kishada, Zeyad M. EM. and Wahab, Norailis Ab. (2013). Factors Affecting Customer Loyalty in Islamic Banking: Evidence from Malaysian Banks. *International Journal of Business and Social Science*, Vol. 4, No. 7 (July 2013).

³³⁵Velmurugan, R (2017).Determinants of Customer's Satisfaction of Public Sector Banks, *Journal of Advanced Research in Dynamical & Control Systems*, Vol. 9, Issue 3 (May 2017)

Kampamba et al. (2018)³³⁶ conducted a study to evaluate the housing delivery system for the low income group of the Self Help Housing Agency (SHHA) in Gaborone, Botswana. The authors observed that the delivery system was effected by the behavior of the low income group. They used to see their houses to the middle income group at higher price.

Nwanekezie and Onuoha (2019)³³⁷, in their paper made an effort to identify variables influencing the access of home owners to housing finance. A survey of a cross-section of 450 respondents included 300 borrowers and 150 non-borrowers. The authors deployed discriminant analysis to compare two groups using set of the selected variable. The authors found significant differences in perception between borrowers and non-borrowers on the identified variables. The study observed that the possession of registered title collateral (title deed) was perceived by the borrower as the challenging lender's requirement for financing housing.

2.5 Housing Finance System, Problems and Policy Measures

Hoek-Smit and Diamond (2003)³³⁸ argue that housing was a sector for the national economy's stimulus. The author further observed that in the housing market most of the societies intervene in housing markets through policies for stimulating production and consumption of housing by different groups. In response to specific needs of a given society housing institutions were setup and subsidy program were undertaken in some of the countries. The author further observed that the issues of housing subsidy and policy parameters in many countries was complex.

Khan (2004)³³⁹, in his paper viewed housing from three points of view: the sector is labor-intensive, it stimulates the production of local building materials, and acts as an incentive to mobilize household savings. The study reveals that housing finance was estimated to be hardly 1 percent of the GDP because of no dynamic system of housing finance. As demonstrated by the

³³⁶Kampamba et al (2018). International Journal of Housing Markets and Analysis, Vol. 11, No. 2.

³³⁷Nwanekezie, O.F. and Onuoha, I.J (2019).Homeowners' Perception of the Factors Affecting Access to Housing Finance in Owerri, Imo State, Nigeria, International Journal of Finance and Accounting, Vol. 8, No.2.

³³⁸Hoek-Smit, Marja C and Diamond, D(2003). The design and implementation of subsidies for housing finance . World Bank Seminar on Housing Finance, March, 2003. Retrieved on February 4, 2021 from <https://scholar.google.com/citations?user=r4o3XIIAAAAJ&hl=en>

³³⁹ Khan, A.K (2004). Role of Banks in Housing Finance. Journal of the Institute of Bankers Pakistan, Vol. 71, No. 1 (January 2004)

study, the cumulative shortfall was 7 million housing units, which was predicted to reach 10 million units. As revealed in the survey, problems of housing finance included the lack of clear legal title to land and property, high taxation of property, constraints on institutional investors, lack of access of the poor to institutional finance, time-consuming foreclosure mechanism, and non-integration of HFCs with banks. Some of the policy measures recommended were developing mortgage market, assets securitization, developing secondary mortgage refinancing entity, increasing the resource base of HFIs, reducing funding cost, and integrating housing finance with the overall capital markets, and establishing a national housing bank.

Rahman (2005)³⁴⁰, discussed the obstacles and limitations of involvement by the NGOs in housing for the urban poor. The study revealed that local governments, lacking experience working with the poor, might involve intermediaries like the NGOs to implement policies at the community level and initiate communication with stakeholders. The author suggested that the Government introduce a one-stop governmental approval system for the NGOs' programs and provide funds against a simple checklist, subject to verifications.

Tzyy-wen Lin (2006)³⁴¹ studies the consumer behavior of women towards the financial institution in Taiwan. The study investigated female consumers' critical factors while deciding on buying financial commodities and services from banking institutions. The study reveals a significant relationship between the demographic variables, consumption needs, sources of information, criterion of assessment, and purchase of financial commodities and service requirements among different female groups.

A by **Davies, et al. (2007)**³⁴² examined the role of government-supported housing finance agencies in Asia. The authors estimated the size of the government subsidies received by various agencies and their distribution among households, financial institutions, and agencies. The study

³⁴⁰Rahman, M.M (2005). Participation by the NGOs in Housing for the Urban Poor in Bangladesh. BRAC University Journal, Vol. II, No. 1, 2005.

³⁴¹T. Lin and H. Yang (2006), Female Consumer Behavior in a Banking Environment. IEEE International Conference on Service Operations and Logistics, and Informatics, Shanghai, 2006. Retrieved on January 31, 2021 from <https://ieeexplore.ieee.org/document/4125642>

³⁴²Davies, M. et al. Housing finance agencies in Asia (BIS Working Papers No 241) (Switzerland: Bank for International Settlements)

observed that the government support provided to housing finance agencies in Asia was small relative to the economy and varied from one country to another. As revealed by the study, the government support given to housing finance agencies was below 0.1% of GDP in all countries except. Singapore.

Sarker et al. (2008)³⁴³ observed in their paper that Bangladesh's housing finance system was extremely small and highly segmented. The constraints identified by them included the absence of housing finance combined with its high cost to various category of incomes groups. The sources of finance currently available were commercial banks, employee loans, life insurance policies, informal means, and housing co-operatives in the rural sector. Both banking and non-bank financial institutions were in operation, although none of the sources' performance was up to the mark. The study revealed that securitization of assets, one by IPDC of Bangladesh and the other by IDLC of Bangladesh, was introduced recently, and the concept was yet to be popular. The hindrances in developing a secondary mortgage market included rigidities in the legal framework, high stamp duties, and uniformity in underwriting norms.

Rahman(2008)³⁴⁴, identified different tiers of the housing market, analyzed housing conditions in Bangladesh, described suppliers of housing, sources of housing financing, and identified the main problems in expanding housing finance in the formal housing sector. It was reiterated in the study that the professional MFIs could expand non-collateralized housing credit through increasing access to funds earmarked for housing. As viewed by the author, there was a need for developing more varied and professional housing finance products.

Sarker et al. (2008)³⁴⁵ , in their paper examined various formal and alternative sources of real estate financing in Bangladesh, identified significant issues and problems in expanding the formal

³⁴³Sarker, M.M.R. et al (2008). Real Estate Financing in Bangladesh: Problems, Programs, and Prospects. AIUB Journal of Business and Economics, Vol. 7, No. 2 (August 2008).

³⁴⁴Rahman, K.K (2009). Development of housing finance and its impact on socio-economic uplift in the emerging economy in Bangladesh, in Bank for International Settlements (2009). Measuring financial innovation and its impact (Switzerland: Bank for International Settlements) [Proceedings of the IFC Conference, Basel, 26–27 August 2008].

³⁴⁵Sarker, M.M.R. et al (2008). Real Estate Financing in Bangladesh: Problems, Programs, and Prospects. Retrieved on February 4, 2021 from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1083322

housing finance system and suggested strategies that may help develop real estate financing in Bangladesh. The authors observed that formal mortgage finance was only available to households with incomes above BDT 25,000 per month and was restricted to selected housing sub-markets in Dhaka. The study revealed that non-collateralized credit by microfinance institutions (MFIs) for house construction was only available to households that participated in income-generation credit programs. The rest of the households depended on their savings, relatives, friends or employers, or short-term money-lenders.

Bandyopadhyay et al. (2009)³⁴⁶, in their examined the functional role of various micro and macroeconomic, including situational factors influencing demand for residential housing and risk of the borrower's default. They used 13,487 housing loan accounts sanctioned during the period 1993-2007. The authors estimated relationships measured by the correlation between the crucial factors that drive demand for housing and borrower characteristics. The study also identified housing loan defaults and the major causative factors. As revealed by the survey, factors driving borrower defaults on housing loan payments include a change in the property's current market value compared to the loan amount and EMI to income ratio. The authors observed that the odds of default increased by 1.55 percent with a 10 percent decline in the property's market value vis-à-vis the loan amount. Delinquency chance increased if there was a 10 percent increase in EMI to income ratio. Other factors that triggered default included marital status, employment situation, regional locations, city locations, age profile, and house preference.

Nenova (2010)³⁴⁷, examined housing needs and shortages in South Asia and outlined shortcomings of the home market mortgages. The book's primary purpose was to pull together housing and housing finance-related information and South Asia countries' data. Particular emphasis was accorded to innovative solutions for low-income housing. The author also dealt with selected countries of South Asia, including Bangladesh. The book drew attention to regional challenges to efficient and effective housing and housing finance markets and suggested a plan of action.

³⁴⁶Bandyopadhyay, A. et al. "Factors Driving Demand and Default Risk in Residential Housing Loans: Indian Evidence. MPRA Paper No. 14352, posted 01 Apr 2009 04:21 UTC Retrieved on January 30, 2021 from https://mpra.ub.uni-muenchen.de/14352/1/MPRA_paper_14352.pdf

³⁴⁷Nenova, Tatiana (2010). Expanding housing finance to the underserved in South Asia : market review and forward agenda (Washington, DC: The International Bank for Reconstruction and Development/ The World Bank).

Wu et al. (2010),³⁴⁸ intended to develop a conceptual framework from which researchers could empirically examine and explain the relationship between customers' perceived usefulness of online banking and the relative advantages of online banking, its website quality, knowledge & support, information quality and customer trust in Taiwan. As revealed by statistical analysis there was a high correlation between customer intention of the adoption of online banking and factors such as trust, comparative advantages and perceived ease of use were more important and critical to customer's intention of online banking adoption. The authors suggested that software developers should pay close attention to informative content that customers perceive as useful and relevant.

Pal and Hossain (2014)³⁴⁹, addressed some issues of the financial system and sources of finance in the housing sector in commercial banks of Bangladesh. The authors observed that until now, there was no noticeable development in the home loan sector. As observed by them, the obstacles to home loans included the banks' unwillingness to offer house lending, lack of information of the property, and absence of the financial institutions' information service regarding housing finance.

Kamal and Kamruzzaman (2015)³⁵⁰, carried on a comparative study on two specialized housing financing institutions. In assessing the influence of selected variables on performance, regression analysis was done. The dependent variable used in the regression analysis was loans disbursed by the financial institutions. Independent variables selected were population, population growth rate, unemployment rate, gross domestic product, per capita GDP, unemployment, inflation rate, and interest rate. Variables used for comparing the performance of BHBFC & BDH included total assets, total loans & advances, market share and growth, ROI, ROA, rural contribution, loan processing, fund deficiency, tenure, cost of fund, non-performing loans, market strength, customer satisfaction, and area covered. As revealed by the study, BDH performed better in most of the indicators than BHBFC. The market share of BHBFC was, however, higher than that of DBH.

³⁴⁸ Wu, Hsueh-Ying (2010). A Study Of Bank Customers' Perceived Usefulness Of Adopting Online Banking. Global Journal of Business Research, Vol.4, No. 3.

³⁴⁹ Pal, S and Mohammad Sharif Hossain, M.S (2014). Innovations of Housing Finance Systems and the Implication in Bangladesh – A Categorical Study on Financial Markets. American Journal of Trade and Policy, Vol 1, Issue 1 (Jun 2014).

³⁵⁰ Mostafa Kamal, M. and Kamruzzaman, M (2015). "Housing Finance Institutions in Bangladesh- A Comparative Study on BHBFC & DBH". Daffodil International University Journal of Business and Economics, Vol. 9, No. 1.

Khare (2016)³⁵¹ conducted a study entitled “Barriers Constraining the Low and Middle Income Housing Finance Market in Bangladesh.” The issues covered by the author included demand and supply, primary lenders, and structure of housing finance market, impediments to the sustainable growth of the housing finance market. In the light of the findings, the author put forward some strategic interventions for Government, international DFIs, and donor institutions.

2.6 Bank Loan Purchase Behavior and Internal Market Orientation

Haron, et al. (1994)³⁵², aimed to determine the factors considered important by customers in selecting their financial institution and identify the religion wise differences relating to factors that influenced the decision. The authors observed that except for a few differences regardless of religion customers valued the similar aspect while choosing a bank. The authors found that both Muslims and non-Muslims who patronized commercial banks had a common perception in selecting their banks. Both Muslims and non-Muslims valued their time highly and expected their banking transactions to be completed as quickly as possible.

Keaveney (1995)³⁵³, in the study classified casual factors that created shifting customers.

Donald and Punj (1999)³⁵⁴, explored the linkage between consumer and lender perspectives in home buying. The authors presented two models-one for lenders and another for consumers. The factors considered in the study included portfolio, tenure choice between rental and owner-occupied housing, the effect of taxes, or uncertainty on the homeownership decision and interest rates. The Lender Model was based on nine variables, which included investment income, down payment price, employment tenure, housing cost/income, age, number of dependents, educational level, location tenure, and prior ownership, while the variables constituting the Consumer Model

³⁵¹Khare, H.S.(2016). Barriers Constraining the Low and Middle Income Housing Finance Market in Bangladesh (Washington, DC: International Finance Corporation)

³⁵²Haron, Sudin et al (1994).Bank Patronage Factors of Muslim and Non-Muslim Customers. International Journal of Bank Marketing,, Vol. 12, No. 1.

³⁵³Keaveney, Susan M. (1995) . Customer Switching Behavior in Service Industries: An Exploratory Study Journal of Marketing, Vol. 59, No. 2 (April., 1995),

³⁵⁴Donald, J.Hempel and Punj, Girish N (1999).“Linking Consumer and Lender Perspectives in Home Buying: a Transaction Price Analysis”. The Journal of Consumer Affairs, Vol. 33, Issue 2 (Winter 1999)

included dual-income status, down payment/income, readiness to buy, expected household size, home buying knowledge, buying confidence, quality expectations, and lifestyle. The two homeownership models were tested using regression analyses. The realized transaction price was used as the dependent variable for both models. The authors observed that the lender and consumer models offered two different insights into the homeownership decision. The concern was primarily economic in the lender model, while the consumer model incorporated the experiential perspective. The authors further viewed that the role of psychological expectations and perceptions in the homeownership decision could be better understood, by separating demand and supply-side factors.

Antony Beckett et al. (2000)³⁵⁵, presented and developed a model for articulating and classifying consumer behavior in purchasing financial products and services. As revealed by the study, the type of financial product that was purchased had a significant impact on consumers' purchasing decisions. The study suggested the need to cross-sell the insurance and investment products to retain customers and increase customer profitability. The authors observed that the emphasis on trust and having a relationship, especially in particular contracting contexts, was highly pertinent to financial service providers' strategies.

Verma and Israney (2001)³⁵⁶ analyzed the market orientation of the commercial banks of Delhi. The study revealed that commercial banks of India underwent metamorphosis after the economic reforms in 1991. The private sector banks and the foreign banks had a greater incidence of market-oriented activities than the public-sector banks. The intelligence generation was the highest in the foreign banks and private-sector banks. As revealed by the study, PSBs responded to changes in the taste and preferences of customers.

Kaur et al. (2002)³⁵⁷ endeavored to determine the degree of Indian banking's internal market orientation (IMO). Three components of market orientation: intelligence generation, intelligence

³⁵⁵Beckett, Antony et al. (2000). An exposition of consumer behaviour in the financial services industry. International Journal of Bank Marketing, Vol. 18, No. 1.

³⁵⁶ Verma, D.P. S. and Israney, Hema (2001). Market-Orientation in Commercial Banks — A Study of Selected Banks in Delhi, Journal of Business Perspective, Vol. 5, Issue 2.

³⁵⁷Kaur, Gurjeet et al. (2009). Internal market orientation in Indian banking: an empirical analysis. Managing Service Quality, Vol. 19, No. 5 (2009).

dissemination, and responsiveness. The study reveals that there were three components of market orientation mentioned above. The measures recommended by the authors included the adoption of TQM practices for involving banking personnel in the decision-making, empowerment of employees, understanding the needs of customers, and flexibility,

Hasanbanu (2004)³⁵⁸, in a paper on customer service in rural banks, analyzed the customer services in rural banking sector. As revealed by the study customers in the rural areas expected courtesy, speed, and the concern of the bank. The study found that the system followed by the bank needed simplification of the procedures of the loan sanctioning process. The some of the highly ranked service components were courteous service, environment, and accuracy.

Chinedu (2005)³⁵⁹ aimed to investigate the elements influencing Nigerians residing in the Niger Delta's choice of retail banks. One thousand bank clients were included in the survey sample, and information was gathered via a questionnaire. Analysis revealed that nine of the 20 parameters that were discovered had the greatest effect on decision criteria.

The security of the environment, the bank's size and financial stability, the speed of service delivery, liquidity and safety of deposits, accuracy and effectiveness of managing client accounts were all factors that were ranked in order of priority. Other variables influencing customer choice included convenience on the part of the customers; the general public impression of the bank; proximity and ease of access; and friendliness of bank staff.

Arunodayam and Thangavel (2007)³⁶⁰ analyzed the housing finance system in India. The study found some of the dominant factors influencing prospective borrowers' decision to go for a housing loan. The factors were interest rate, speed of service, ease of securing a loan, location, liquidity, courtesy, advertisement, etc. They were the critical factors influencing borrowers' decision to get a loan from finance companies. The interest rate was the highest determinant of a housing

³⁵⁸ Hasanbanu, S (2004). Customer Service in Rural Banks: An Analytical Study of Attitude of Different types of Customers towards Banking Services. IBA Bulletin, Vol. 26, No. 8.

³⁵⁹ Ezirim, Chinedu (2005). Empirical Investigation of Customers' Choice of Retail Banks in Nigeria,

³⁶⁰ Arunodayam, D. Regis, Thangavel. N. (2007), "A Study of the Housing Finance Industry with Special Reference to the City of Chennai", The Social Sciences, Vol. 2, No. 1.

company's choice for low income and low-middle-income categories of borrowers. In contrast, the ease of securing the home loan was the most critical determinant for housing finance company choice by upper-middle and high-income groups.

Zhang (2009)³⁶¹ carried on research to identify the factors influencing bank customers' switching behavior in the Chinese retail banking industry. The elements impacting customers' bank switching behavior included reputation, involuntary twitching, price, service quality, advertising, switching costs and distance. The author further observed that the young age and high-income groups were more likely to switch banks.

Frangos et al. (2012)³⁶² performed a cross-sectional study to identify factors influencing Greek citizens' decision to take out loans from commercial banks. The authors selected a set of 11 independent variables, viz. personal property bracket, marital status, employment, products, customer service. A dichotomous factor was used as the dependent variable. As revealed by logistic regression results, personal marital status, customer service, shop design, and interest rates were the most significant predictors of taking loans.

Vijayakumar, M. and Subburaj, B. (2012)³⁶³ conducted a study to ascertain the consumers' socio-economic characteristics of the housing loans in scheduled commercial banks. The study's primary purpose was to identify the factors influencing consumers' purchase decisions and analyze the consumers' purchase behavior. A descriptive research design with a sample size of 531 consumers was used. As revealed by the study, the various factors influencing the bank's selection were the interest rate, the processing fee, flexibility, and the processing time. The relationships were found to be statistically significant at five percent. As observed in the study, TV & magazine advertisements, previous borrowers and bank officials were prominent information sources.

³⁶¹Zhang, Dongmei (2009). Customer Switching Behaviour in the Chinese Retail Banking Industry (New Zealand: Lincoln University, Canterbury. (Ph.D thesis). Retrieved on February 11, 2021 from <https://core.ac.uk/download/pdf/35462146.pdf>

³⁶²Frangos, C.C. et al (2012). Factors Affecting Customers' Decision for Taking out Bank Loans: A Case of Greek Customers. *Journal of Marketing Research & Case Studies*. Retrieved on February 1, 2021 from <https://ibimapublishing.com/journals/journal-of-marketing-research-and-case-studies/>

³⁶³Vijayakumar, M. and Subburaj, B. (2012). Housing Loan Purchase Decision of Consumers. *International Journal of Engineering and Management Sciences*, Vol. .3 Issue 2.

Mohsin et al. (2012)³⁶⁴ explored the determinants of switching behavior in the banking sector of Pakistan. The authors also investigated the importance of banking services on satisfaction and intention to change relations. As revealed by the study, bank services such as staff services, environment services, convenience services, ethical services, and financial services were negatively related to switching intention. Dissatisfaction with financial assistance was also observed to be a predictor of switching from one bank to another.

Okpara et al. (2013),³⁶⁵ aimed at identifying the determinants of the choice of commercial banks by university students. Data were collected through the self-administered questionnaire to 250 final-year students across the university's ten colleges. The study results showed that service was the most influential of all the six determinant-. The determinants of commercial bank selection by student-customers included speed, courtesy, convenience. Other determinants influencing the choice of commercial banks' included attractiveness, marketing, proximity, referrals, and price.

Karunaratne (2015)³⁶⁶ conducted a study to identify the factors influencing why borrowers switch from one shop to another. The author intended to develop an approach to understanding customer changing behavior and identify the major factors influencing customer switching. A factor analysis was deployed for classifying the variables. As revealed by the study, there were five factors were identified. The author observed age and gender were found to be significant influences on consumer decision-making.

Sharma and Verma (2017)³⁶⁷, examined the extent of market orientation of private and public sector commercial banks in Punjab. The authors compared the exposure between private-sector

³⁶⁴ Altaf, M. et al. (2012). Determinants of Customer Switching Behavior in Banking Sector . Studies in Business and Economics , Vol. 7, No.2.

³⁶⁵ Okpara, G.S. and Onuoha, O.A (2013). Bank Selection and Patronage by University Students: A Survey of Students in Umudike, Nigeria. Asian Business Review, Vol.2, Issue 4.

³⁶⁶ Karunaratna, Chaminda (2016). "Propensity to Customer Switching: A Review on Apparel Stores" European Journal of Business and Economics 10(2) Vol. 10, Issue 2. 5

³⁶⁷ Sharma, Siddharth and Verma, Rajesh (2017). Extent of Market Orientation of Commercial Banks in Punjab, Indian Journal of Marketing, vol.47, Issue 10 (October 2017)

banks & public-sector banks. The study revealed that overall and dimension-mean wise market orientation scores between the public and private sector banks were significantly different.

Rene and Atheru (2018)³⁶⁸ in their paper discovered that developers, banks, microfinance institutions, and housing finance institutions positively benefited from the partnership with “Shelter Afrique” and increased credit institutions' capacity to provide housing units to Nairobi and its environs. The study results indicated the positive contribution of the partnership between “Shelter Afrique” and various credit institutions like developers, commercial banks, microfinance institutions, and housing finance institutions. Shelter Afrique is a Regional Financial Institution located in Nairobi, Kenya. The shareholding of the organization comprises 44 African countries.

Dharchana and Priyadharshini (2019)³⁶⁹, examined if there was no significant difference between socio-economic profile and attractive features of home loan. As identified by the authors, a bank's attractive features included interest rates, payback period, faster processing, branding image of the banks' margin amounts. The authors found that the payback period, interest rate, and brand image of the bank mostly attracted the people to make home loans without considering the demographic factors.

Chellammal (2019),³⁷⁰ intended to identify the factors influencing the customers to choose HDFC housing finance. As many as 17 variables were assumed to influence decision making. The principal component analysis was deployed to classify the variables, and varimax rotation with Kaiser normalization was used. Four factors were extracted, which accounted for 71.466 percentage variances in the data. The four factors extracted were named as disbursement of the loan, better services, easy procedure and EMI, and empathetic employees. The most important factor was the disbursement of the loan, which consisted of six elements: quick appraisal and

³⁶⁸Rene, V.K.G. and Atheru, G.K (2018).Credit Facilities and Provision of Housing Units in Nairobi and Surrounding Areas: Case of ShelterAfrique. International Journal of Science and Research (IJSR), Vol. 7, Issue 5 (May 2018).

³⁶⁹ Dharchana, S. and Priyadharshini, P(2019).A Study on Consumer Socio Economic Profile and Attractive Features of Home Loans. International Journal of Research and Analytical Reviews IJRAR), Vol. 6, Issue 2 (June 2019)

³⁷⁰Chellammal, T (2019). A Study on Factors Motivating Customers to Choose HDFC Housing Finance in Thoothukudi District, CIKITUSI Journal for Multidisciplinary Research. Vol. 6, Issue 7 (July 2019).

approval of the loan, less processing fees, easy transactions, easy disbursement, time-saving, and proper customer services/recognition of customers. The second most important factor in decision making consisted of five variables: easy availability of personnel, better services, proper response, tax benefits claim, and company stability. The third-factor easy procedure and EMI comprises three variables: simple procedure, low EMI and interest rate, and high amount of loan. Similarly, the fourth-factor empathetic employees consisted of 3 variables: employees' assistance at the cumbersome process, the staff's sincerity, and helpful employees.

Chapter III

Methodology

3.1 Background of the Study:

Providing housing to citizens is the area of general public interest in any social system regardless of the degree of development. Inadequate housing situation in a society is almost always the main cause of social dissatisfaction and civil disturbances. Every individual and every family aspire of owning a home and places this wish/need at the top of the priority and needs list (Tepus, 2005). The importance of the housing sector, both in the context of Bangladesh economy and the role it has to play to serve the fundamental human right of shelter, calls for the generation of awareness as regards various pertinent issues involving the sector.

Statistics shows that Bangladesh will need to construct approximately 40 lacs new houses annually to meet the future demand of the next two decades. Estimates for annual requirements for housing in urban areas vary from 3 lakhs to 5.5 lakhs units. In Bangladesh one fourth of the population (some 3.5 crores people) now live in urban areas; this proportion will be 34 per cent (7.5 crore) by the year 2015. Dhaka, with a total population of 1 crore, is now the 22nd largest city in the world. By the year 2015 Dhaka is projected to rank as the 5th largest city in the world, where 1.9 crore people will have to find their house (CPD, 2003).

Bangladesh's housing market is characterized by a surplus of upper-echelon housing stock and an acute shortage of affordable housing for the great majority of middle and lower-income population groups. Estimates suggest a shortage of about 5 million houses in Bangladesh in 2009. In urban areas, the annual-estimated demand amounts to "300,000–500,000" houses. In rural areas, assumed 2 percent new household formation annually, the new demand could be as much as 3.5 million a year. Of the larger cities and towns in Bangladesh, Dhaka is the hardest pressed in terms of unsatisfied housing demand (according to data from the BHBFC).

Analysis of the recent trends on loans disbursed for apartments/housing renovation and flat purchases indicates that there has been a steady rise in the amount of loan disbursed on account of apartments/housing renovation as well as flat purchases. The growth rate of flat purchases has been found to be more than those of other types of housing loans. The average annual compound growth rate of overall housing loan during the period 2006-2012 was estimated 34.99%, while the average annual compound growth rate of loan disbursed on account of flat purchases was 61.71% (SBS, Bangladesh Bank 2012). This is indicative of the rising trend of demand for flat purchases. In the absence of any comprehensive study on various dimensions of housing loan management, it's difficult to give any categorical comment on the effectiveness of housing loan operations either from institutional perspective or from customer perspective.

In view of the change in the demand pattern of housing accommodation from independent house to apartments, demand for a loan to purchase an apartment increased manifold. In this regard, the role of the House Building Finance Corporation (HBFC) appears to be insignificant. In its place, domestic and international commercial banks and a few new specialized institutions have entered the market, and have a significant potential for growth.

Government subsidies tend to be insufficient or inappropriate; mortgage markets tend to serve only the richest 10-20 per cent of the population. In spite of its strong value proposition, housing microfinance is still an emerging industry; and informal systems are not efficient. Only 3 per cent of outstanding credit in low income countries is held in the form of housing loans compared to 27 per cent in high-income countries (de Soto, 2003).

3.2 Statement of the problem:

Housing accommodation is fundamental demand of the people. With the increasing population, urbanization and supply of land being scarce in urban areas, there has been a declining trend of independent housing accommodation in urban areas. This has given impetus to the growth and development of an apartment-based housing accommodation. The main factors influencing the demand of housing accommodation includes family size, employment status, household income, house rent, the price of apartments, availability of credit, terms of credit, consumer preferences and ease of purchasing apartments. There is an inverse relationship between demand of apartment

accommodation and the price of apartments. At the same time, it appears a positive relationship between the rent of housing accommodation and the propensity of customers to buy apartments. Another factor that appears to have positive influence on the demand of housing accommodation is ease of housing loan. The price of housing accommodation, which is deemed to be one of the factors influencing demand of housing accommodation is determined by the supply side of housing accommodation.

During the last one decade, it has been observed that there has been a consistent rise in the price level of housing apartments. The main determinants of supply of housing accommodation includes the price of land, the cost of construction materials, the existing stock of houses and the technology used in constructions. The price of housing accommodation is also assumed to be influenced largely by the gap between demand of housing and the supply of housing.

In view of the rising prices of apartment accommodation, and no corresponding rise in the income of potential buyers of housing apartments, the need for a housing loan increased manifold. In order to meet the needs of housing loan, both banking and non-banking financial institutions came forward. In the recent past, a number of non-governmental (NGO's) and micro-finance institutions came forward to provide funds for self-construction of houses by lower income groups. They are reported to have an important role for the lower group. But there is hardly a study focusing on the effectiveness of the role played by them in meeting the needs. With the increase in urbanization and migration of rural people in urban areas, there has been a rising trend of demand of apartments amongst various income groups. In meeting the needs of housing loan, BHBFC and other commercial banks provide funds on a limited scale. Bits and pieces of information on financing of the said sector are available, but information on to what extent demand could be met by their institutions is yet to be made available. There are reports that potential borrowers of housing loan face, a number of constraints in getting loan, although comprehensive research on the constraints and effective use of fund has not yet been done.

In the recent past Non-Banking Financial Institutions (NBFI) emerged to bridge the gap between the demand and the supply of housing loans. There are as many as 33 Non-Banking Financial Institutions (NBFI) which provide housing loans to different categories of customers. Some of the

important Non-Banking Financial Institutions providing housing finance includes Delta-BRAC Housing Finance Corporation Ltd (DBH), National Housing Finance and Investment Ltd (NHFIL), Industrial Development Leasing Company (IDLC) and MIDAS Financing Ltd (MFL). The major groups of customers of the said category of institutions are Delta-BRAC Housing Finance Corporation Ltd (DBH) and National Housing Finance and Investment Ltd (NHFIL). The role played by each of these institutions in providing housing loan to customers is yet to be investigated.

In meeting the needs of the customers, a number of products with varying conditions were offered. They could meet the immediate needs of finance for a special segment of the population. It has been observed that repayment rate was found to vary with variations in conditions attached to each product. This was also found to vary one locality to another locality. The effectiveness of loan operations depends to great extent on the matching of the needs of borrowers and nature of products. The effective institutional decision of the product also depends on information on requirements, preferences and capability of borrowers. Until now, there has not been any study regarding the variables impacting the selection of institutions, constraints faced by borrowers in meeting the loan and repayment of the same. This is indicative of the need for conducting a study on the role of Banking and Non-Banking Financial Institutions in meeting the credit needs of the borrowers to procure/construct a house, factors influencing the choice of institutions for a loan, constraints encountered in getting a loan and repaying the same and possible measures to enhance the managerial effectiveness of home loan programs and their recovery rate.

3.3 Objectives of the Study

The main objective of the study was to assess the management and effectiveness of home loan programs in the Dhaka city. To accomplish the above, the following specific objectives had been covered:

- I. To review the demand and the supply status of home loan accommodation.
- II. To identify the factors influencing demand and supply of home loan accommodation.
- III. To review various home loan programs of Banking and Non-Banking financial institutions in terms of target customer and conditions attached to each program;

- IV. To evaluate the effectiveness of home loan program management as perceived by the customer in terms of selected indicators.
- V. To identify the factors influencing the choice of customers in selecting the loan program.
- VI. To examine the constraints ensuring repayment of loans.
- VII. To identify possible measures to enhance the effectiveness of management of home loan programs.

3.4 Variables to be covered:

In the light of the research problem and objective of the study the following variables were included in the framework of the study:

a. Customer-Related Variables

Demographic factors:

- Age
- Gender
- Education
- Marital Status
- Family Size
- Family Life Cycle

Economic factors:

- Family Income
- Occupation
- Savings
- Number of Earning Members
- Assets

b. Organization-Related Variables

- Interest Rate for Loan
- Duration of the Loan
- Equated Monthly Installment (EMI) of the Institution
- Processing Fees
- Processing Time of the Loan
- Redraw Facility

Switching Facility

Product Range

Recovery Rate

Target Fulfillment

Other Services

c. Clientele Satisfaction-Related Variables

Accessibility

Opinion on Processing Time

Opinion on Processing Fees

Opinion on Monthly Installment

Opinion on Duration of the Loan

Adequacy of Loan Amount as perceived

Proximity

Flexibility

3.5 Approaches to studying relationships:

In assessing relationship between the effectiveness indicators and independent/predictor variables responsible for inter firm variations selected organization related variables as mentioned in paragraph 4 was used.

The effectiveness of home loan operation was examined from the customers' perspective. The criterion variables used in the study included the clientele satisfaction score computed in terms of the opinion on selected organization related variables. The customer satisfaction score was assumed to be influenced by a large number of predictor or independent variables. The tentative list of independent variables is given in paragraphs 4(a) and 4(b). A pilot survey was conducted to finalize the instruments, sample size and the variables included in the model.

In assessing the operations and effectiveness of operations of home loan programs in the perspectives of the organization effectiveness of home loan given by various institutions measured

using selected parameters like growth rate of home loans, recovery rate and target fulfillment. These parameters were used as criterion variables.

3.6 Sources of data:

The sources of data included both secondary and primary data. The secondary sources of data were collected from annual reports of respective organizations, bulletins/brochures published by them, reports published in the newspapers, research reports/monographs published by individual's, banks, and other organizations. Data/information used for analyzing trends, identifying indicators and possible measures.

Primary data were collected through a sample survey. The sources of primary data used in the study include Banking and Non-banking Financial Institutions and actual customers of home loans. Below are mentioned the procedures of sample selection from each category of respondents.

3.7 Selection of Samples of Banking and Non-Banking Financial Institutions:

There are as many as sixty-one (61) scheduled banks in Bangladesh. The list provided in the latest resume of financial institutions used as sampling frame for selection of banking institutions. In view of the small population of banking institutions twenty five percent (25%) of the institutions were selected following random sampling technique. Out of several departments of banking institutions, two departments viz, home loan granting, and home loan recovery were covered. The departmental head or second officer in charge of loan operations was interviewed to collect relevant information and views.

As the population size of Non-Banking Financial Institutions providing home loan is twenty-nine (29), fifty percent (50%) of the population were covered. In this case also only relevant officials dealing home loan were interviewed.

3.8 Selection of Study Areas and of Households:

The study area was limited to the Dhaka city area. The Dhaka city area may broadly be divided into two, viz., North and South. Review of overall development of housing in the Dhaka city area indicates that there has been a rising trend of constructing houses in both part of the Dhaka city.

In view of the stage of development and future potential of further expansion at least two areas from each of the zones were selected from the lists maintained by the City Corporations.

Depending on the density of population and the intensity of apartment buildings, one ward from each area was selected. The list of holdings of each selected ward served as sampling frame collected from the corporation's office. The sample size was determined using the following formula:

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N-1) + z^2 \cdot p \cdot q}$$

Where,

n - Sample size;

z^2 - The Square of the confidence interval in standard error units;

N - Population size;

p - Estimated proportion of success;

q - (1-p) or estimated the proportion of failures; and

e^2 - The Square of the maximum allowance for error between the true proportion and sample proportion.

Samples of holdings would be selected using Fisher's random table.

3.9 Instruments to be used:

In order to collect data on programs as well as the beneficiaries of the programs three sets of instruments, viz., checklist for programs, interview schedule for institutions and interview schedules for customers were used.

Checklist contain questions on terms and conditions of each type of program, targets and achievements and recovery of loans. In order to collect data/information on the constraints to recovery of loans and selections of customers an interview schedule was used.

Another interview schedule containing biographical variables, attitudes, problems faced by customers as well as their opinions on improving the operations of the loan program was used.

In testing the instruments of data collection, a pilot survey on a very small scale was conducted. After having modified the instruments based on the findings of the pilot survey, data collection instruments were administered in the field for data collections.

3.10 Data Processing and Statistical Tools to be used:

Data collected using three sets of interview schedule as mentioned earlier was processed in PC. Instruments were designed in a manner so is to facilitate quick inputting of data. Prior to inputting of data, coding of selected variables and verification of data through direct checking was done. In order to minimize the systematic error in data collection, cross checking of data was done. Both manual and computer checking through specifically designed software were used.

In processing of data, a database was created using MS Access. Pie charts, bar diagrams and other diagram/charts were prepared by using MS Excel. Statistical analysis of both qualitative and quantitative data included estimating reliability and validity of the constructs were used in the study, estimating descriptive statistics, computing correlation coefficients and estimating the degree of dependency of criterion variables on independent variables. In assessing the relationship between qualitative variables of dichotomous, trichotomous and polytomous in nature and the variables measured in ratio scale, non-parametric test like chi square test and contingency coefficient were used. This also provide the level of statistical significance of the relationship so estimated.

In estimating statistics, relations and dependencies, SPSS was used. Computation of statistics and relations were done using the said statistical package depending on the database to be built using MS Access.

Statistical tools were included measures of central tendency, standard deviation, variance, range, regression, factor analysis and Cronbach's alpha.

Management of Home Loan Programs

4.1 Institutional Set-up for Providing Housing Finance

Institutional set-up is the function of goals and prioritized housing finance centered around loans and target customers. According to Bangladesh Bank, the financial system consists of three broad fragmented sectors: formal, semi-formal, and informal.³⁷¹ The institutions regulated by the Bangladesh Bank fall under the formal sector category, while the semi-formal sector consists of regulated organizations but not under the Bangladesh Bank's control. The semi-formal sector is represented by Bangladesh House Building Finance Corporation (BHBFC), Samabay Bank, Grameen Bank, Palli Karma Sahayak Foundation (PKSF), non- Governmental Organizations (NGOs and discrete government programs).³⁷² The informal sector refers to private intermediaries providing financial services outside the orbit of the regulatory framework.³⁷³

Some of the housing finance system components include home loans, target customers, and credit suppliers. Financial institutions' types of home loans include home purchase loans, home improvement loans, home construction loans, balance transfer, home extension loans, land purchase loans, bridge loans, and loans for the non-resident.³⁷⁴ Rahman classified Bangladesh housing markets or customers into three tiers based on the buyers' income.³⁷⁵ The first tier refers to the higher-income group (less than 3% of the housing market), the second tier consists of the middle-income group (representing 12 to 15 % of the housing market), and the third tier for the low-income group (covering the rest of the customers).³⁷⁶ The households with the highest disposable income belong to the first tier. They can avail themselves of the credits from banks or specialized housing finance institutions. The families in the second tier mostly depend on

³⁷¹ Bangladesh Bank. Overview of Financial System of Bangladesh. Retrieved on January 10, 2021 from <https://www.bb.org.bd/fnansys/index.php>

³⁷² Ibid

³⁷³ Ibid.

³⁷⁴ Patnaik, B.C.M. et al (2017). Home loan - A conceptual framework. *Journal of Advance Management Research*, Vol.05 Issue-03, (August 2017). Pp. 73-74.

³⁷⁵ Rahman, K.K.(24 July 2009). Development of housing finance and its impact on socio- economic uplift in the emerging economy in Bangladesh. (IFC Bulletin No 31.) In: Proceedings of the IFC Conference on "Measuring financial innovation and its impact", Basel, 26-27 August 2008. p.98.

³⁷⁶ Ibid.

specialized housing financial institutions, mainly the Bangladesh House Building Finance Corporation (BHBFC). The market's largest segment constitutes those belonging to the third-tier, who depend primarily on the private formal and informal sectors. The informal housing finance sector comprises those who render financial services to the third tier without conforming to regulations or rules. The third and most prominent tiers' low-income households are served by the private sector, mostly under illegal and unsatisfactory site conditions.³⁷⁷ The main bottleneck to offering financial services to the third-tier was the lack of healthy, competent retail-level institutions.³⁷⁸ As observed in the Housing Policy 2016, banks, insurance, and other financial institutions did not initiate significant housing loans.³⁷⁹

4.2 Monitoring System of Home Loan

Loan monitoring refers to the process of reviewing the progress of loan sanctioning, loan disbursement, and loan recovery. The method of monitoring different dimensions varies from one level of administration to another. For example, at the head office level, home loan monitoring covers the entire system of the home loan program. In contrast, monitoring home loans at the branch level or functional group is confined to home loan recovery activities.

Establishing an efficient and effective loan monitoring system helps top management assess the overall quality of loans and trends in business. However, in the process of monitoring, regular generation of over-limit and overdue reports would be generated. Therefore, financial institutions need to have formal procedures and a system to identify potential credit losses and take remedial actions to prevent them.³⁸⁰ In respect of housing finance, there were the following seven specific regulations of the Bangladesh Bank:³⁸¹

- The maximum party limit for a house loan was Tk. 7.5 million, and the maximum debt-equity ratio was 80:20:

³⁷⁷ Rahman, K.K. op. cit. p.98.

³⁷⁸ Helms, B (2006). Access For All: Building Inclusive Financial Systems (Washington, DC: The World Bank). p.35

³⁷⁹ National Housing Authority (2016) National Housing Policy 2016 . (Dhaka: Government of Bangladesh).. p.7

³⁸⁰ Bangladesh Bank (2004). Prudential Regulations For Consumer Financing (Dhaka: Bangladesh Bank) . p.31

³⁸¹ Ibid. p.17.

- The total exposure under house financing should not exceed 10% of their net consumer credits;
- A period for a mortgage loan should not exceed twenty-year;
- The house financed by the banks should be mortgaged in the bank's favor by a registered mortgage with registered Power of Attorney;
- Professional staff or trained officials who are competent to evaluate the property, assess the genuineness and integrity of the title documents should be engaged;
- A mechanism to monitor conditions in the real estate market should be put in place to facilitate the alignment of the policies to current market conditions;
- Floating rate products for extending housing finance should be developed for managing interest rate risk. In addition, banks must establish an in-house system to stress test their housing portfolio against movements in interest rates and maturity mismatches.

In this regard, Bangladesh Bank provided procedural guidelines relating to loan monitoring.³⁸² As provided in the monitoring approach, a financial institution's monitoring system consists of a procedure of monitoring and obligation attached to monitoring. The procedural guidelines relating to monitoring include the following:

- The roles and responsibilities of individuals in charge of credit risk monitoring;
- The assessment procedures and analysis techniques (for individual loans & overall portfolio);
- The frequency of monitoring;
- The periodic examination of collaterals and credit covenants;
- The frequency of site visits; and
- The identification of deterioration in any credit;

The obligatory part of the financial institution relating to monitoring may be stated as under:

- ensure that the FI understands the current economic condition of the borrowers;
- ensure that all credits comply with existing covenants;
- follow how the customers use approved credit lines;
- ensure that projected cash flows on major credits meet debt servicing requirements;

³⁸² Banglaesh Bank (2014). Prudential Regulations For Banks : Selected Issues (Dhaka: Bangladesh Bank)

- ensure that, where applicable, collateral provides adequate coverage relative to the obligor's current condition; and
- identify and classify potential problem credits on a timely basis.

Based on the guidelines of the Bangladesh Bank, the process of monitoring of financial institutions primarily include the following dimensions:

- Principal or interest payments due, trade bills due, account excesses of accounts, and breach of agreements;
- Terms and conditions of loans are monitored, financial statements are received regularly;
- Any covenant violations or exceptions are forwarded to CRM and the RM team for prompt investigation.
- Any internal, external, or regulator inspection/audit findings are addressed with corrective action.
- All borrower relationship/loan facilities are reviewed and approved by submitting a credit proposal at least annually.

Each financial institution monitors the home loan on the issues mentioned above at the corporate level. In addition, the head office assigns specific monitoring responsibilities at the branch level.

The major activities of the branch in monitoring loans include the following:

- Monitor transactions in the accounts to ensure turnover and utilization of limits.
- Thoroughly review all past dues, collateral shortfall, covenant breach, and other irregularities.
- Address all audit objections and follow their suggestions.
- Periodic client calls and reviews by branch head.
- Formal periodic review of all relationships.
- Site visit /inspection and progress of work against work/implementation.
- The past dues, overdue installments, expiry of insurance, guarantee, limits, etc., have to be communicated to the borrowers.
- Prepare early alert reports within 7 days of identifying weaknesses in the client's business and financial weakness and send the same to head office loan administration.

4.3 Sources of Housing Finance

The housing sector's finance sources include builders' and buyers' private assets, savings of expatriates, government loans and allocation, support from international donors, commercial banks, other specialized financial institutes, and private organizations' assets. Thus, financial institutions' status is broadly be divided into two categories: formal and informal financial institutions.

Based on institutions' providing financial services to customers, Bangladesh Bank classified the formal credit institutions into four categories: specialized housing finance providers, banks, non-bank financial institutions, and micro-credit lenders. Specialized housing finance providers include BHBFC (state-owned), Delta-BRAC Housing Finance, and National Housing Finance and Investment Limited. At the same time, banks were classified into three categories: private commercial banks, state-owned commercial banks, and other banks (which include foreign and specialized banks). Another type of institution providing housing finance is non-bank financial institutions. They include microcredit lenders, cooperatives, employers, and life insurance policies.³⁸³ The housing cooperatives constitute one of the significant housing finance providers in the third-tier housing finance market. As revealed in a homeowner survey, housing finance's vital source was household savings (more than one-third). Other sources of housing finance included the sale of land and loans from relatives and friends.³⁸⁴

The housing sector comprises a complex network of actors ranging from builders, lenders, manufacturers, suppliers, land developers, real estate agencies, architects, engineers, government agencies, etc. A strong interrelation among all these actors is necessary for an efficient market. However, this interrelationship is very fragile in Bangladesh due to institutional weaknesses. The institutional weaknesses constrain the formulation and implementation of efficient plans and policies for affordable housing. Several studies observed a very high degree of functional overlap/conflicting mandates among the government institutions responsible for housing in

³⁸³ Rahman, K.K (2009). Development of housing finance and its impact on socio-economic uplift in the emerging economy in Bangladesh. In IFC Bulletin No. 31 (Measuring financial innovation and its impact). (Switzerland: Bank for International Settlements). p.101.

³⁸⁴ Rahman, K.K (2009). Development of housing finance and its impact on socio-economic uplift in the Emerging economy in Bangladesh. Op. cit. p.101.

Bangladesh.³⁸⁵ Simultaneously, various authorities' lack of clearly delineated roles and responsibilities caused inefficiency and delays in delivering housing and necessary infrastructure output.³⁸⁶ The formal housing finance market was found to be out of reach of low-and middle-income households. The situation becomes riskier because there are no official data on the cost of construction, land price, supply & demand of different income groups, supply-demand gap, and defined income groups. As the study mainly addressed Dhaka city's home loan issues, analysis is limited to the banking and non-banking financial institutions' home loan management aspects.

4.4 Types and Purposes of Home Loan

Preconditions for home loans include eligibility criteria for each category of loans and supporting documents in favor of the loan application. The amount of home loans offered depends upon the repayment ability of the customers. In the case of a self-employed person or salaried professional, monthly gross income is considered.

Table 4.4.1: Distribution of home loans by purpose

| Types | Purpose | Tenure/Duration |
|-------------------------|---|-----------------|
| Home Purchase Loans | Buying of a new home. | 3 to 20 Years |
| Land Purchase Loans | Purchasing property for either investment or construction purposes. | |
| Home Construction Loans | Building a house over an already owned land | |
| Home Improvement Loans | Planning to start a home repair or renovation project | |
| Home Loans Transfer | Transferring existing home loans into a new lender account to capitalize on lower interest rates offered by different banks | |

³⁸⁵ Khare, H.S(2016). Barriers Constraining the Low and Middle Income Housing Finance Market in Bangladesh (Washington, DC: International Finance Corporation). p.57.

³⁸⁶ Ibid.

In other cases, net assets or yearly income are taken into account to determine the customers' repayment ability. Home loans are provided to meet various loan requirements. The purposes for which a home loan is provided are mentioned in Table 4.4.1.

4.5 Eligibility Criteria

The eligibility criteria for home loans vary from one financial institution to another. Preconditions for applying loan include age requirement, occupation, and creditworthiness. The conditions that an applicant has to meet include the following:

- Minimum age 21 and maximum age 65:
- Any citizen with a specific source of income (occupations include self-employment, business, services, or any profession) ;
- Minimum monthly income BDT 25,000 and above :
- Minimum experience in the concerned occupation;
- Professional/Occupational stability and savings history;
- No bad credit history for at least three months before applying for a home loan;

In support of the loan giving institutions' specific criteria, the applicant needs to provide some documents. The type of documents varies with variations with the kind of loan sought by the applicant. However, regardless of the type of loan, every customer must provide copies of customer-related documents to apply for a loan for land purchase, home construction, and home improvement.

The documents that a customer has to submit are categorized into three: customer-related, land-related, and apartment/flat-related conditions described in Table 4.5.1.

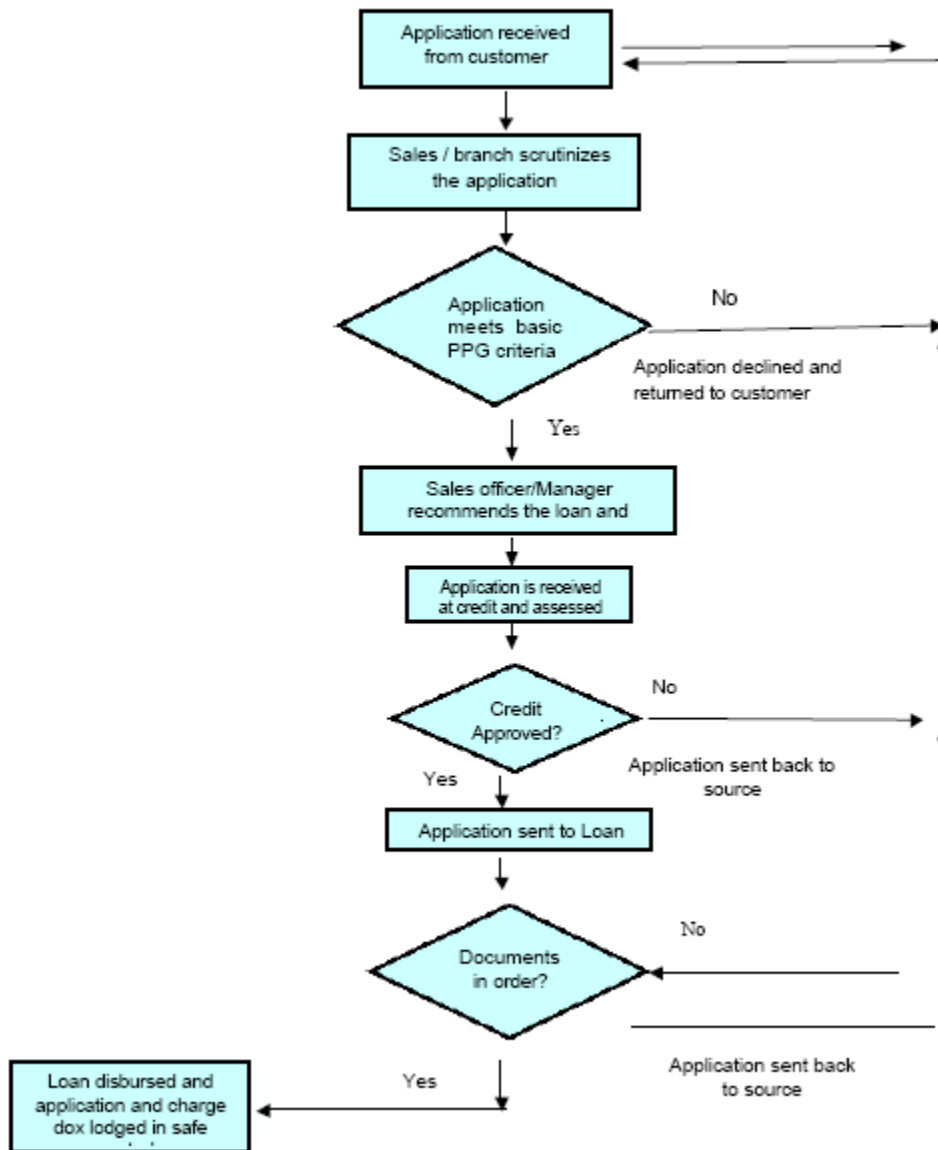
Table 4.5.1:**Categories of conditions that an applicant has to meet**

| Customer-related | Land-related | Apartment/Flat-related |
|---|--|---|
| <ul style="list-style-type: none"> • Application form (as per bank's provided format) • Photocopy of NID • Trade license/salary certificate/ Letter of introduction. • Salary certificate for six months. • TIN certificate/ Income tax return. • Bank statement of last 12 months. • Personal net worth statement. • Partnership deed with a trade license (in case of a partnership). • Memorandum of Association and Articles of Association (if it is a company) | <ul style="list-style-type: none"> • Estimated cost by a certified engineer. • Copy of approved plan with the approval letter. • Copy of principal purchase/ sale deed. • CS,SA,RS /RS,PS,BS Khatian. • Mutation Khatian with DCR. • Original /Certified copy of BIA deed(s), if any. • Lease Deed (in case of Leasehold land). • Allotment Letter (in case of Leasehold land). • Latest NEC (Non-Encumbrance Certificate from SRO) | <ul style="list-style-type: none"> • Copy of the principal deed between purchaser and developer. • Deed between the landowner and Developer with POA & share portion. • Photocopy of the main receipt. • Copy of Main Plan with the concerned approval letter. • Copy of Main Title Deed with DCR, Mutation, Khatian, & other Khatians of the Landowner. • Copy of Lease deed, allotment letter, DCR, & Mutation of Landowner. • Latest NEC (Non-Encumbrance Certificate from SRO). • Developers' Details in Pad. |

4.6 Home Loan Management Process

The housing loan program's management system consists of policies, rules, procedures, and mechanisms to provide loan assistance and ensure recovery. Every financial institution formulates its policies within the framework of the set of directives issued by the Bangladesh Bank. Policy formulation vests in the board of directors, which is the highest policy-making body of the institutions. Loan giving involves a series of sequential steps set up by the concerned institution. The steps involved in the process of loan management are displayed in the following chart.

Process Flow Chart of Consumer Loan Processing (sample)



In implementing the policies and programs, every institution has its mechanisms with the functional division of work. The operational division of labor, however, varies from one institution to another. The functional division of work in specialized financial institutions is based on specific loan sanctioning, disbursement, and recovery activities. Customers for housing loans are of two types, viz. individual and institution. Accordingly, the housing loan division is again subdivided into two sections: consumer finance and corporate loans.

The consumer section deals with home loan finance for self-construction, flat purchase, land purchase, and renovation/repair/extension. The corporate house loan division deals with housing loans for commercial purposes, finance for developer/ contractor, and commercial building loans meant for factory construction, hotel construction, and warehouse construction.

The sanctioning, distribution, and recovery processes for mortgage loans are some of the key components of mortgage management. Out of three aspects of home loan management, customers are directly or indirectly affected by three sub-processes, and corporate governance primarily uses a monitoring sub-process. The assessment of the loan management process involves qualitative judgment of the customers. Thus, in assessing the efficacy of the home loan program, the customers' perception was used. The customers were requested to give their opinions about the effectiveness of each home loan management dimension.

4.7 Assessment of Home Loan Sanctioning Process

Every financial institution has its Product Program Guideline (PPG) for Consumer Financing prepared based on the prudential regulations provided by Bangladesh Bank. A loan sanctioning starts with reviewing the party's application and ends with a sanction letter or regret letter. Along with the party's application, the financial institution examines the following documents:

- Filled in the prescribed application form
- CIB report from Bangladesh Bank
- Project appraisal report
- Supporting documents

The bank evaluates the application submitted by the applicant based on various parameters and documents. The financial institution or bank first verifies each applicant's information, including current addresses, job history, credentials from previous employers, and home and office phone numbers. Officials or institution representatives are then dispatched to the applicant's place of employment or residence to confirm the information. If the bank is not convinced about the applicant's credentials, the applicant's application may get rejected. On the other hand, if the bank is pleased, it sanctions the loan. The bank delivers the applicant's home loan information, including the loan amount, loan duration, general terms, loan conditions, interest rate, etc., in an offer letter

if the loan is granted. If the applicant agrees to the terms and conditions mentioned in the letter, the applicant signs a duplicate letter for the bank's records.

The existing loan sanctioning process was viewed differently by different groups of customers. The study reveals that the majority of the respondents considered the loan sanctioning process as satisfying to varying degrees. For example, 35.1 percent of respondents viewed the loan sanctioning process as very good, while 44.4% reported the loan sanctioning process to be good. In contrast, 20% and above of the responses shows that the process was not good. Therefore, the perception of satisfaction level of the loan sanctioning process was not uniform for all customers. The perception level of customers on the efficacy of each dimension of the home loan sanctioning process was assumed to vary with socioeconomic and demographic variables like occupation, education, age, gender, marital status, life cycle stage, family type, and family size. Data analysis was done based on the abovementioned variables to assess the customers' opinions on the sanctioning process.

4.7.1 Relationship between Assessment Score of Loan Sanctioning Process and Occupation

The respondents' assessment based on their perception of the loan sanctioning process varied due to variations in occupational status. The proportion of respondents who viewed the loan sanctioning process as very good was 40.7 percent amongst those belonging to the self-employed group.

The same was 28.6 percent amongst those belonging to the category of professional. The relationship between the borrowers' occupation and the respondents' opinion has been shown in Table 4.7.1.

The contingency coefficient reflecting the strength of association between occupation and perception of the respondents on the efficacy of the sanctioning process was estimated at 0.210. The relationship between the variables was, however, not statistically significant.

Table 4.7.1:
Distribution of respondents by Occupation and Loan Sanctioning System score

| | | Loan Sanctioning Process | | | Total |
|---------------|---------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Professional | Count | 2 | 18 | 8 | 28 |
| | % within Occupation | 7.1% | 64.3% | 28.6% | 100.0% |
| Salaried | Count | 16 | 29 | 23 | 68 |
| | % within Occupation | 23.5% | 42.6% | 33.8% | 100.0% |
| Self Employed | Count | 12 | 20 | 22 | 54 |
| | % within Occupation | 22.2% | 37.0% | 40.7% | 100.0% |
| Total | Count | 30 | 67 | 53 | 150 |
| | % of Total | 20.0% | 44.7% | 35.3% | 100.0% |

4.7.2 Relationship between Views on Assessment of Loan Sanctioning Process and Education

Marked variations in the effectiveness of the home loan sanctioning process as perceived by respondents were observed due to variations in educational status. The distribution of respondents by views on assessment and education level is presented in Table 4.7.2.

The proportion of respondents viewing the loan sanctioning process as good or very good increased with the increase in educational level. For example, the proportion of respondents viewing the loan sanctioning process as good was 14.3 percent amongst those having higher secondary level, which increased to 48.1 percent amongst those having higher education. Similarly, the percentage of respondents viewing the loan sanctioning process as good was 58.6 percent amongst those belonging to the professional group.

The relationship between the effectiveness level of the home loan sanctioning process and the academic background measured in terms of the contingency coefficient was estimated at 0.35. The coefficient was statistically significant at the 0.07 level.

Table 4.7.2:
Distribution of respondents by Education Level and Loan Sanctioning System score

| | | Loan Sanctioning Process | | | Total |
|----------------------------|--------------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| No Formal Education | Count | 4 | 0 | 5 | 9 |
| | % within Education Level | 44.4% | 0.0% | 55.6% | 100.0% |
| Higher Secondary Education | Count | 6 | 3 | 12 | 21 |
| | % within Education Level | 28.6% | 14.3% | 57.1% | 100.0% |
| Higher Education | Count | 16 | 38 | 25 | 79 |
| | % within Education Level | 20.3% | 48.1% | 31.6% | 100.0% |
| Professional | Count | 4 | 17 | 8 | 29 |
| | % within Education Level | 13.8% | 58.6% | 27.6% | 100.0% |
| Others | Count | 1 | 8 | 3 | 12 |
| | % within Education Level | 8.3% | 66.7% | 25.0% | 100.0% |
| Total | Count | 31 | 66 | 53 | 150 |
| | % of Total | 20.7% | 44.0% | 35.3% | 100.0% |

4.7.3 Relationship between Views on Assessment of Loan Sanctioning Process and Age

The effectiveness level of the home loan sanctioning process as perceived by respondents varied from one age group to another. The percentage of respondents viewing the loan sanctioning process as very good was highest in the 45-55 (56.7 percent) group. Those considering the loan sanctioning process to be very good increased with the increase in age. Conversely, the percentage of respondents viewing the loan sanctioning process as very good sharply declined amongst those belonging to the age group above 55.

Table 4.7.3 shows the distribution of respondents by views on the assessment of the loan sanctioning process as perceived by customers and age groups. The relationship between the views on the loan sanctioning process and the age groups was measured using the contingency coefficient. The contingency coefficient was estimated at 0.242. The association was, however, not statistically significant.

Table 4.7.3:
Distribution of respondents by Age and Loan Sanctioning System score

| | | Loan Sanctioning Process Score | | | Total |
|----------|--------------|--------------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Below 35 | Count | 9 | 24 | 11 | 44 |
| | % within Age | 20.5% | 54.5% | 25.0% | 100.0% |
| 35 - 45 | Count | 12 | 24 | 18 | 54 |
| | % within Age | 22.2% | 44.4% | 33.3% | 100.0% |
| 45 - 55 | Count | 5 | 8 | 17 | 30 |
| | % within Age | 16.7% | 26.7% | 56.7% | 100.0% |
| Above 55 | Count | 3 | 11 | 7 | 21 |
| | % within Age | 14.3% | 52.4% | 33.3% | 100.0% |
| Total | Count | 29 | 67 | 53 | 149 |
| | % of Total | 19.5% | 45.0% | 35.6% | 100.0% |

4.7.4 Relationship between Customer’s Assessment of Loan Sanctioning Process and Gender

Analysis of the home loan sanctioning process indicates that the percentage of respondents reporting the process to be very good varied due to variation in gender. For example, the proportion of male respondents reporting the home loan sanctioning process to be very good was 36.4 percent, while the said percentage for females was 26.3 percent.

The proportion of male respondents reporting the home loan sanctioning process to be not good was 20.5 percent, while females were 21.1 percent. The distribution of respondents' opinions on the home loan sanctioning process and gender is furnished in Table 4.7.4. The contingency coefficient reflecting the relationship between gender and the opinion on the home loan sanctioning process was estimated at 0.073. The association was, however, weak and not statistically significant.

Table 4.7.4:
Distribution of respondents by Gender and Loan Sanctioning System score

| | | Loan Sanctioning Process | | | Total | |
|--------|--------|--------------------------|-----------------|-----------|-------|--------|
| | | Not Good | Good | Very Good | | |
| Gender | Male | Count | 27 | 57 | 48 | 132 |
| | | % within Gender | 20.5% | 43.2% | 36.4% | 100.0% |
| | Female | Count | 4 | 10 | 5 | 19 |
| | | | % within Gender | 21.1% | 52.6% | 26.3% |
| Total | | Count | 31 | 67 | 53 | 151 |
| | | % of Total | 20.5% | 44.4% | 35.1% | 100.0% |

4.7.5 Relationship between Assessment of Loan Sanctioning Process and Marital Status

The marital status of the respondents influenced the perception of the efficacy of the loan sanctioning. The relationship between marital status and the home loan sanctioning process assessment has been shown in Table 4.7.5. The proportion of unmarried respondents who viewed the loan sanctioning process as not good was 26.7 percent, while the said percentage for married respondents was 20.0 percent. Similarly, the proportion of married respondents perceiving the loan sanctioning process as very good was 37 percent, while the said percentage for unmarried respondents was 13.3 percent.

The pattern of responses was different in viewing the loan approval process as very good. For example, the rate of unmarried respondents perceiving the loan sanctioning process as very good was 13.3 percent, while the rate of married respondents was 37 percent. The rate of unmarried respondents viewing the loan sanctioning process as good was 60 percent, while married respondents were 43 percent.

Table 4.7.5:
Distribution of respondents by Marital Status and Loan Sanctioning System score

| | | Loan Sanctioning Process | | | Total |
|-----------|-------------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Married | Count | 27 | 58 | 50 | 135 |
| | % within Marital status | 20.0% | 43.0% | 37.0% | 100.0% |
| Unmarried | Count | 4 | 9 | 2 | 15 |
| | % within Marital status | 26.7% | 60.0% | 13.3% | 100.0% |
| Total | Count | 31 | 67 | 52 | 150 |
| | % of Total | 20.7% | 44.7% | 34.7% | 100.0% |

4.7.6 Relationship between Assessment Score of Loan Sanctioning Process and Life Cycle Stage

The life cycle stage is a crucial factor determining the customers' behavior in the home loan's decision-making process. Therefore, data were collected in unfolding the relationship between the clients' perception of the efficacy of the sanctioning loan process at each life cycle stage. The study reveals that the respondents' relative assessment of the home loan sanctioning process varied from one stage to another.

Table: 4.7.6:

Distribution of respondents by Life Cycle and Loan Sanctioning System score
Life Cycle and Loan Sanctioning System of FI Cross Tabulation

| Life Cycle | | Loan Sanctioning Process | | | Total |
|-----------------|---------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Single | Count | 4 | 9 | 1 | 14 |
| | % within Life Cycle | 28.6% | 64.3% | 7.1% | 100.0% |
| Honeymooners | Count | 5 | 14 | 7 | 26 |
| | % within Life Cycle | 19.2% | 53.8% | 26.9% | 100.0% |
| Parenthood | Count | 17 | 36 | 29 | 82 |
| | % within Life Cycle | 20.7% | 43.9% | 35.4% | 100.0% |
| Post Parenthood | Count | 5 | 7 | 14 | 26 |
| | % within Life Cycle | 19.2% | 26.9% | 53.8% | 100.0% |
| Dissolution | Count | 0 | 1 | 1 | 2 |
| | % within Life Cycle | 0.0% | 50.0% | 50.0% | 100.0% |
| Total | Count | 31 | 67 | 52 | 150 |
| | % within Life Cycle | 20.7% | 44.7% | 34.7% | 100.0% |

The proportion of respondents at the post parenthood stage viewing the home loan sanctioning process as 'very good' was 53.8 percent, while the same for the dissolution stage was 50 percent. The distribution of the respondents by views on assessment and lifecycle stage has been displayed in Table 4.7.6.

4.7.7 Relationship between views on Assessment of Loan Sanctioning Process and Family Type

The home loan sanctioning process's effectiveness as perceived by the borrower also varied with the family type variation. For example, the proportion of respondents belonging to the nuclear family category who viewed the home loan sanctioning process as very good was 44 percent.

Table 4.7.7:
Distribution of respondents by Type of Family and Views on Loan Sanctioning System

| | | Loan Sanctioning Process | | | Total |
|---------|---------------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Joint | Count | 14 | 42 | 20 | 76 |
| | % within Nature of Family | 18.4% | 55.3% | 26.3% | 100.0% |
| Nuclear | Count | 17 | 25 | 33 | 75 |
| | % within Nature of Family | 22.7% | 33.3% | 44.0% | 100.0% |
| Total | Count | 31 | 67 | 53 | 151 |
| | % of Total | 20.5% | 44.4% | 35.1% | 100.0% |

The same for those belonging to the joint family was 26.3 percent. The respondents' distribution by effectiveness level as perceived by the respondent and the type of family has been presented in Table 4.3.7.

4.7.8 Relationship between Assessment on Loan Sanctioning Process and Family Size

The customer's perception of the effectiveness level of the loan sanctioning process varied with variation in family size. The highest proportion of respondents viewing the loan sanctioning process as very good was 47 percent amongst the customers belonging to the family size below three. On the other hand, the ratio of respondents viewing the loan sanctioning process as very good amongst those with a family size of 3-5 declined to 40.4 percent.

The contingency coefficient reflecting the relationship between family size and the view of customers on the sanctioning loan process was estimated at 0.214. The association was, however, statistically not significant. The respondents' distribution by views on the loan sanctioning process as perceived by customers and the customers' family size has been shown in Table 4.7.8.

Table 4.7.8:
Distribution of respondents by Family size and Loan Sanctioning Process score

| | | Loan Sanctioning Process | | | Total |
|---------|----------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Below 3 | Count | 5 | 5 | 9 | 19 |
| | % within Family Size | 26.3% | 26.3% | 47.4% | 100.0% |
| 3 - 5 | Count | 9 | 25 | 23 | 57 |
| | % within Family Size | 15.8% | 43.9% | 40.4% | 100.0% |
| 5 - 7 | Count | 9 | 22 | 13 | 44 |
| | % within Family Size | 20.5% | 50.0% | 29.5% | 100.0% |
| Above 7 | Count | 7 | 13 | 5 | 25 |
| | % within Family Size | 28.0% | 52.0% | 20.0% | 100.0% |
| Total | Count | 30 | 65 | 50 | 145 |
| | % of Total | 20.7% | 44.8% | 34.5% | 100.0% |

4.8 Home Loan Disbursement Process

After sanctioning the loan, the sanctioning authority sends the decision to the concerned branch or department with relevant documents. Before disbursement, the concerned branch or the department takes some preventive measures. The preventive measures undertaken by the disbursing unit include the following:

- All necessary security and charge documents are in place.
- Preparing a documentation checklist.
- Ensuring that the credit administration department has duly authorized the disbursement.
- Documenting the disbursement authorization form as evidence of the document.
- Maintaining a proper backup of all the documents in the computer system.
- Receiving a temporary waiver from the authority in case of incomplete documentation.
- Appropriate pricing of the facility.
- Ensuring that all disbursements/drawings are in the form of an approved credit facility.
- Obtaining a clean, updated CIB report before disbursement.
- Maintaining the lending cap of the bank duly.

If the issues mentioned above conform to the set rules, the disbursement unit takes all possible measures to disburse the applicant's agreed amount in favor. In this regard, the officer prepares the vouchers and writes the pay order slip signed and approved by another officer and the manager.

In assessing the efficacy of the home loan disbursement process of the different financial institutions, an attempt was made to review the disbursement process based on customers' perceptions. As revealed by the study, 51 percent of the respondents viewed that the home loan disbursement process was good and that the proportion of respondents who viewed the home loan disbursement process as very good was 27.8 percent. On the other hand, the proportion of respondents who considered the home loan disbursement process as not good was 21.2 percent. Variations in the customer's perception of the loan disbursement process's efficacy were assumed to vary with variations in occupation, education, age, gender, marital status, life cycle, family type, and family size.

4.8.1 Relationship between Responses on Assessment of Loan Disbursement Process and Occupation

The home loan disbursement process's effectiveness level perceived by customers also varied with variations in occupational status. The highest proportion of respondents reporting the home loan disbursement process as very good was found amongst the self-employed households (35.2 percent), followed by the professional group (28.6 percent).

The proportion of respondents viewing the disbursement process as good was highest (57.4 percent) amongst respondents' salaried group. The same was 46.3 percent amongst those belonging to the self-employed group. The distribution of respondents by responses on the efficacy of the disbursement process and the occupational group is presented in Table 4.8.1.

Table 4.8.1:
Distribution of respondents by Occupation and Loan Disbursement System score

| | | Loan Disbursement System | | | Total |
|---------------|---------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Professional | Count | 7 | 13 | 8 | 28 |
| | % within Occupation | 25.0% | 46.4% | 28.6% | 100.0% |
| Salaried | Count | 14 | 39 | 15 | 68 |
| | % within Occupation | 20.6% | 57.4% | 22.1% | 100.0% |
| Self Employed | Count | 10 | 25 | 19 | 54 |
| | % within Occupation | 18.5% | 46.3% | 35.2% | 100.0% |
| Total | Count | 31 | 77 | 42 | 150 |
| | % of Total | 20.7% | 51.3% | 28.0% | 100.0% |

4.8.2 Relationship between Responses on Assessment of Loan Disbursement Process and Educational Level

The responses on the assessment of the loan disbursement process varied due to variations in the educational level of the respondents. The proportion of respondents viewing the disbursement process as good increased with the increase in the academic level. Those with no formal education who considered the disbursement process as good was 22.2 percent. In comparison, the same with higher secondary education viewing the disbursement process as good was 33.3 percent. More than 51 percent of those having higher education viewed the disbursement process as good. Perceived quality of services might be due to variations in services by bankers who treated different groups differently, or the expectation level of the customers increased with the decrease in educational level. The distribution of respondents by responses on the disbursement process and education has been presented in Table 4.8.2

Table 4.8.2:**Distribution of respondents by Education Level and the Efficacy of Loan Disbursement Process**

| | | Loan Disbursement System | | | Total |
|----------------------------|--------------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| No Formal Education | Count | 4 | 2 | 3 | 9 |
| | % within Education Level | 44.4% | 22.2% | 33.3% | 100.0% |
| Higher Secondary Education | Count | 6 | 7 | 8 | 21 |
| | % within Education Level | 28.6% | 33.3% | 38.1% | 100.0% |
| Higher Education | Count | 17 | 41 | 21 | 79 |
| | % within Education Level | 21.5% | 51.9% | 26.6% | 100.0% |
| Professional | Count | 3 | 20 | 6 | 29 |
| | % within Education Level | 10.3% | 69.0% | 20.7% | 100.0% |
| Others | Count | 2 | 7 | 3 | 12 |
| | % within Education Level | 16.7% | 58.3% | 25.0% | 100.0% |
| Total | Count | 32 | 77 | 41 | 150 |
| | % of Total | 21.3% | 51.3% | 27.3% | 100.0% |

4.8.3 Relationship between Responses on Assessment of Loan Disbursement Process and Age

Households belonging to different age groups perceived the efficacy of the disbursement process differently. The highest proportion of the respondents who viewed the home loan disbursement process as very good was found amongst the 55+ age group (47.6 percent), followed by respondents aged 45-55 (40 percent). However, the percentage of respondents viewing the home loan disbursement process as very good decreased with age.

The relationship between the home loan disbursement process's efficacy level perceived by customers and age group was estimated at 0.35. The association was statistically significant at the .06 level. The respondents' distribution by efficacy level as perceived by customers and the customers' age has been displayed in Table 4.8.3.

**Table 4.8.3:
Distribution of respondents by Age and Loan Disbursement System score**

| | | Loan Disbursement System | | | Total |
|----------|--------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Below 35 | Count | 8 | 27 | 9 | 44 |
| | % within Age | 18.2% | 61.4% | 20.5% | 100.0% |
| 35 - 45 | Count | 18 | 25 | 11 | 54 |
| | % within Age | 33.3% | 46.3% | 20.4% | 100.0% |
| 45 - 55 | Count | 2 | 16 | 12 | 30 |
| | % within Age | 6.7% | 53.3% | 40.0% | 100.0% |
| Above 55 | Count | 2 | 9 | 10 | 21 |
| | % within Age | 9.5% | 42.9% | 47.6% | 100.0% |
| Total | Count | 30 | 77 | 42 | 149 |
| | % of Total | 20.1% | 51.7% | 28.2% | 100.0% |

4.8.4 Relationship between Assessment on Loan Disbursement Process and Gender

Analysis of the responses on the effectiveness of the disbursement process reveals that the proportion of female respondents viewing the disbursement process as good was higher than that of male respondents. As many as 68.4 percent of the female respondents viewed the disbursement process as good. In contrast, the proportion of male respondents viewing the disbursement process as good was 48.5 percent.

**Table 4.8.4:
Distribution of respondents by Gender and Responses on the Efficacy of Loan Disbursement**

| Gender * Loan Disbursement System | | Loan Disbursement System | | | Total |
|-----------------------------------|-----------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Male | Count | 31 | 64 | 37 | 132 |
| | % within Gender | 23.5% | 48.5% | 28.0% | 100.0% |
| Female | Count | 1 | 13 | 5 | 19 |
| | % within Gender | 5.3% | 68.4% | 26.3% | 100.0% |
| Total | Count | 32 | 77 | 42 | 151 |
| | % of Total | 21.2% | 51.0% | 27.8% | 100.0% |

The strength of the association between the respondents' reactions to the home loan disbursement process and gender was assessed with the help of the contingency coefficient. The relationship between gender and the perceived effectiveness of the home loan disbursement process measured in terms of contingency coefficient was 0.21, which was statistically significant. The distribution of respondents by responses on the efficacy of the disbursement process and gender is displayed in Table 4.8.4.

4.8.5 Relationship between Responses on Assessment of Loan Disbursement Process and Marital Status

Variation in the perceived effectiveness level of respondents was also found to vary with variations in marital status. For example, the highest proportion of the respondents viewing the home loan disbursement process as very good was found amongst unmarried people (40 percent). In comparison, the proportion of married respondents reporting the home loan disbursement process as very good was 26.7 percent. The respondents' distribution by responses on the efficacy of the loan disbursement process as perceived by customers and marital status has been demonstrated in Table 4.8.5.

Table 4.8.5:

Distribution of respondents by Marital Status and Responses on the Efficacy of the Loan Disbursement Process.

| | | Loan Disbursement System | | | Total |
|-----------|-------------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Married | Count | 31 | 68 | 36 | 135 |
| | % within Marital status | 23.0% | 50.4% | 26.7% | 100.0% |
| Unmarried | Count | 1 | 8 | 6 | 15 |
| | % within Marital status | 6.7% | 53.3% | 40.0% | 100.0% |
| Total | Count | 32 | 76 | 42 | 150 |
| | % of Total | 21.3% | 50.7% | 28.0% | 100.0% |

4.8.6 Relationship between Responses on the Efficacy of the Loan Disbursement Process and the Life Cycle Stage

The home loan disbursement process's effectiveness, as perceived by customers, varied due to variation in the life cycle stage. As revealed by the study, the highest proportion of respondents viewing the home loan disbursement process as good was found amongst households belonging to the respondents of the dissolution stage (50 percent), followed by post-parenthood (42.3 percent).

The relationship between the efficacy level perceived by customers and life cycle stages measured by the contingency coefficient was estimated at 0.37. The association was, however, statistically not significant. The respondents' distribution by efficacy level as perceived by customers and life cycle stage has been shown in Table 4.8.6.

Table 4.8.6:

Distribution of respondents by Life Cycle Stage and Efficacy of Loan Disbursement Process

| | | Loan Disbursement System | | | Total |
|-----------------|---------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Single | Count | 1 | 8 | 5 | 14 |
| | % within Life Cycle | 7.1% | 57.1% | 35.7% | 100.0% |
| Honeymooners | Count | 8 | 15 | 3 | 26 |
| | % within Life Cycle | 30.8% | 57.7% | 11.5% | 100.0% |
| Parenthood | Count | 20 | 41 | 21 | 82 |
| | % within Life Cycle | 24.4% | 50.0% | 25.6% | 100.0% |
| Post Parenthood | Count | 3 | 12 | 11 | 26 |
| | % within Life Cycle | 11.5% | 46.2% | 42.3% | 100.0% |
| Dissolution | Count | 0 | 1 | 1 | 2 |
| | % within Life Cycle | 0.0% | 50.0% | 50.0% | 100.0% |
| Total | Count | 32 | 77 | 41 | 150 |
| | % of Total | 21.3% | 51.3% | 27.3% | 100.0% |

4.8.7 Relationship between Responses on Assessment of Loan Disbursement Process and Family Type

As revealed by the study, responses on assessing the disbursement process as perceived by customers varied from one type of family to another. For example, the proportion of the respondents viewing the home loan disbursement process as very good was 36 percent amongst the households belonging to the nuclear family category. In comparison, the proportion of respondents belonging to the joint family type viewing the disbursement process as very good was only 19.7 percent.

The contingency coefficient is used to assess the relationship between responses on the loan disbursement process perceived by customers and family type. The contingency coefficient reflecting the strength of the relationship between the two variables was estimated at 0.25. The association was statistically significant at the 0.04 level. The respondents' distribution by effectiveness level as perceived by customers and the family types has been shown in Table 4.8.7.

Table: 4.8.7:

Distribution of respondents by Nature of Family and Loan Disbursement System score

Nature of Family and Loan Disbursement System of FI Cross Tabulation

| Nature of Family | | Loan Disbursement System | | | Total |
|------------------|---------------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Joint | Count | 18 | 43 | 15 | 76 |
| | % within Nature of Family | 23.7% | 56.6% | 19.7% | 100.0% |
| Nuclear | Count | 14 | 34 | 27 | 75 |
| | % within Nature of Family | 18.7% | 45.3% | 36.0% | 100.0% |
| Total | Count | 32 | 77 | 42 | 151 |
| | % within Nature of Family | 21.2% | 51.0% | 27.8% | 100.0% |

4.8.8 Relationship between Responses on Assessment of Loan Disbursement Process and Family Size

A review of the responses on the efficacy of the loan disbursement process indicates that those viewing the loan disbursement process as very good varied with changes in family size. The proportion of respondents viewing the loan disbursement process as good was 47.4 percent amongst the respondents belonging to a family size of below 3. The same increased to 50.9 percent amongst those belonging to the family size of 3 -5.

Thus, the proportion of respondents viewing the loan disbursement process as good increased with family size. The distribution of respondents by responses on the efficacy of the loan disbursement process and family size has been presented in Table 4.8.8.

Table 4.8.8:
Distribution of respondents by Family Size and Loan Disbursement System score

| | | Loan Disbursement System | | | Total |
|---------|----------------------|--------------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Below 3 | Count | 4 | 9 | 6 | 19 |
| | % within Family Size | 21.1% | 47.4% | 31.6% | 100.0% |
| 3 - 5 | Count | 10 | 29 | 18 | 57 |
| | % within Family Size | 17.5% | 50.9% | 31.6% | 100.0% |
| 5 - 7 | Count | 8 | 24 | 12 | 44 |
| | % within Family Size | 18.2% | 54.5% | 27.3% | 100.0% |
| Above 7 | Count | 9 | 14 | 2 | 25 |
| | % within Family Size | 36.0% | 56.0% | 8.0% | 100.0% |
| Total | Count | 31 | 76 | 38 | 145 |
| | % of Total | 21.4% | 52.4% | 26.2% | 100.0% |

4.9 Home Loan Recovery Process

Home loans disbursed by financial institutions may broadly be classified into two categories: unclassified loans and overdue loans. Unclassified loans refer to loans characterized by regularly payment of installments due. Overdue loans, as per guidelines of Bangladesh Bank, may be categorized into four types: special mention (SM) account, sub-standard (SS), doubtful (DF), and

bad-loss (BL). Loan installment due to the good loans are collected following a routine process of receiving installments through the accounts.

Special mention loans are those that appear to have some weaknesses, for which management's close attention is drawn. If the administration does not take preventive measures, this may deteriorate the borrower's repayment prospect. If a loan experiences continuous negative losses, negative net value, or high leverage, it may be designated as a special mention loan. Loans are downgraded to sub-standard (SS) if the borrower's financial condition is found to be poor and their ability to repay is questioned. The loan is doubtful (DF) if it is unlikely that all of the principal and interest will be paid back and if there is a very high chance of losing money. Lastly, if the loan is long past due with no improvement in getting repayment and legal action is being taken, the debt is depicted as a terrible and lost loan.

The classification of the loan depends on the qualitative judgment of the bank. In the event of a change in loan recovery, the bank can declassify the loan. However, unless the status is changed by repayment or rescheduling, the credit must remain classified if the Bangladesh Bank inspection team classifies the loan. On the other hand, if the bank feels the loan should be declassified, this may be done with the board of directors' approval. In this respect, the bank authority must certify that all norms required to declassify the account have been duly observed. In addition, Bangladesh Bank must be informed of the decision to declassify a loan within 15 days of the date the board approved the declassification. In the event of non-compliance with the norms of declassification set by the Bangladesh Bank, Bangladesh Bank may take the punitive measure.

The method pursued by the financial institution to recover loan includes the following:

- Persuasion and follow Up
- Letters/reminders
- Inspections/Site-visits
- Negotiation

If the borrower fails to pay installment due, the financial institution adopts the strategy of persuasion. There are several reasons for which a borrower may fail to pay installments due. Some of the significant reasons behind loan default include loss of income, loss in business, loss of profession or job, death, or permanent disability of the earning member.

If no tangible result is obtained through persuasion, formal letters giving reminders to the borrower are issued. A letter is issued to the concerned borrower allowing 30 (thirty) days to repay banks due with interest. Depending upon the loan conditions, a copy of such a letter is also sent to the guarantor or mortgagers. Reminders are sent ordinarily at fortnightly or monthly intervals.

As part of the concerned institution's loan follow-up, the concerned branch or official inspects by visiting the site. This paragraph is devoted to identifying the reasons behind the failure of the borrower to repay the loan. After having conducted the investigation, the inspection team of the concerned officials submits a report with their findings, the concerned branch/RM also assesses the valuation of securities held against the loan if such information is not updated.

The last stage in the process of persuasion is initiating negotiation with the borrower to resolve the issue. In the process of negotiation, the following alternatives are being examined to fix the problem:

- Possibility of adjustment within a shorter time frame.
- Rescheduling of existing limits after realization of required down payment.
- Restructuring the limit with provision for gradual adjustment on a monthly/quarterly basis in a phased manner.
- Permitting additional time reasonable and acceptable to both bank and the borrower.

In all possible negotiations being unsuccessful in resolving the default issue, the financial institution serves final notice followed by legal notices on the borrower. After that, it files a lawsuit under Artha Rin Adalat Ain-2003. At this stage, the option of encashment of securities is also considered.

In assessing the customers' opinion regarding the home loan recovery process, customers were requested to state the officials' behavior in repayment. As revealed by the study, more than 80% of the customers viewed that the home loan recovery process was up to customer satisfaction. As many as 42.4% of the customers viewed the home loan recovery process as very good, 44.4% considered the recovery process good. Only 13.2% of them reported that the home loan recovery process was not fair. This is indicative of the fact that there were variations in customers' responses

on the process of recovery. The answers on the efficacy of the recovery process varied due to occupation, education, age, gender, marital status, life cycle, family type, and family size.

4.9.1 Relationship between Responses on Assessment of Loan Recovery Process and Occupational Status

The opinion of the home loan recovery process also varied with the variations in occupational status. The proportion of respondents belonging to the salaried group reporting the home loan recovery process as very good (45.6%) was highest, followed by that of the professional group (39.3%) and self-employed group (38.9%). The distribution of respondents by responses on the assessment of the loan recovery process and occupational status is furnished in Table 4.9.1.

Table 4.9.1:

**Distribution of respondents by Occupation and Loan Recovery System score
Occupation * Loan Recovery process Crosstabulation**

| | | Loan Recovery process | | | Total |
|--------------------|---------------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Professional | Count | 2 | 15 | 11 | 28 |
| | % within Occupation | 7.1% | 53.6% | 39.3% | 100.0% |
| Salaried | Count | 8 | 29 | 31 | 68 |
| | % within Occupation | 11.8% | 42.6% | 45.6% | 100.0% |
| Self - Employed | Count | 10 | 23 | 21 | 54 |
| | % within Occupation | 18.5% | 42.6% | 38.9% | 100.0% |
| Total | Count | 20 | 67 | 63 | 150 |
| | % of Total | 13.3% | 44.7% | 42.0% | 100.0% |

4.9.2 Relationship between Responses on Assessment of Loan Recovery Process and Education

Marked variations in the home loan recovery process's effectiveness level were observed due to variations in educational status. The relationship between the efficacy of the home loan recovery process and the academic status measured in terms of the contingency coefficient was estimated at 0.328.

Table 4.9.2:**Distribution of respondents by Education Level and Responses on Loan Recovery Process**

| Education Level | | Loan Recovery Process | | | Total |
|----------------------------|--------------------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| No Formal Education | Count | 2 | 2 | 5 | 9 |
| | % within Education Level | 22.2% | 22.2% | 55.6% | 100.0% |
| Higher Secondary Education | Count | 6 | 4 | 11 | 21 |
| | % within Education Level | 28.6% | 19.0% | 52.4% | 100.0% |
| Higher Education | Count | 10 | 37 | 32 | 79 |
| | % within Education Level | 12.7% | 46.8% | 40.5% | 100.0% |
| Professional | Count | 1 | 20 | 8 | 29 |
| | % within Education Level | 3.4% | 69.0% | 27.6% | 100.0% |
| Others | Count | 1 | 4 | 7 | 12 |
| | % within Education Level | 8.3% | 33.3% | 58.3% | 100.0% |
| Total | Count | 20 | 67 | 63 | 150 |
| | % within Education Level | 13.3% | 44.7% | 42.0% | 100.0% |

The association between the variables was statistically significant at 0.02 level. The respondents' distribution by the responses on the assessment of home loan recovery process as perceived by customer and education level has been shown in table 4.9.2.

4.5.3 Relationship between Responses on Assessment of Loan Recovery Process and Age

The loan recovery process of the financial institution was rated differently by the different age groups. However, there was no uniform pattern in the responses on the home loan recovery process. For example, the majority (56.7%) of the respondents of the age bracket of 45-55 reported that the home loan recovery process was very good, while 31.5 of the age bracket of 35-45 viewed the same as very good. On the other hand, the proportion of the respondents perceiving the home loan recovery process as not good was highest (14.8 percent) amongst those belonging to the age bracket of 35-45, and the same in the age bracket of 45-55 was 13.3 percent. The respondents' responses on the efficacy of the loan recovery process as perceived by the respondents and age groups have been presented in Table 4.9.3.

Table 4.9.3:**Distribution of respondents by Age and Responses on Loan Recovery Process**

| | | Loan Recovery process | | | Total |
|----------|--------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Below 35 | Count | 5 | 20 | 19 | 44 |
| | % within AGE | 11.4% | 45.5% | 43.2% | 100.0% |
| 35 - 45 | Count | 8 | 29 | 17 | 54 |
| | % within AGE | 14.8% | 53.7% | 31.5% | 100.0% |
| 45 - 55 | Count | 4 | 9 | 17 | 30 |
| | % within AGE | 13.3% | 30.0% | 56.7% | 100.0% |
| Above 55 | Count | 2 | 9 | 10 | 21 |
| | % within AGE | 9.5% | 42.9% | 47.6% | 100.0% |
| Total | Count | 19 | 67 | 63 | 149 |
| | % of Total | 12.8% | 45.0% | 42.3% | 100.0% |

4.9.4 Relationship between Responses on Assessment of Loan Recovery Process and Gender

Gender-wise analysis of the responses on assessing the recovery process perceived by the customers reveals that the proportion of female respondents reporting the recovery process being good was higher than that of males

Table 4.9.4: Distribution of respondents by Gender and Responses on the Assessment of the Loan Recovery Process

| | | Loan Recovery process | | | Total |
|--------|-----------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Male | Count | 20 | 58 | 54 | 132 |
| | % within Gender | 15.2% | 43.9% | 40.9% | 100.0% |
| Female | Count | 0 | 9 | 10 | 19 |
| | % within Gender | 0.0% | 47.4% | 52.6% | 100.0% |
| Total | Count | 20 | 67 | 64 | 151 |

| | | | | |
|------------|-------|-------|-------|--------|
| % of Total | 13.2% | 44.4% | 42.4% | 100.0% |
|------------|-------|-------|-------|--------|

The distribution of respondents by responses on the assessment of the loan recovery process and gender is displayed in Table 4.9.4. The relationship between gender and the reactions on assessing the loan recovery process measured by the contingency coefficient was estimated at 0.15. The association between the variables, however, was not statistically significant.

4.9.5 Relationship between Responses on Assessment of Loan Recovery Process and Marital Status

Assessment of customers' views on the home loan recovery process by marital status reveals that the proportion of married respondents reporting the process to be very good (43.7%) was higher than that of the unmarried group (33.3%). The respondents' distribution by responses on the assessment of the loan recovery process and marital status has been presented in Table 4.9.5.

Table 4.9.5:
Distribution of respondents by Marital status and Loan Recovery System score
Marital status * Loan Recovery process Cross tabulation

| | | Loan Recovery process | | | Total |
|-----------|-------------------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Married | Count | 18 | 58 | 59 | 135 |
| | % within Marital status | 13.3% | 43.0% | 43.7% | 100.0% |
| Unmarried | Count | 2 | 8 | 5 | 15 |
| | % within Marital status | 13.3% | 53.3% | 33.3% | 100.0% |
| Total | Count | 20 | 66 | 64 | 150 |
| | % of Total | 13.3% | 44.0% | 42.7% | 100.0% |

4.9.6 Relationship between Responses on Assessment of Loan Recovery Process and Life Cycle Stages

The assessment of the loan recovery process as perceived by the respondents was found to vary with variations in the life cycle stages of the respondents. The study reveals that the proportion of respondents viewing the recovery process as very good was highest among those in the post parenthood and dissolution stages.

Table 4.9.6:**Distribution of respondents by Life Cycle and Loan Recovery System score**

| | | Loan Recovery process | | | Total |
|-----------------|---------------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Single | Count | 2 | 8 | 4 | 14 |
| | % within Life Cycle | 14.3% | 57.1% | 28.6% | 100.0% |
| Honeymooners | Count | 2 | 15 | 9 | 26 |
| | % within Life Cycle | 7.7% | 57.7% | 34.6% | 100.0% |
| Parenthood | Count | 12 | 34 | 36 | 82 |
| | % within Life Cycle | 14.6% | 41.5% | 43.9% | 100.0% |
| Post Parenthood | Count | 4 | 9 | 13 | 26 |
| | % within Life Cycle | 15.4% | 34.6% | 50.0% | 100.0% |
| Dissolution | Count | 0 | 1 | 1 | 2 |
| | % within Life Cycle | 0.0% | 50.0% | 50.0% | 100.0% |
| Total | Count | 20 | 67 | 63 | 150 |
| | % of Total | 13.3% | 44.7% | 42.0% | 100.0% |

In comparison, the proportion of respondents viewing the recovery process as very good was lowest at the single-stage (26.6 percent). The distribution of the respondents' responses by assessing the loan recovery process and lifecycle stages has been displayed in Table 4.9.6.

4.9.7 Relationship between Responses on Assessment of Loan Recovery Process and Family Type

The analysis of the respondents' opinions regarding the efficacy of the home loan recovery process reveals that the proportion of customers having nuclear families reporting the recovery process to be very good (44%) was higher than that of the joint family (40.8%). Details of respondents' distribution by opinions on the home loan recovery process and family types are furnished in Table 4.9.7.

Table 4.9.7:**Distribution of respondents by Family Type and Responses on the Loan Recovery Process**

| | | Loan Recovery Process | | | Total |
|---------|---------------------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Joint | Count | 9 | 36 | 31 | 76 |
| | % within Nature of Family | 11.8% | 47.4% | 40.8% | 100.0% |
| Nuclear | Count | 11 | 31 | 33 | 75 |
| | % within Nature of Family | 14.7% | 41.3% | 44.0% | 100.0% |
| Total | Count | 20 | 67 | 64 | 151 |
| | % of Total | 13.2% | 44.4% | 42.4% | 100.0% |

4.9.8 Relationship between Responses on Assessment of Loan Recovery Process and Family Size

Analysis of the home loan recovery process as viewed by customers by family size indicates that the perception of the loan recovery process varied from one family type to another. For example, the proportion of the respondents who reported the home loan recovery process to be very good was 45.6 percent in the family size 3-5, while the same for the family size group 5-7 was 45.5 percent.

Table 4.9.8: Distribution of respondents by Family Size and Responses on Loan Recovery Process

| | | Loan Recovery process | | | Total |
|---------|----------------------|-----------------------|-------|-----------|--------|
| | | Not Good | Good | Very Good | |
| Below 3 | Count | 6 | 10 | 6 | 22 |
| | % within Family Size | 27.3% | 45.5% | 27.3% | 100.0% |
| 3 - 5 | Count | 6 | 25 | 26 | 57 |
| | % within Family Size | 10.5% | 43.9% | 45.6% | 100.0% |
| 5 - 7 | Count | 4 | 20 | 20 | 44 |
| | % within Family Size | 9.1% | 45.5% | 45.5% | 100.0% |
| Above 7 | Count | 4 | 12 | 9 | 25 |
| | % within Family Size | 16.0% | 48.0% | 36.0% | 100.0% |
| Total | Count | 20 | 67 | 61 | 148 |
| | % of Total | 13.5% | 45.3% | 41.2% | 100.0% |

However, in the family size below 3, the proportion of respondents reporting the loan recovery process to be ‘very good’ was only 27.3 percent. Details of respondents' distribution by opinions on the home loan recovery process and family sizes are furnished in Table 4.9.8.

4.10 Constraints to Enhancing Home Loans

Bangladesh’s ratio of housing finance to GDP has been abysmal compared to developed and other developing countries. For example, it was less than 3 percent, compared with 50–70 percent in developed countries and 7 percent in India.³⁸⁷ The constraints to the housing finance market, as observed by Nenova, included weak competition, poor transparency, an underdeveloped structure (such as second-tier lenders), and a lack of a level playing field for financial institutions.³⁸⁸ Another study on housing finance markets revealed that the factors explaining the variation in housing finance across emerging economies include more substantial legal rights for borrowers and lenders (through collateral and bankruptcy laws), credit information systems, and stability in the macroeconomic environment.³⁸⁹ In Bangladesh, legal rights and the macroeconomic environment are more favorable, but credit information systems do not match the requirements.

In identifying constraints to home loan development in Bangladesh, concerned stakeholders were interviewed. Concerned stakeholders mainly include home loan-seeking customers, real estate companies, and financial institutions. The main problem behind the lack of extensive use of the home loan is a gap between the borrower's demand for loans and the loans provided by the financial institutions. The financial institution wants to offer home loans, and loan seekers wish to take loans. But matching the demand and supply has not been possible in many cases due to problems inherent in the system. Issues of having access to home loan programs of financial institutions vary from one group of customers to another. Before sanctioning a loan, financial institutions want to ensure the customer's financial soundness or capability to repay. In many cases, deserving loan seekers face problems in meeting the conditionality of loan sanctioning of the financial institutions.

³⁸⁷ Nenova, T. (2010). Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda (Washington DC IBRD/The World Bank). p.83.

³⁸⁸ Ibid.

³⁸⁹ Warnock, V.C and Warnock , F(2008). Markets and housing finance. Journal of Housing Economics xxx (2008) xxx–xxx. p.13.

The summary of the findings of the constraints faced by the concerned stakeholders includes the following:

4.10.1 Lack of Adequate Collateral

The major group of home loan seekers consists of those serving in different institutions. In the case of people working in the government or autonomous bodies, the financial institutions can quickly assess the customer's financial soundness to repay because of the job's permanent nature. But there is no system to link the salary of the loan seekers with the loan. As a result, there remains no certainty in the repayment of the loan. Finally, loan sanctioning remains dependent on the qualitative judgment of the financial institution. However, some autonomous bodies offer home loans to their employees to a certain extent. On the other hand, in salaried persons in private organizations, the risk of repayment has been more because of the uncertainty of the job's tenure. Similarly, home loan seekers from small business owners, financial institutions face the problem of assessing the financial soundness of the loan seekers. Moreover, they have to depend on the quality of collaterals that most borrowers cannot offer to the financial institutions' satisfaction. All these problems could be reduced to the minimum if the system of effective mortgaging in the apartment were developed. Effective mortgaging can help the financial institution offer home loans with more certainty with minimum risk and the concerned borrower to buy an apartment quickly. Furthermore, as the loan processing demands several documents to be submitted, the loan seeker faces additional problems to manage all the documents.

4.10.2 Lack of Information

Both borrowers and financial institutions suffer from inadequate data. Borrowers are not supplied with adequate information about a home loan. Financial institutions do not undertake aggressive promotional programs to popularize the issue because the home loan sector is not a priority sector. In most cases, publicity or advertisement for offering home loans has not been done. However, some brochures or billboards for a home loan have popularized offering home loans in some cases. A review of the booklets published for popularizing home loan issues indicates that relevant loan seekers' decision-making issues/ data are unavailable. The customers fail to understand if the real estate genuinely owns the land used because of the absence of certification authority that may certify the real estate owner genuinely owns the land. Moreover, the attitude of the officials of the

financial institutions toward giving relevant information on home loans has not been favorable to loan seekers.

In estimating the probability of default, a lender needs information on the creditworthiness of prospective borrowers. In developed countries, such information is produced by a standardized and accurate source of credit histories—such as public credit registries or private credit bureaus. The absence of standardized information of credit histories requires lending institutions to spend considerable resources acquiring information on potential borrowers. The lack of data limits the lenders' loan-creation capabilities, which impacts the housing finance system.³⁹⁰ Assessment of creditworthiness of the client's needs credit information of the borrower. But, data on individual income and repayment behavior of the customers are not readily available. The collection of relevant data depends upon the intensity of the banker-client relationship. Bangladesh Bank, however, maintains data on loan defaulters, not on the repayment behavior of other customers. But institutions for credit rating for individual or business firms are yet to develop in Bangladesh. If an institutional mechanism for evaluating the repayment behavior of customers were developed, the same could provide information on the repayment behavior of the customers.

4.10.3 Lack of Effective Marketing

A large number of real estates have been working in the area of apartment dealing. From time to time, REHAB organizes exhibitions/ fares for the marketing of their products. One of the barriers to promoting the home loan market is the absence of a database of prospects and past clients of the institutions offering the home loan. Potential customers ordinarily seek recommendations from friends and family while making home purchase decisions. Networking online is an alternative way to promote markets. Social media marketing has not been used to reach the existing network in popularizing the home loan market. The real estate firms may use zip codes, professions, and other demographics to formulate a strategy to reach the target customers. Customers face several problems in the making of the selection of real estate. Ordinarily, the real estate's use brochures pinpointing various aspects of a given project. However, the cases of making potential customers

³⁹⁰ Ibid. p.3.

aware of flats available through advertisement are few. Moreover, brokerage firms for facilitating transactions between the buyer and sellers are scanty.

4.10.4 Absence of Effective Legal Framework

The absence of a legal framework to regulate various dimensions of real estate business affects the concerned stakeholders. There is no policy framework for a home loan and no regulatory guidelines from Bangladesh Bank. Home loan is deemed as a part of consumer credit, and prudential regulations apply to them.³⁹¹ The legal framework is inadequate to address some of the basic problems faced by the customers. First, there is no statutory authority to address the non-compliance of the timely completion of the project. The real estate's failure to complete the project as per schedule involves costs and inconveniences to customers. Until now, there is no code or rules to compensate the apartment owner for the delay. Secondly, there is no institutional mechanism to ensure justice in the violation of real estate or developers of the contract between apartment owner and developer. Thirdly, there is no law or agency to provide justice to the apartment owner if the developer or real estate charges additional money to the apartment owner beyond the contracted amount before registration. Fourthly, there are also cases where a developer or real estate owner extracts extra money for electricity, gas, or water connection, which are not mentioned in the contract. If the system of developing a uniform contract incorporating all the points mentioned above and quick disposal of grievances were designed, the marketing of apartments would have been more effective. Costs and procedures associated with property registration and transfer of ownership (including stamp duty charges) are high.

4.10.5 Lack of Professionalism in Apartment Dealing

In the process of marketing apartments, a large number of brokers are in operation. They work as an intermediary between the real estate owner and the apartment owner. Sometimes they also negotiate home loans with financial institutions. In many cases, loan seekers of apartment buyers become the victim of malpractices adopted by brokers. Until now, there has not been any law or

³⁹¹ Siddique, M.M. Alamgir, M. and .Islam, M.T (2018). Home Loan of Banks: Trend and Impact. BIBM, Roundtable Discussion Series 2018 (A Compilation of Keynote Papers of Roundtable Discussions of BIBM). p.47.

body to regulate the functions of brokers. The absence of regulation of the functions of brokers results in many malpractices in dealing in the apartment and loan sanctioning. If the licensing system for regulating the activities of brokers combined with monitoring and control were introduced, the marketing of apartments and effective financing could be developed.

If the broker was licensed, these could facilitate the buyers and bankers to provide a loan with certainty because professional brokers are supposed to scrutinize the party seeking the loan's financial soundness and the apartment's ownership-related issue.

4.10.6 Lack of Auction Market

In the absence of a developed auction market for buying and selling apartments, the financial institutions face the problem of realizing the installment and interest due. Simultaneously, the apartment buyers cannot buy a ready flat with the certainty of ownership. If the auction markets were developed, buyers could purchase apartments with no hassles involved in purchasing.

4.10.7 Lack of Specialized Adjudication Process

The issue of home loan default is a recurring problem almost everywhere in the world. The significant problems involved in the recovery of loans are the lengthy settlement of the loan repayment dispute. In Bangladesh, the loan repayment disputes are settled through *Artha Rin Adalat Ain-2003* with all other financial disputes. As loan default and loan recovery are interrelated, the lengthy process and the hassles involved in the loan repayment dispute settlement increase time and costs for the financial institutions. The judicial execution of cases may take more than ten years.³⁹² The problem could be minimized if a special tribunal for settling home loan repayment disputes were set up. The easing of loan repayment dispute adjudication would encourage the financial institution to enhance the volume of home loans. On the other hand, the lengthy process in the loan recovery disputes settlement as reported by real estate owners adversely affects the promotion of home loans.

³⁹² Ibid. p.74.

4.10.8 Problems in the Loan Sanctioning Process

The loan sanctioning process is beset with the inherent mindset of the lender to emphasize the collateral's valuation than highlighting the borrower's repayment capacity potential. Failure to assess the repayment capacity of home loan seekers combined with their willingness to repay sometimes causes loan default. If the financial institutions give due importance to the borrower's repayment capacity and motivation to repay, default home loans could be reduced substantially.

4.10.9 Lack of Policy Support

Despite the ever-increasing demand for home loans, there has not been any comprehensive policy support. A regulation of Bangladesh Bank regarding the limit of house financing acts as a barrier to enhancing housing finance. As stated in the regulation, at no time the total exposure under house financing should exceed 10 percent of the net consumer advances.³⁹³ Some of the incentives that may positively impact home loan promotion include tax concession, reduced registration fees for transfer, reduced interest rate or institutional support, or refinancing by the central bank. For example, the home loan sector may develop if the government encourages apartment acquisition through refinancing by the central bank with a reduced interest rate. In addition, attempts may be made to mobilize funds from abroad at minimal interest to support the financial institutions for financing home loans through a refinancing facility.

4.10.10 Absence of Clarity in the Terms and Conditions

Terms and conditions of installment payments, including the amount of advance payment for buying an apartment, remain vague in most cases. Specific legal provisions for regulating and preventing fraud and cheating in the real estate sector are absent. There is hardly any provision to protect the interests of homebuyers. The law needs more clarity to benefit homebuyers to register an agreement for sale before paying the booking money. There is no legal protection for the buyers regarding the particulars of the project's development, including the construction of buildings and apartments, along with specifications and details of internal and external development work.

³⁹³ Bangladesh Bank. Prudential Regulations for Consumer Financing (First Edition – 2004). p.17.

In most cases, developers fail to hand over the flats as mentioned at the time of the contract. The content analysis of selected agreements shows that provisions in the agreement are more flexible for the builders. There is no provision for compensating the apartment buyers if there is a delay in the handover of the flat. The deviation between the agreed delivery time and the actual delivery time might be caused due to the absence of a realistic estimation of the time combined with the lack of capacity to implement the project.

Clientele Perception of the Importance of Factors in Home Loan Decision Making

5.1 Introduction

Decision to buy an apartment or build a house is the function of the intention of the individual to have a house of his own. Financial soundness is an important factor to motivate someone to buy a house or apartment for his living. But in most cases, the individuals do not have the amount of liquid resources necessary to pay for acquiring apartment. In some cases, the financial resources may be invested in some gainful projects including investment in shares and securities. The decision to buy an apartment is not a simple issue. The investment in flat or apartment may be rational decision if supporting financial assistance is obtained at affordable costs. Regardless of the financial soundness of an individual, the intending persons make decisions after having analyzed the costs and benefits of such decision. At present there remains a gap in information between what the customers prefer and what the financial institutions may offer. The selection of the appropriate strategy for popularizing home loan depends upon the use of information regarding the preferences of customers. Until now there has not been any study to unfold the issues that guide the customers to make decisions. The current literature on financial institutions lacks studies on selection criteria of financial institutions as perceived by customers.³⁹⁴ This study attempts to bridge this gap.

Besides, if home loan strategies are formulated based the preferences of the customers, they may convert potential customers into real customers. The formulation of appropriate strategy may bridge the gap in demand of home loan and investible funds fixed for investment in the home loan.

Whether a person would go for a bank loan is dependent upon some relevant issues: economic, social and institutional. The decision to take a loan is influenced largely by economic and attitudinal dimensions of customers. The choice of selecting home loan is more the function of the perception of loan related issues and uses of funds. Customers may resort to procuring loan fund even if the concerned customer has the capability to defray the expenses of housing at a time.

³⁹⁴ Cf. Siddique, Md. Nur-E-Alam. "Bank Selection Influencing Factors: A Study on Customer Preferences with Reference to Rajshahi City". *Asian Business Review*, Vol. 1, Issue 1, (September 2012). Pp.82

Whether the client will take loan depends on upon his evaluation of the benefits and problems associated with each decision. In some cases, customers prefer to take a loan just to get tax benefits offered by the municipal corporation. To what extent socioeconomic variables affect the decision to take a loan is yet to be known. In this paragraph, an attempt has to be made to identify the factors influencing the customer to make a decision about a housing loan.

5.2 Factors Considered for Decision Making:

The factors identified by Kamakodi and Khan included safety of funds, secured ATMs, ATMs availability, reputation, personal attention, pleasing manners, confidentiality, closeness to work, timely service and friendly staff willing to work.³⁹⁵ As observed by Boyd et al. (1994), for those under the age of 21, a bank's reputation plays a major role in their decision, followed by location, hours of operation, interest on savings accounts and the provision of convenient and quick services. The least important factors for this age group, as revealed by their study, were friendliness of bank employees and the modern nature of their facilities.³⁹⁶

Some of the important factors, according to Gupta and Jain, were the average time for the processing of the loan, easy repayment and fewer formalities, quality of services provided by the staff and the mode of repayment of installments.³⁹⁷ Gupta and Sinha observed in their study that rate of interest, easy accessibility, prompt service, scheme offered by the company, easy documentation formalities, repayment period, cooperative staff, easy instalments, fast processing of loan etc. were the major factors that the respondents considered as the reason for selecting a financial institution for taking Home Loan.³⁹⁸ As identified by Narwal, et al., the rate of interest,

³⁹⁵ Frangos, Christos C. et al. "Factors Affecting Customers' Decision for Taking out Bank Loans: A Case of Greek Customers". *Journal of Marketing Research & Case Studies* Vol. 2012 (2012), Article ID 927167, 16 pages DOI: 10.5171/2012.927167 see also <http://www.ibimapublishing.com/journals/JMRCs/jmrcs.html>

³⁹⁶ Boyd, W., et al. (1994), "Customer preferences for financial services: an analysis", *International Journal of Bank Marketing*, Vol. 12 No. 1, (1994) pp. 9-15.

³⁹⁷ Gupta, J. and Jain, S. (2012), "A Study on Cooperative Banks in India with special reference to Lending Practices",

International Journal of Scientific and Research Publications, Volume 2(10), October, 1-6. 2012.

³⁹⁸ Gupta, U. and . Richa Sinha, R. "A Comparative Study on Factors Affecting Consumer's Buying Behavior towards Home Loans (With Special Reference To State Bank Of India And Life Insurance Corporation, Allahabad)". *IOSR Journal of Business and Management (IOSR-JBM)* e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 17, Issue 2. Ver. (Feb. 2015), PP 13-17 www.iosrjournals.org DOI: 10.9790/487X-17211317. www.iosrjournals.org

type of interest rate, tenure/ repayment period, down payment, calculation of interest, processing fee, processing time, foreclosure penalty, the requirement of a guarantor, etc. were important in making decision about selection of a financial institution.³⁹⁹ As observed in the study conducted by Riggall, the factors influencing the choice of banks were the convenience of location (to home or work), the influence of friends, small service charges, availability of automated teller machines (ATM), and the same bank used by the employer. Out of the factors influencing the decision of the customer, convenience of location (to home or work) was the most influential factor for bank selection.⁴⁰⁰ In another study conducted in India, Vanitha and Kalaivanan identified 13 factors influencing the customer to choose a bank for taking a home loan. The factors, as observed by them, were low rate of interest, no processing fees, lump sum repayment, small margin money, no pre-closure charges, speedy sanction, courtesy treatment by staff, genuine processing of documents attached, no fear of unwanted queries and clarification, easy accessibility, convenient for repayment, long period of repayment, and insurance optional.⁴⁰¹ Some of the attributes influencing the selection of the bank, as viewed by Vijayakumar and Subburaj, were flexibility, the processing fee, the interest rate, and the processing time.⁴⁰²

The effectiveness of housing loan depends on a large number of policy parameters of financial institutions. All policy parameters are not equally relevant to all categories of customers. An assessment of the relative importance of each of the parameters was assessed from customer's point of view. In unfolding the factors influencing the decision-making of the customers, a pilot survey was conducted with the help of open-ended questions keeping in view the issues identified from the literature review. After having analyzed the answers of the customers on the issues influencing home loan decision, as many as twenty different policy parameters were selected. The factors that were construed to be relevant for clients in making decision about housing loan included the following:

- Products offered by the financial institution
- Interest rate of the loan amount

³⁹⁹ Narwal, M.S. et al. "Customer Preferences For Home Loan". *International Journal of Banking, Risk and Insurance*. Vol. 1, Issue 1. March 2013.

⁴⁰⁰ Riggall, J. "A new study: how newcomers select banks", *ABA Journal*, July, 1980. pp. 93-4.

⁴⁰¹ Vanitha, C. and Kalaivanan, G. "SBI Home Loan – Factors Influencing The Choice", *Indian Journal of Applied Research*, Vol. 5, Issue 6 (June 2015). pp. 31-32

⁴⁰² Vijayakumar M. & Subburaj B.

- Procedure of the home loan
- Processing fees of the home loan
- Sanctioning time of loan
- Location of the financial institution
- Attractiveness of the promotions/advertisement of the institution
- Behavior of the promotion personnel
- Customer care of the financial institution
- Repayment system of the loan
- Equated monthly installment (EMI) system of your home loan
- Loan agreement of your home loan
- Advertisement of Home loan provided by your financial institution
- Behavior of the sales personnel
- Post purchase banker's behavior
- Influence strategy of the financial institution
- Promotion strategy of the financial institution
- Loan sanctioning system of the financial institution
- Loan disbursement system of the financial institution
- Loan recovery system of the financial institution

In the survey designed to collect information from the customers, a structured questionnaire was used. The customers were requested to state the relative importance of each of the issues as mentioned above. The customers were asked to state to what extent each of the issues was important in making a decision about house loan. In measuring the relative importance of the issues, the 6-point Likert-type of the scale was used. Not at all considered was assigned zero while the response 'Very much considered' was assigned the value of 5. The minimum score for any items was 0 while the maximum score for any item was 5.

5.3 Relative Importance of the Factors as Perceived by Customers

In reviewing the relative importance of each of the chosen factors, averages of the score along with standard deviations were estimated. Examination of the scores of the 20 items reveals that out of 20 issues influencing the choice of financial institutions, 12 of the items had the score of more than

3, while 8 of the items had a score of more than 2. The averages of the scores on the importance of the issues as mentioned in the Table 5.1.1 are indicative of the phenomenon that all the items were important in making a decision on the selection of financial institutions in varying degrees. There were, however, variations in the response of each of the items.

Analysis of the averages of the elements indicates that three most important issues that influenced the decision of a customer in selecting a financial institution were Interest rate of the home loan, EMI of the loan and sanctioning time of the loan. As perceived by customers, the score carrying the importance of the issue of Interest rate of the home loan was 3.94 indicating that the response was closer to 'highly considered' and intra-item variations measured by standard deviation was 1.227. Equated monthly installment (EMI) is vital that you understand important elements in the loan-taking process. An EMI is a set monthly payment that a borrower makes to a lender at a designated time. Equated monthly payments are used to repay the loan's principal and interest in equal amounts each month over the course of a certain number of years. The score on the importance of the EMI of the loan was 3.95 almost close to that customer care and its standard deviation reflecting variation in the responses on the said issue was 1.160.

Table 5.3.1

Distribution of means, standard deviations and rank positions of the score on the importance of the factors influencing the choice of financial institutions

| Items | Mean | Std. Deviation | Rank Position | No of Respondents |
|--------------------------------|-------------|-----------------------|----------------------|--------------------------|
| Interest Rate of the Loan | 4.05 | 1.227 | 1 | 153 |
| EMI System of the Loan | 3.95 | 1.160 | 2 | 153 |
| Sanctioning Time of Loan | 3.92 | 1.173 | 3 | 153 |
| Repayment System of Loan | 3.92 | 1.287 | 4 | 153 |
| Loan Disbursement System of FI | 3.79 | 1.228 | 5 | 153 |
| Loan Recovery System of FI | 3.74 | 1.275 | 6 | 152 |
| Loan Agreement Home Loan | 3.65 | 1.412 | 7 | 153 |
| Procedure of the Loan | 3.63 | 1.207 | 8 | 153 |
| Loan Sanctioning System of FI | 3.56 | 1.315 | 9 | 151 |
| Products Offered | 3.51 | 1.367 | 10 | 152 |
| Processing Fees | 3.14 | 1.430 | 11 | 153 |
| Customer Care of FI | 3.03 | 1.491 | 12 | 153 |
| Post Purchase Bankers Behavior | 2.97 | 1.453 | 13 | 153 |
| Influence Strategy of FI | 2.82 | 1.479 | 14 | 152 |

| | | | | |
|-------------------------------------|------|-------|----|-----|
| Promotion Strategy of FI | 2.78 | 1.714 | 15 | 152 |
| Behavior of the Sales Personnel | 2.71 | 1.589 | 16 | 153 |
| Location of the Institution | 2.59 | 1.566 | 17 | 153 |
| Behavior of the Promotion Personnel | 2.50 | 1.522 | 18 | 153 |
| Attractiveness of the Promotion | 2.35 | 1.703 | 19 | 153 |
| Advertisement of Loan by FI | 2.20 | 1.577 | 20 | 153 |

The third important issue identified by the customers was sanctioning time of the loan. The series of steps undertaken to grant credit varied from one financial institution to another. In some financial institutions, the sanctioning time is too lengthy and too many formalities are involved in giving housing loan. While making a decision about the selection of a financial institution, customers laid emphasis on the procedure of granting a home loan pursued by a financial organization. The lengthy and complicated process of sanctioning credit was viewed to be another important criterion used in making a decision about the financial institution. The average score on the importance of the process of the loan was estimated at 3.92 that was very close to 4 indicating the issue to be very important. The extent of variations in the response measured by standard deviation was 1.173.

The overall review of the score reflecting the importance of the issues shows that the top 12 items had a score of above 3, and the average rating score of rest of the eight items was less than 3. The means, standard deviations, and the rank position of each of the issues are presented in Table 5.3.1.

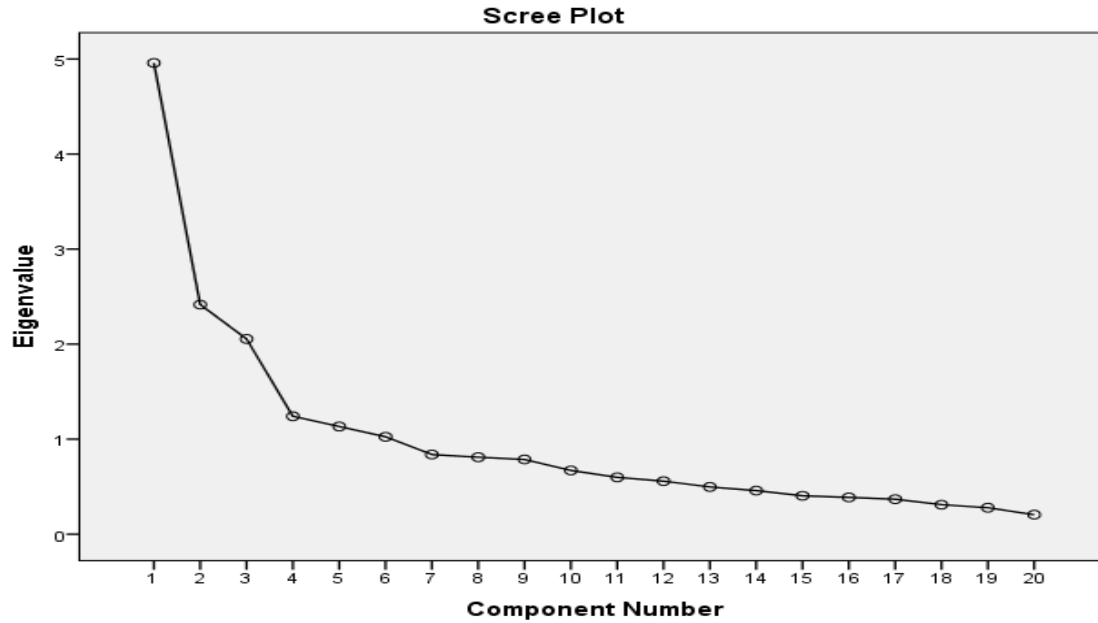
5.4 Classification of Variables: Factor Analysis

Variables that are viewed to be important in selecting a financial institution for taking house loan were of a different variety. All the variables do not appear to be equally important. Factor analysis was used to unfold joint variations in response to unobserved latent variables. Below is displayed the Scree plot to reflect the eigenvalue against the factor.

The purpose was to describe variability among observed, correlated variables regarding a potentially lower number of unobserved variables. To reduce the number of variables in a dataset, the variables were modeled as linear combinations of the potential factors and error terms.

Figure 5.4.1

The Scree plot showing the eigenvalue against the factor number



From the Scree plot, it appears that on to 6 factors, the eigenvalue is more than 1.

The line is almost flat after the sixth factor, and as a result, each subsequent factor accounts for less and less of the total variance. The table that explains the total variance and rotation sums of squared loadings is provided below.

Table 5.4.1

Explanation of the total variance with initial Eigen values and rotation sums of squared loadings.

| Total Variance Explained | | | | | | |
|--------------------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Component | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 4.966 | 24.828 | 24.828 | 2.728 | 13.638 | 13.638 |
| 2 | 2.407 | 12.035 | 36.863 | 2.508 | 12.542 | 26.180 |
| 3 | 2.054 | 10.272 | 47.135 | 2.418 | 12.090 | 38.271 |
| 4 | 1.238 | 6.188 | 53.323 | 1.979 | 9.897 | 48.168 |
| 5 | 1.133 | 5.665 | 58.988 | 1.857 | 9.284 | 57.451 |
| 6 | 1.023 | 5.116 | 64.104 | 1.330 | 6.652 | 64.104 |

Extraction Method: Principal Component Analysis.

Notes: The initial number of factors is 20 as the number of variables used in the analysis. Out of this only those factors having Eigenvalues 1 or more than have been retained. In this case, only the first six factors are retained depending on the Eigen values.

From Table 5.4.1, it appears that the first factor has an initial eigenvalue of 4.966 that accounts for 24.82 percent of the variance while the second factor has an initial eigenvalue of 2.407 that explains 12.035 percent of the variances. As usual, each successive factor accounts for less and less variance. The extraction sums of squared loadings are also given in the table to explain the explanatory power of factor by the values based on the common variance, which is smaller than the total variance.

Table 5.4.2 contains the rotated factor loadings (factor pattern matrix) representing both how the variables are weighted for each factor. Factor loadings represent correlations between variables and the factor. The columns under the heading Factor are the rotated factors that were extracted by varimax rotation using maximum likelihood method. The factor loadings in the table express the relationship of each variable to the underlying factor. In the present case, there are 20 variables and as many as six resulting factors were extracted.

The variables reflecting the importance of the issues influencing the decision making of the customers have been rearranged by the factors obtained for the purpose of analysis. Below is given the table showing the variables falling under each factor.

The variable with the strongest association to the underlying Factor 1 was a sanctioning time of loan with a factor loading of 0.80. Similarly, the variables leading highly onto Factor 1 were processing fees, interest rate of the loan, EMI system of the loan, behavior of the sales personnel, and post-purchase banker's behavior. Factor 1 encapsulating six variables as mentioned above was named as housing loan strategy. In the same way, Factor 2 was renamed as the attractiveness of the financial institution and rest of the factors were also given specific names depending on the nature of the variables encapsulated in each factor.

Table 5.4.2

The rotated factor matrix of the 20 variables influencing decision making of the customers in selecting a financial institutions

| | Rotated Component Matrix ^a | | | | | |
|-------------------------------------|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | Component | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Products Offered | .059 | .217 | .071 | .719 | .203 | -.031 |
| Interest Rate of the Loan | -.059 | .407 | .117 | .649 | .296 | .161 |
| Procedure of the Loan | .025 | .095 | .094 | .268 | .099 | .830 |
| Processing Fees | .277 | -.279 | -.159 | .732 | -.072 | .209 |
| Sanctioning Time of Loan | .018 | -.110 | -.146 | .240 | .715 | .172 |
| Location of the Institution | .524 | -.146 | .287 | .084 | .223 | -.200 |
| Attractiveness of the Promotion | .793 | .129 | .063 | .221 | -.040 | .046 |
| Behavior of the Promotion Personnel | .269 | .067 | .694 | -.197 | -.067 | .391 |
| Customer Care of FI | .193 | .192 | .723 | .057 | .185 | -.025 |
| Repayment System of Loan | .097 | .617 | .037 | .357 | .327 | .094 |
| EMI System of the Loan | -.086 | .771 | -.051 | .071 | .095 | .040 |
| Loan Agreement Home Loan | .056 | .530 | .395 | -.030 | -.057 | .087 |
| Advertisement of Loan by FI | .741 | -.138 | .188 | .166 | -.026 | -.056 |
| Behavior of the Sales Personnel | .146 | .009 | .866 | .102 | -.019 | -.014 |
| Post Purchase Bankers Behavior | .425 | .554 | .179 | .121 | -.103 | -.097 |
| Influence Strategy of FI | .563 | .335 | .158 | -.061 | .377 | .095 |
| Promotion Strategy of FI | .724 | .125 | .077 | -.205 | .093 | .225 |
| Loan Sanctioning System of FI | .038 | .253 | .424 | -.098 | .512 | .274 |

| | | | | | | |
|--------------------------------|------|-------------|------|-------|-------------|-------|
| Loan Disbursement System of FI | .116 | .225 | .115 | .143 | .675 | -.113 |
| Loan Recovery System of FI | .073 | .543 | .213 | -.145 | .340 | .409 |

After having identified the elements constituting each factor, the internal consistency of the variables constituting each factor was examined with the help of the Chronback's alpha. Variables based on factor loadings have been rearranged in the table above.

Table 5.4.3

Distribution of variables by factors

| Factor | Name of the factor | Name of the Variable |
|---------------|-----------------------------------|---|
| Factor 1 | Institutional Attractiveness | Location of the Institution Attractiveness of the Promotion Advertisement of Loan by FI Influence Strategy of FI Promotion Strategy of FI |
| Factor 2 | Home Loan Management | Repayment System of Loan EMI System of the Loan Loan Agreement Home Loan Post Purchase Bankers Behavior Loan Recovery System of FI |
| Factor 3 | Customer Services | Behavior of the Promotion Personnel Customer Care of FI Behavior of the Sales Personnel |
| Factor 4 | Products and Procedure | Products Offered Interest Rate of the Loan Processing Fees Procedure of the Loan |
| Factor 5 | Loan Sanctioning and Disbursement | Sanctioning Time of Loan Loan Sanctioning System of FI Loan Disbursement System of FI |

Table 5.4.4:

Summary statistics of the factors extracted influencing decision making about the selection of a financial institution

| Factor | Dimensions | Items | Grand Mean | Item Mean | Standard Deviation | Cronbach's Alpha |
|---------------|-----------------------------------|--------------|-------------------|------------------|---------------------------|-------------------------|
| F1 | Institutional Attractiveness | 5 | 12.73 | 2.546 | 5.747 | .761 |
| F2 | Home Loan Management | 5 | 18.23 | 3.646 | 4.412 | .691 |
| F3 | Customer Services | 3 | 8.24 | 2.747 | 3.846 | .779 |
| F4 | Home Loan Scheme | 4 | 14.36 | 3.584 | 3.617 | .632 |
| F5 | Loan Sanctioning and Disbursement | 3 | 11.25 | 3.751 | 2.676 | .532 |

5.5 Analysis of the Factors

There were several factors that were considered to be important in making decision about the selection of financial institutions. The factors influencing the customers in selecting a financial institution were attractiveness of financial institutions, credit management, customer services, Home Loan Schemes, and Loan Sanctioning and Disbursement. All the customers, however, did not view the set of variables uniformly. The perception of the customers about the importance of the factors varied from one customer to another.

Issues responsible for the variation in the perception of the factors responsible for selection of the financial institution for taking loan. The causal relation between each factor and the determinants of the factors are discussed below.

Factor-1

5.5.1 Institutional Attractiveness

Some factors may appear to be attractive to the customers. The variables constituting the term institutional attractiveness include the location of the financial institution, the attractiveness of promotional efforts, terms of the loan agreement, and influence strategy. As observed in the study

conducted by Riggall, one of the factors affecting the choice of banks was the convenience of location (to home or work).⁴⁰³ Similarly, a study by Vanitha and Kalaivanan observed that the terms of the agreement were important in selecting a financial institution for taking a loan.⁴⁰⁴ Each financial institution influences customers through various marketing stimuli that help users' evaluation process.⁴⁰⁵ Based on the interrelated of the variables constituting the term attractiveness of a financial institution and experiences in other countries, a composite index for measuring the attractiveness of a financial institution score was estimated with the four variables as mentioned above. Variations in the attractiveness of a financial institution score were assumed to be the function of age, marital status, family size, education, occupation, income per month and life-cycle. The following paragraphs focus on the relationship between institutional attractiveness score and a set of independent variables influencing perceived score.

5.5.1.1 Age and Institutional Attractiveness

The age of a respondent is viewed as an important variable influencing selection of a financial institution. In assessing the relationship between institutional attractiveness and age of the interviewees, it was hypothesized that there was no difference in the perception of the importance of institutional attractiveness due to variations in the age of the customers.

⁴⁰³Riggall, J. op. cit.

⁴⁰⁴ Vanitha, C. and Kalaivanan, G. op. cit.

⁴⁰⁵Vijayakumar, M. & Subburaj, B. op. cit.

Table 5.5.1.1

Distribution of respondents by age groups and institutional attractiveness score

Age * Institutional attractiveness Crosstabulation

| Age | | Institutional attractiveness | | | | Total |
|----------|--------------|------------------------------|--------|---------|----------|--------|
| | | Below 5 | 5 - 10 | 10 - 15 | Above 15 | |
| Below 35 | Count | 4 | 23 | 8 | 9 | 44 |
| | % within Age | 9.1% | 52.3% | 18.2% | 20.5% | 100.0% |
| 35 - 45 | Count | 3 | 18 | 14 | 19 | 54 |
| | % within Age | 5.6% | 33.3% | 25.9% | 35.2% | 100.0% |
| 45 - 55 | Count | 4 | 3 | 9 | 15 | 31 |
| | % within Age | 12.9% | 9.7% | 29.0% | 48.4% | 100.0% |
| Above 55 | Count | 4 | 0 | 5 | 12 | 21 |
| | % within Age | 19.0% | 0.0% | 23.8% | 57.1% | 100.0% |
| Total | Count | 15 | 44 | 36 | 55 | 150 |
| | % within Age | 10.0% | 29.3% | 24.0% | 36.7% | 100.0% |

As revealed by data in Table 5.5.1.1, with the increase in the age of the respondents, the tendency to laying more importance to institutional attractiveness in selecting a financial institution for taking home loan increases. The proportion of respondents belonging to the age group of below 35 having institutional attractiveness score of above 15 was 20.5 percent while the same for the group of 35-45 and the group of 45 – 55 were 35.20 percent and 48.4 percent respectively. The highest score arrived in the age group above 55 were 57.1 percent. The contingency coefficient reflecting the strength of association between age and institutional attractiveness score was estimated at 0.403. In the case of an age-wise classification, the value of χ^2 was 29.029 with 9 degrees of freedom, the number of valid cases was 150 and the value of P was .001. As the value of P is less than 0.05, the null hypothesis was rejected at 0.001 level of significance. Hence, it is inferred that perceived importance of the variables composing the institutional attractiveness score depends on upon age.

5.5.1.2 Occupational Status and Institutional Attractiveness

While reviewing the relationship between occupational status and institutional attractiveness score, it was assumed that perceived importance of the factor institutional attractiveness varied with the variations in the occupational status of respondents.

Table 5.5.1.2.1

Distribution of means and standard deviations of institutional attractiveness score by occupational groups

| Occupation | Number of Cases | Mean | Std. Deviation |
|-------------------|-----------------|--------|----------------|
| Professional | 29 | 9.931 | 5.126 |
| Salaried/ Service | 66 | 11.333 | 4.330 |
| Self-Employed | 56 | 13.554 | 3.722 |
| Total | 151 | 11.887 | 4.474 |

The average score of institutional attractiveness varied with variations in occupational status. The average institutional attractiveness score of the self-employed category of respondents was 13.55 as against the maximum score of 15 and the extent of variations in the response measured by standard deviation was 3.72. The score of about 14 is indicative of the degree of perceived importance of the construct used by respondents in making decision about the financial institution for house loan.

Table 5.5.1.2.2 Distribution of respondents by occupational status and institutional attractiveness.

| Occupation * Institutional attractiveness Crosstabulation | | | | | | |
|---|---------------------|------------------------------|--------|---------|----------|--------|
| Occupation | | Institutional attractiveness | | | | Total |
| | | Below 5 | 5 - 10 | 10 - 15 | Above 15 | |
| Professional | Count | 5 | 12 | 6 | 6 | 29 |
| | % within Occupation | 17.2% | 41.4% | 20.7% | 20.7% | 100.0% |
| Salaried | Count | 5 | 22 | 15 | 26 | 68 |
| | % within Occupation | 7.4% | 32.4% | 22.1% | 38.2% | 100.0% |
| Self Employed | Count | 5 | 10 | 15 | 24 | 54 |
| | % within Occupation | 9.3% | 18.5% | 27.8% | 44.4% | 100.0% |

| | | | | | | |
|-------|---------------------|------|-------|-------|-------|--------|
| Total | Count | 15 | 44 | 36 | 56 | 151 |
| | % within Occupation | 9.9% | 29.1% | 23.8% | 37.1% | 100.0% |

This score is close to 16, which means that the composite index was highly considered while selecting a financial institution for taking house loan. The least importance to the construct institutional attractiveness was attached by the professional group of respondents.

Analysis of the occupation group-wise data of institutional attractiveness score indicates that the institutional attractiveness score was found to vary with variations in the occupational status. The proportion of the respondents having institutional attractiveness score of above 15 was highest in the occupational group of the self-employed (44.40 percent) followed by those of service/ salaried persons (38.2 percent), and professional (20.7 percent). In unfolding the strength of association between occupational status and institutional attractiveness score, the contingency coefficient was computed. The contingency coefficient between the two variables as mentioned above was 0.241. Table 5.5.1.2.2 shows the distribution of respondents by occupational status and institutional attractiveness.

In testing the null hypothesis that there was no relationship between occupational status and institutional attractiveness score, the Chi-Square test was done. The value of Pearson Chi-Square was 9.339 with 6 degrees of freedom, and the value of P was .155. At a 5% level of significance, the null hypothesis is accepted since the value of P is larger than 0.05. Hence, it is inferred that perceived importance of institutional attractiveness is independent of the by the occupational status of the respondents. The institutional attractiveness score did not vary with variations in occupational status.

5.5.1.3 Marital Status and Institutional Attractiveness

The marital status of the customer is viewed as one of the factors that influence the criteria of decision-making about the selection of a financial institution for taking house loan. The average score on the institutional attractiveness for married respondents was estimated at 12.19 as against the maximum score of 20 while the same of the unmarried respondents was 9.13. On an average, the set of variables constituting the construct institutional attractiveness was important in making

a decision about the financial institution for house loan. Table 6.5.2.3 displays averages and standard deviations of the institutional attractiveness by marital status.

Table 5.5.1.3.1 Distribution of averages and standard deviations of institutional attractiveness by marital status

| Marital status | Number of Respondents | Mean | Std. Deviation |
|----------------|-----------------------|--------|----------------|
| Married | 136 | 12.191 | 4.506 |
| Unmarried | 15 | 9.133 | 3.114 |
| Total | 151 | 11.887 | 4.474 |

In unfolding the relationship between marital status and institutional attractiveness score, analysis of the data given in Table 5.5.1.3.1 was done. Available data reveal that the married respondents were more concerned with the variables constituting the construct institutional attractiveness than unmarried respondents. The proportion of married respondents having the institutional attractiveness score of above 15 as against the maximum attractiveness score of 54 was 39.7 percent while the same for unmarried respondents was 6.7% percent. Distribution of respondents by institutional attractiveness and marital status has shown in Table 5.5.1.3.2

Table 5.5.1.3.2 Distribution of respondents by institutional attractiveness and marital status

| Marital status | | Institutional attractiveness | | | | Total |
|----------------|-------------------------|------------------------------|--------|---------|----------|--------|
| | | Below 5 | 5 - 10 | 10 - 15 | Above 15 | |
| Married | Count | 15 | 33 | 34 | 54 | 136 |
| | % within Marital status | 11.0% | 24.3% | 25.0% | 39.7% | 100.0% |
| Unmarried | Count | 0 | 11 | 3 | 1 | 15 |
| | % within Marital status | 0.0% | 73.3% | 20.0% | 6.7% | 100.0% |
| Total | Count | 15 | 44 | 37 | 55 | 151 |
| | % within Marital status | 9.9% | 29.1% | 24.5% | 36.4% | 100.0% |

The contingency coefficient reflecting the strength of the association between institutional attractiveness score and marital status was estimated at 0.318. In testing the null hypothesis that

there was no difference between the institutional attractiveness score and marital status, the χ^2 test was done. In the case of marital status-wise classification, the χ^2 (Chi-Square) value was 17.004 with 3 degrees of freedom and the P-value was .001. As the p-value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one to infer that institutional attractiveness score is dependent upon marital status.

5.5.1.4 Family Size and Institutional Attractiveness

The size of the family is assumed to have influence on decision-making in the area of selection of the financial institution for taking house loan. The institutional attractiveness score varied with variations in the size of the family. Table 5.2.4.3.1 shows the distribution of averages and standard deviations of institutional attractiveness score by family size. As revealed by the family-size wise analysis of institutional attractiveness score, the highest average score on institutional attractiveness was found in the family size group of above seven followed by those of the family size group of below 3, and family size group of 5- 7.

Table 5.5.1.4.1

Distribution of averages and standard deviations of institutional attractiveness score by family size

| Family Size | Number of cases | Mean | Std. Deviation |
|-------------|-----------------|---------|----------------|
| Below 3 | 23 | 12.4348 | 3.6906 |
| 3 - 5 | 57 | 11.2982 | 4.84387 |
| 5 - 7 | 43 | 11.5116 | 4.32805 |
| Above 7 | 25 | 13.32 | 4.60724 |
| Total | 148 | 11.8784 | 4.51288 |

Analysis of the group of respondents having attractive institutional score indicates that the respondents belonging to the family size group of above 7 members had the highest level of attractive institutional score followed by that of the respondents belonging to the family size group of 3 – 5. Details are furnished in Table 5.5.1.4.2

Table 5.5.1.4.2

Distribution of interviewees by family size and institutional attractiveness score

Family Size * Institutional attractiveness Crosstabulation

| Family Size | | Institutional attractiveness | | | | Total |
|-------------|----------------------|------------------------------|--------|---------|----------|--------|
| | | Below 5 | 5 - 10 | 10 - 15 | Above 15 | |
| Below 3 | Count | 1 | 6 | 6 | 6 | 19 |
| | % within Family Size | 5.3% | 31.6% | 31.6% | 31.6% | 100.0% |
| 3 - 5 | Count | 6 | 19 | 12 | 20 | 57 |
| | % within Family Size | 10.5% | 33.3% | 21.1% | 35.1% | 100.0% |
| 5 - 7 | Count | 4 | 15 | 10 | 15 | 44 |
| | % within Family Size | 9.1% | 34.1% | 22.7% | 34.1% | 100.0% |
| Above 7 | Count | 4 | 3 | 7 | 11 | 25 |
| | % within Family Size | 16.0% | 12.0% | 28.0% | 44.0% | 100.0% |
| Total | Count | 15 | 43 | 35 | 52 | 145 |
| | % within Family Size | 10.3% | 29.7% | 24.1% | 35.9% | 100.0% |

In assessing the strength of association between family size and institutional attractiveness score, the contingency coefficient was used. The contingency coefficient reflecting the strength of association between the said variables was 0.199.

In framing the null hypothesis, it was assumed that there was no relationship between family size and institutional attractiveness score. The value of Pearson Chi-Square (χ^2) was 5.978 with 9 degrees of freedom, and the value of P was .742

As the value of P is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance. Hence, it is inferred that perceived importance of institutional attractiveness is independent of the by the Family size of the respondents. The institutional attractiveness score did not vary with variations in family size.

5.5.1.5 Educational Background and Institutional Attractiveness

Institutional attractive score varies with variations in the educational background of the interviewees. Examination of the distribution of average attractiveness scores by academic qualifications reveals that perceived importance of the composite index institutional attractiveness

score was almost the same for the respondents belonging to different educational background excepting those belonging to the category of the educational background of upto higher secondary. Table 5.5.1.5.1 displays the distribution of averages and standard deviations of institutional attractiveness scores by academic qualifications.

Table 5.5.1.5.1
Distribution of averages and standard deviations of institutional attractiveness by academic qualifications.

| Educational Level | Number of cases | Mean | Std. Deviation |
|------------------------------|-----------------|--------|----------------|
| Unto Higher Secondary | 29 | 13.000 | 4.37526 |
| Graduation | 80 | 11.675 | 4.13315 |
| Post Graduate & Professional | 42 | 11.524 | 5.11448 |
| Total | 151 | 11.887 | 4.47444 |

In reviewing the relationship between the educational background of respondents and institutional attractiveness, distribution of interviewees by academic background and institutional attractiveness was analyzed. The institutional attractiveness score of the respondents varied with variations in the educational background of the respondents. Details are furnished in Table 5.5.1.5.2.

As revealed by data in Table 5.5.1.5.2, 55.4 percent of the respondents belonging to the educational category of Graduation had institutional attractiveness score of above 15 while the proportion of respondents having the same type of institutional attractiveness score was 23.2 percent in the educational category of post-graduation and professional. The percentage for the up to Higher Secondary category of respondents having institutional attractiveness score of above 15 was only 21.4.

Table 5.5.1.5.2

Distribution of respondents by institutional attractiveness score and educational background

| Institutional attractiveness * Educational Level Crosstabulation | | | | | |
|--|---------------------------------------|------------------------|------------|------------------------------|--------|
| Institutional attractiveness | | Educational Level | | | Total |
| | | Up to Higher Secondary | Graduation | Post Graduate & Professional | |
| Below 5 | Count | 3 | 4 | 8 | 15 |
| | % within Institutional attractiveness | 20.0% | 26.7% | 53.3% | 100.0% |
| 5 - 10 | Count | 5 | 25 | 14 | 44 |
| | % within Institutional attractiveness | 11.4% | 56.8% | 31.8% | 100.0% |
| 10 - 15 | Count | 10 | 20 | 7 | 37 |
| | % within Institutional attractiveness | 27.0% | 54.1% | 18.9% | 100.0% |
| Above 15 | Count | 12 | 31 | 13 | 56 |
| | % within Institutional attractiveness | 21.4% | 55.4% | 23.2% | 100.0% |
| Total | Count | 30 | 80 | 42 | 152 |
| | % within Institutional attractiveness | 19.7% | 52.6% | 27.6% | 100.0% |

The contingency coefficient measuring the strength of association between educational background and institutional attractiveness score was estimated at 0.249. The value of Pearson Chi-Square was 10.079 with 6 degrees of freedom, and the value of P was 0.121. As the value of P was greater than 0.05, the null hypothesis was accepted at 5 percent level of significance. Hence, it was inferred that perceived importance of institutional attractiveness was independent of the educational background of the respondents. The institutional attractiveness score did not vary with variations in academic qualifications.

5.5.1.6 Income Per Month and Institutional Attractiveness

The income per month is an indicator reflecting the financial capability of the respondents. Analysis of the averages of institutional attractiveness score reveals that the lower income groups tend to lay more emphasis on variables constituting the construct institutional attractiveness than the groups with higher income.

Table 5.5.1.6.1

Distribution of averages and standard deviations of institutional attractiveness score by per month income groups

| Income Per Month (in Tk.000) | Number of cases | Mean | Std. Deviation |
|------------------------------|-----------------|---------|----------------|
| Below 40 | 21 | 14.3333 | 3.49762 |
| 40 - 60 | 17 | 12.2941 | 4.89598 |
| 60 - 80 | 27 | 11.7037 | 4.62281 |
| Above 80 | 77 | 11.1299 | 4.58358 |
| Total | 142 | 11.8521 | 4.57707 |

Table 5.5.1.6.1 shows the distribution of averages and standard deviations of institutional attractiveness score by per month income groups. The average institutional attractiveness score declines with the increase in income per month of the respondents. The average institutional attractiveness score of those belonging to the income group of below 40 thousand was 14.33 while the same for the income group of 40 – 60 thousand was 12.29. The declining tendency also continues with the increase of revenue in other income groups.

Table 5.5.1.6.2

Distribution of respondents by institutional attractive score and income groups of respondents

| Monthly Income * Institutional attractiveness Crosstabulation | | | | | | |
|---|-------------------------|------------------------------|--------|---------|----------|--------|
| Monthly Income (in Tk.000) | | Institutional attractiveness | | | | Total |
| | | Below 5 | 5 - 10 | 10 - 15 | Above 15 | |
| Below 40 | Count | 1 | 2 | 5 | 13 | 21 |
| | % within Monthly Income | 4.8% | 9.5% | 23.8% | 61.9% | 100.0% |
| 40 - 60 | Count | 0 | 1 | 4 | 12 | 17 |
| | % within Monthly Income | 0.0% | 5.9% | 23.5% | 70.6% | 100.0% |
| 60 - 80 | Count | 3 | 11 | 6 | 7 | 27 |
| | % within Monthly Income | 11.1% | 40.7% | 22.2% | 25.9% | 100.0% |
| Above 80 | Count | 11 | 29 | 18 | 20 | 78 |
| | % within Monthly Income | 14.1% | 37.2% | 23.1% | 25.6% | 100.0% |
| Total | Count | 15 | 43 | 33 | 52 | 143 |
| | % within Monthly Income | 10.5% | 30.1% | 23.1% | 36.4% | 100.0% |

Table 5.5.1.6.2 shows the distribution of respondents by institutional attractive score and income groups of respondents. Examination of the distribution of the respondents by income groups and institutional credit worthiness score reveals that the proportion of the respondents belonging to the institutional credit worthiness score of above 15 declines with the increase in income. The proportion of respondents with institutional attractiveness score of above 15 belonging to the income group of below 40 thousand was 61.90 percent while the proportion of respondents with the same institutional attractiveness score of above 15 belonging to the income group of 40 – 60 thousand came down to 70.60 percent. The same tendencies continued in other income groups.

In assessing the strength of association between institutional attractive score and income groups of respondents, the contingency coefficient was computed. The contingency coefficient between the two variables was estimated at 0.383. In income group-wise classification, the value of χ^2 is equal to 24.543 with 9 degrees of freedom and P is equal to .004. As the p-value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one to infer that institutional attractiveness score is dependent upon monthly income.

5.5.1.7 Life-Cycle and Institutional Attractiveness

The life-cycle is viewed as one of the factors influencing decisions pertaining to home ownership. As viewed by some, the peak of housing service does not occur until age fifty-five. Gradually, the same decreases slightly, and then flattens out until the end of the life cycle.⁴⁰⁶ Review of the averages of institutional attractiveness score at various stages indicates that the rising trend of institutional attractiveness score was observed.

Table 5.5.1.7.1 shows the distribution of averages and standard deviations of institutional attractiveness score by life-cycle stages. As revealed by statistics, the average institutional attractiveness score reflecting the perceived importance of the construct institutional attractiveness in making decision increases with the passing of each stage of life-cycle .

Table 5.5.1.7.1

Distribution of averages and standard deviations of institutional attractiveness. Score

| Life-cycle Stages | Number of cases | Mean | Std. Deviation |
|-------------------|-----------------|-------|----------------|
| Single | 14 | 1.214 | 0.426 |
| Honeymooners | 25 | 1.600 | 0.764 |
| Parenthood | 83 | 1.904 | 0.759 |
| Post Parenthood | 27 | 2.074 | 0.829 |
| Dissolution | 2 | 3.000 | 0 |
| Total | 151 | 1.834 | 0.787 |

Table 5.5.1.7.2 displays the distribution of respondents by life-cycle stages and institutional attractiveness score. The proportion of respondents with institutional attractiveness score of above 15 was found to increase with the passage of the life-cycle stage after the honeymooner's stage.

In estimating the strength of the relationship between life-cycle and importance of the elements constituting the term institutional attractiveness in making decision about the selection of financial institution for taking house loan, the contingency coefficient was used. The contingency coefficient between the two variables was estimated at 0.383.

⁴⁰⁶ Fernandez-Villaverde, J. , and Krueger, D. op.cit.

Table 5.5.1.7.2

Distribution of respondents by life-cycle stages and institutional attractiveness score

Life Cycle * Institutional attractiveness Crosstabulation

| Life Cycle | | Institutional attractiveness | | | | Total |
|-----------------|---------------------|------------------------------|--------|---------|----------|--------|
| | | Below 5 | 5 - 10 | 10 - 15 | Above 15 | |
| Single | Count | 0 | 11 | 3 | 0 | 14 |
| | % within Life Cycle | 0.0% | 78.6% | 21.4% | 0.0% | 100.0% |
| Honeymooners | Count | 2 | 12 | 6 | 6 | 26 |
| | % within Life Cycle | 7.7% | 46.2% | 23.1% | 23.1% | 100.0% |
| Parenthood | Count | 12 | 19 | 17 | 35 | 83 |
| | % within Life Cycle | 14.5% | 22.9% | 20.5% | 42.2% | 100.0% |
| Post Parenthood | Count | 1 | 2 | 10 | 13 | 26 |
| | % within Life Cycle | 3.8% | 7.7% | 38.5% | 50.0% | 100.0% |
| Dissolution | Count | 0 | 0 | 0 | 2 | 2 |
| | % within Life Cycle | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% |
| Total | Count | 15 | 44 | 36 | 56 | 151 |
| | % within Life Cycle | 9.9% | 29.1% | 23.8% | 37.1% | 100.0% |

In this case the value of χ^2 is equal to 38.214 with 12 degrees of freedom and the number of observations is 151. The value of p is equal to 0.00. As the p value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one to infer that the institutional attractiveness score is dependent of the life-cycle stage of the respondents. The institutional attractiveness score varies among the respondents falling under different life-cycle stages.

Factor-2

5.5.2 Home Loan Management Score

The term home loan management consists of 5 elements, viz. System of the Loan, Loan Agreement Home Loan, Post Purchase Bankers Behavior and Loan Recovery System of FI. The internal consistency of the items constituting the term home loan management measured by Cronbach's Alpha was estimated at 0.691. Given the same environmental factors for all the clients,

the score on home loan management varied from one client to another. In identifying the factors responsible for choice of bank, Mittal discussed about the demographic profile of the customers and their choice of a particular type of bank. As observed by him, age, occupation and education significantly influence the customer's choice for a particular type of bank.⁴⁰⁷ The score on housing loan strategy reflects the perceived importance of the customers in making selection of a financial institution.

Variables responsible for variations in the score on home loan management were assumed to be age, education, life cycle. The following paragraphs are devoted to analyzing the relationship between the score on home loan management and its determinants.

5.5.2.1 Age and Home Loan Management

The importance attached by customers to home loan management pursued by financial institutions was found to vary with variations in age of the customers.

The proportion of respondents expressing the view that the issues constituting the term home loan management were highly considered was 35.60 percent in the age group of 35-45 while the proportion of the respondents belonging to the age group below 45-55 who held the same view was 28.8 percent. The degree of association between age and home loan management was assessed with the help of contingency coefficient.

⁴⁰⁷Mittal S. (2014), "Influence of the demographic variable on the customer's choice and preferences for a particular type of bank", International Journal of Latest Research in Sciences and Technology, Volume 3, Issue 1, Jan-Feb, 2014.pp. 88 – 90.

Table: 5.5.2.1.1

Distribution of respondents by age groups and Home Loan Management score

Home Loan Management * AGE Crosstabulation

| Home Loan Management | | AGE | | | | Total |
|----------------------|-------------------------------|----------|---------|---------|----------|--------|
| | | Below 35 | 35 - 45 | 45 - 55 | Above 55 | |
| Below 10 | Count | 0 | 1 | 1 | 2 | 4 |
| | % within Home Loan Management | 0.0% | 25.0% | 25.0% | 50.0% | 100.0% |
| 10 - 15 | Count | 17 | 18 | 4 | 4 | 43 |
| | % within Home Loan Management | 39.5% | 41.9% | 9.3% | 9.3% | 100.0% |
| 15 - 20 | Count | 17 | 14 | 9 | 4 | 44 |
| | % within Home Loan Management | 38.6% | 31.8% | 20.5% | 9.1% | 100.0% |
| Above 20 | Count | 10 | 21 | 17 | 11 | 59 |
| | % within Home Loan Management | 16.9% | 35.6% | 28.8% | 18.6% | 100.0% |
| Total | Count | 44 | 54 | 31 | 21 | 150 |
| | % within Home Loan Management | 29.3% | 36.0% | 20.7% | 14.0% | 100.0% |

The contingency coefficient reflecting the strength of association between age and home loan management score was estimated at 0.331 and the same was statistically found significant at 0.03 level. Distribution of respondents by home loan management score and age is given in Table 5.5.2.1.1

5.5.2.2 Occupation and Home Loan Management Strategy

Home loan management score was found to vary with variations in occupational categories. The proportion of respondents of the occupational category of salaried personnel holding the score of 25 - 35 was 53.80 percent followed by those belonging to the category of self-employed, while the same for those belonging to the category of professional was 3.80 percent. Table 5.5.2.2 shows the distribution of respondents by occupational groups and home loan management.

Table 5.5.2.2.1

Distribution of respondents by occupational groups and Home loan management score

| Home Loan Management * Occupation Crosstabulation | | | | | |
|--|-------------------------------|--------------|----------|---------------|--------|
| Home Loan Management | | Occupation | | | Total |
| | | Professional | Salaried | Self Employed | |
| Below 10 | Count | 2 | 0 | 2 | 4 |
| | % within Home Loan Management | 50.0% | 0.0% | 50.0% | 100.0% |
| 10 - 15 | Count | 11 | 22 | 11 | 44 |
| | % within Home Loan Management | 25.0% | 50.0% | 25.0% | 100.0% |
| 15 - 20 | Count | 9 | 20 | 15 | 44 |
| | % within Home Loan Management | 20.5% | 45.5% | 34.1% | 100.0% |
| Above 20 | Count | 7 | 26 | 26 | 59 |
| | % within Home Loan Management | 11.9% | 44.1% | 44.1% | 100.0% |
| Total | Count | 29 | 68 | 54 | 151 |
| | % within Home Loan Management | 19.2% | 45.0% | 35.8% | 100.0% |

The relationship between Home loan management and occupational groups was examined with the help of contingency coefficient. The contingency coefficient reflecting the strength of association was estimated at 0.241, which was statistically significant at 0.157 level. Hence, the null hypothesis that there was relationship between housing strategy score and occupational groups is accepted.

5.5.2.3 Marital Status and Home loan management

In assessing the association among marital status and perception of importance of home loan management, a cross table was prepared. The proportion of the married respondents who viewed home loan management to be highly considered or very important was 98.30 while the same for unmarried respondents was 1.7 percent. Examination of the data as put in the Table 5.5.2.3.1 reveals that variation in the response regarding the items constituting the term home loan management was also due to variation in the marital status. The contingency coefficient reflecting the strength of association between the marital status and the score on the home loan management measured was estimated at 0.282. The said relationship was statistically significant at 0.005 level.

Details of the distribution of the respondents by marital status and home loan management has been presented in Table 5.5.2.3.1

Table 5.5.2.3.1

Distribution of respondents by marital status and home loan management score

| Home Loan Management | | Marital status | | Total |
|----------------------|-------------------------------|----------------|-----------|--------|
| | | Married | Unmarried | |
| Below 10 | Count | 5 | 0 | 5 |
| | % within Home Loan Management | 100.0% | 0.0% | 100.0% |
| 10 - 15 | Count | 34 | 10 | 44 |
| | % within Home Loan Management | 77.3% | 22.7% | 100.0% |
| 15 - 20 | Count | 40 | 4 | 44 |
| | % within Home Loan Management | 90.9% | 9.1% | 100.0% |
| Above 20 | Count | 57 | 1 | 58 |
| | % within Home Loan Management | 98.3% | 1.7% | 100.0% |
| Total | Count | 136 | 15 | 151 |
| | % within Home Loan Management | 90.1% | 9.9% | 100.0% |

5.5.2.4 Life Cycle and Home Loan Management

The life-cycle and across cohorts are deemed to be a factor influencing the extent of home ownership. Each stage of the life-cycle is characterized by unique needs and the process of decision making. The variation in the extent of home ownership might in part reflect changes in needs and the process of asset accumulation over the life cycle.⁴⁰⁸ As observed by Fernandez-Villaverde and Krueger, when controlling for time and cohort effects, the peak of housing service does not occur until age fifty-five. Gradually, the same decreases slightly, and then flatten out until the end of the life cycle.⁴⁰⁹ In this paragraph, an attempt has been made to examine the relationship between life-cycle and importance of the elements constituting the term housing loan strategy.

⁴⁰⁸ Orazio P. Attanasio, O.P. et al. "Modelling the Demand for Housing over the Lifecycle". February 2010.

See also <http://www.homepages.ucl.ac.uk/~uctpjr/Files/Attanasio%20Bottazzi%20et%20al.pdf>. Retrieved September 11, 2016.

⁴⁰⁹ Fernandez-Villaverde, J., and Krueger, D. "Consumption and Saving over the Life Cycle: How Important are Consumer durables?" Proceedings of the 2002 North American Summer Meetings of the Econometric Society, 2001.

Table 5.5.2.4.1 displays the distribution of respondents by life-cycle stages and perceived importance of the housing loan strategy.

Table 5.5.2.4.1

Distribution of respondents by life cycle stage and housing loan strategy

| Life Cycle * Home Loan Management Crosstabulation | | | | | | |
|--|---------------------|-----------------------------|----------------|----------------|-----------------|--------------|
| Life Cycle | | Home Loan Management | | | | Total |
| | | Below 10 | 10 - 15 | 15 - 20 | Above 20 | |
| Single | Count | 0 | 10 | 4 | 0 | 14 |
| | % within Life Cycle | 0.0% | 71.4% | 28.6% | 0.0% | 100.0% |
| Honeymooners | Count | 0 | 8 | 13 | 5 | 26 |
| | % within Life Cycle | 0.0% | 30.8% | 50.0% | 19.2% | 100.0% |
| Parenthood | Count | 4 | 22 | 20 | 37 | 83 |
| | % within Life Cycle | 4.8% | 26.5% | 24.1% | 44.6% | 100.0% |
| Post Parenthood | Count | 1 | 4 | 7 | 14 | 26 |
| | % within Life Cycle | 3.8% | 15.4% | 26.9% | 53.8% | 100.0% |
| Dissolution | Count | 0 | 0 | 0 | 2 | 2 |
| | % within Life Cycle | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% |
| Total | Count | 5 | 44 | 44 | 58 | 151 |
| | % within Life Cycle | 3.3% | 29.1% | 29.1% | 38.4% | 100.0% |

It appears that those at the stage of parenthood viewed the elements constituting the term home loan management either very important or highly considered. In latter stages, the score on the home loan management declines. The contingency coefficient reflecting the relationship between the life-cycle and the perceived importance of the home loan management was 0.410 and the relationship was found statistically significant at 0.002 level.

5.5.2.5 Education and Home Loan Management

Preference for housing varies mostly with education, particularly in respect of location. As observed in some studies, a strong correlation exists between the education system and property

value that creates geographical barriers for low- and moderate- income households.⁴¹⁰ In respect of making decision about house loan, educated people with low- and moderate- income are ordinarily very much concerned with investment in housing. A good number of studies have been done to unfold relationship between education and housing decision, but studies on the educational background of customers and the factors influencing the decision for selecting a bank for loan are rare. In this paragraph, an endeavor has been made to examine if there is any relationship between the educational background of customers and perceived importance of the home loan management of the financial institutions. Table 5.5.2.5.1 shows the distribution of respondents by educational backgrounds and home loan management score.

Table 5.5.2.5.1
Distribution of respondents by educational backgrounds and home loan management score

| Home Loan Management * Educational Level Crosstabulation | | | | | |
|---|-------------------------------|-----------------------|------------|------------------------------|--------|
| Home Loan Management | | Educational Level | | | Total |
| | | Upto Higher Secondary | Graduation | Post Graduate & Professional | |
| Below 10 | Count | 3 | 1 | 1 | 5 |
| | % within Home Loan Management | 60.0% | 20.0% | 20.0% | 100.0% |
| 10 - 15 | Count | 6 | 25 | 13 | 44 |
| | % within Home Loan Management | 13.6% | 56.8% | 29.5% | 100.0% |
| 15 - 20 | Count | 5 | 29 | 10 | 44 |
| | % within Home Loan Management | 11.4% | 65.9% | 22.7% | 100.0% |
| Above 20 | Count | 16 | 25 | 18 | 59 |
| | % within Home Loan Management | 27.1% | 42.4% | 30.5% | 100.0% |
| Total | Count | 30 | 80 | 42 | 152 |
| | % within Home Loan Management | 19.7% | 52.6% | 27.6% | 100.0% |

As revealed by data in Table 5.5.2.5.1, the score on home loan management score increases unto graduation level and then declines with the increase in educational background. The relationship

⁴¹⁰Center for Cities + Schools at the University of California, "Connecting Housing Transportation + Education to Expand Opportunity: Living, Learning + Moving Together" (National Policy Convening Summary, November 2015). (Berkeley:2015). P.4.

between educational background and the score on home loan management of a financial institution was measured by contingency coefficient which was estimated at 0.277. The said coefficient was statistically significant at 0.049 level.

This relation is indicative of the phenomenon that the more the education of a customer the more the importance attached to the elements constituting the term home loan management of a financial institution. However, the customers with post-graduation and professional qualification are less concerned with home loan management.

5.5.2.6 Income Per Month and Home Loan Management

The income per month of a customer is viewed as one of the important factors influencing the perception of the importance of the variables constituting the term home loan management of a financial institution. Review of the patterns of responses of customers regarding the importance of the variables constituting the term home loan management strategy indicates that lower and moderate-income groups lay more emphasis on the housing loan strategy of the financial institution.

In contrast to the view of the lower and moderate-income levels, the proportion of higher income groups belonging to the group having home loan management score of Above 20 was much less than those of lower and moderate-income groups. This attitude of the higher and moderate income groups may emanate from their economic security and well awareness of the mechanism of banking operations.

Table 5.5.2.6.1

Distribution of respondents by income per month (in Tk. 000) and home loan management score

| Home Loan Management | | Monthly Income (000) | | | | Total |
|----------------------|-------------------------------|----------------------|---------|---------|----------|--------|
| | | Below 40 | 40 - 60 | 60 - 80 | Above 80 | |
| Below 10 | Count | 1 | 0 | 1 | 3 | 5 |
| | % within Home Loan Management | 20.0% | 0.0% | 20.0% | 60.0% | 100.0% |
| 10 - 15 | Count | 2 | 5 | 9 | 28 | 44 |
| | % within Home Loan Management | 4.5% | 11.4% | 20.5% | 63.6% | 100.0% |
| 15 - 20 | Count | 4 | 4 | 12 | 17 | 37 |
| | % within Home Loan Management | 10.8% | 10.8% | 32.4% | 45.9% | 100.0% |
| Above 20 | Count | 14 | 8 | 5 | 30 | 57 |
| | % within Home Loan Management | 24.6% | 14.0% | 8.8% | 52.6% | 100.0% |
| Total | Count | 21 | 17 | 27 | 78 | 143 |
| | % within Home Loan Management | 14.7% | 11.9% | 18.9% | 54.5% | 100.0% |

Table 5.5.2.6.1 shows the distribution of respondents by income per month (in Tk. 000) and home loan management score. In assessing the relationship between the per month income of the customers and their score on the importance of the variables constituting the term home loan management of a financial institution, the contingency coefficient was computed. The contingency coefficient reflecting the strength of association between the variables was estimated at 0.319 and the said relationship was found statically significant at 0.63 level

5.5.2.7 Family Size and Home Loan Management

Acquiring a house being a strategic decision, a family size often influences decision making in respect of taking loan. The behavior of the families with respect to taking loan may vary with variations in the size of a family.

The average score on home loan management varied with the variation in the size of the family. The average score on home loan management was found to increase with the increase in the size

of the family excepting that of the nuclear family. Details are furnished in Table 5.5.2.7.1. The average score on home loan management for the nuclear family was 19.044 indicating that their perception was close to the average of the category ‘important’ and the inter-personal variations measured in term of standard deviation was 5.84.

Table 5.5.2.7.1

Distribution of averages and standard deviations of the score on home loan management by Family

| Family Size | Number of Respondents | Mean | Std. Deviation |
|-------------|-----------------------|--------|----------------|
| Below 3 | 23 | 19.044 | 5.835 |
| 3 - 5 | 57 | 18.509 | 7.031 |
| 5 - 7 | 44 | 18.636 | 6.549 |
| Above 7 | 25 | 19.040 | 8.223 |
| Total | 149 | 18.718 | 6.873 |

In assessing the relationship between family size and home loan management, distribution of respondents by size of the family and home loan management score was examined. From the data in Table 5.5.2.7.2, the proportion of respondents belonging to the group having score of Above 20 was highest in the family size group of 3 - 5 followed by those of the family size of 5 – 7 and of the family size of above 7.

Table 5.5.2.7.2

Distribution of respondents by size of the family and home loan management pursued by financial institutions

| Home Loan Management | | Family Size | | | | Total |
|----------------------|-------------------------------|-------------|-------|-------|---------|--------|
| | | Below 3 | 3 - 5 | 5 - 7 | Above 7 | |
| Below 10 | Count | 0 | 1 | 1 | 3 | 5 |
| | % within Home Loan Management | 0.0% | 20.0% | 20.0% | 60.0% | 100.0% |
| 10 - 15 | Count | 6 | 12 | 16 | 7 | 41 |
| | % within Home Loan Management | 14.6% | 29.3% | 39.0% | 17.1% | 100.0% |
| 15 - 20 | Count | 10 | 18 | 10 | 6 | 44 |
| | % within Home Loan Management | 22.7% | 40.9% | 22.7% | 13.6% | 100.0% |
| Above 20 | Count | 7 | 26 | 17 | 9 | 59 |
| | % within Home Loan Management | 11.9% | 44.1% | 28.8% | 15.3% | 100.0% |
| Total | Count | 23 | 57 | 44 | 25 | 149 |
| | % within Home Loan Management | 15.4% | 38.3% | 29.5% | 16.8% | 100.0% |

In contrast to the group of top scorers, the scoring pattern was differed. The proportion of respondents belonging to the group having score of above 20, 44.1 percent of the customers were found in the family size 3 - 5 followed by the same family size group having score 15 - 20 (40.90 percent). Table 6.5.1.7 show the distribution of respondents by size of the family and home loan management pursued by financial institutions. The contingency coefficient reflecting the strength of association between family size and the score on home loan management of the financial institution was estimated at 0.176, the same was not statistically significant.

Factor-3

5.5.3 Customer Services

In the digital *banking* world that we live in today, great *customer service* is the differentiating factor that *banks* need to capitalize on. Also, a vital, but extensive perception in the banking industry is Customer service. Banks are service-based businesses, so most of their activities include elements of service.

Gudadhe (2013) concluded that the customer expects higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction levels.⁴¹¹

“The borrowers compare all the different services provided by different banks and select the best one in order to make it more competitive and customer friendly.”⁴¹²

The term customer services consists of 3 elements, viz. Behavior of the Promotion Personnel Customer Care of FI and Behavior of the Sales Personnel. The internal consistency of the items constituting the term customer services measured by Cronbach's Alpha was estimated at 0.779. Given the same environmental factors for all the clients, the score on customer services varied from one client to another.

Variables responsible for variations in the score on customer services were assumed to be age, education, life cycle etc. The following paragraphs are devoted to analyzing the relationship between the score on customer services and its determinants.

5.5.3.1 Age and Customer Services

The age of a respondent is viewed as an important variable influencing selection of a financial institution. In assessing the relationship between customer services and age of the interviewees, it was hypothesized that there was no difference in the perception of the importance of customer services due to variations in the age of the customers.

⁴¹¹Gudadhe, P.S. “Customer perception towards products and services of State Bank of India with Special Reference to Yavatmal District, (M.S.) India”, IRACST-International Journal of Commerce, Business and Management (IJCBM), ISSN: 23192828. Vol. 2, No.4, August,(2013).

⁴¹²Vanitha, C. and Kalaivanan, G. “ Sbi Home Loan – Factors Influencing The Choice”. Indian Journal Of Applied Research. Vol 5, Issue 6 (June 2015).pp. 31-33.

Table 5.5.3.1.1

Distribution of respondents by age groups and institutional attractiveness score

Customer Service * Family Size Crosstabulation

| Customer Service | | Family Size | | | | Total |
|------------------|---------------------------|-------------|-------|-------|---------|--------|
| | | Below 3 | 3 - 5 | 5 - 7 | Above 7 | |
| Below 5 | Count | 2 | 20 | 16 | 4 | 42 |
| | % within Customer Service | 4.8% | 47.6% | 38.1% | 9.5% | 100.0% |
| 5 - 10 | Count | 11 | 19 | 15 | 11 | 56 |
| | % within Customer Service | 19.6% | 33.9% | 26.8% | 19.6% | 100.0% |
| 10 - 15 | Count | 6 | 19 | 13 | 10 | 48 |
| | % within Customer Service | 12.5% | 39.6% | 27.1% | 20.8% | 100.0% |
| Total | Count | 19 | 58 | 44 | 25 | 146 |
| | % within Customer Service | 13.0% | 39.7% | 30.1% | 17.1% | 100.0% |

The contingency coefficient reflecting the strength of association between age and customer services score was estimated at 0.234. In the case of an age-wise classification, the value of χ^2 was 8.481 with 6 degrees of freedom, the number of valid cases was 146 and the value of P was 0.205. As the value of P is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance. Hence, it is inferred that perceived importance of customer services is independent of the by the age of the respondents. The customer care score did not vary with variations in age.

5.5.3.2 Occupational Status and Customer Service

Table 5.5.3.2.1: Distribution of respondents by occupational status and customer services.

| Customer Service * Occupation Crosstabulation | | | | | |
|---|---------------------------|--------------|----------|---------------|--------|
| Customer Service | | Occupation | | | Total |
| | | Professional | Salaried | Self Employed | |
| Below 5 | Count | 14 | 20 | 9 | 43 |
| | % within Customer Service | 32.6% | 46.5% | 20.9% | 100.0% |
| 5 - 10 | Count | 9 | 30 | 22 | 61 |
| | % within Customer Service | 14.8% | 49.2% | 36.1% | 100.0% |
| 10 - 15 | Count | 6 | 18 | 24 | 48 |
| | % within Customer Service | 12.5% | 37.5% | 50.0% | 100.0% |
| Total | Count | 29 | 68 | 55 | 152 |
| | % within Customer Service | 19.1% | 44.7% | 36.2% | 100.0% |

In testing the null hypothesis that there was no relationship between occupational status and customer services score, the Chi-Square test was done. The value of Pearson Chi-Square was 11.941 with 4 degrees of freedom, and the value of P was 0.018. As the value of P is less than 0.05, the null hypothesis was rejected at 0.001 level of significance. Hence, it is inferred that perceived importance of the variables composing the customer services score depends on occupation.

5.5.3.3 Marital Status and customer services

The proportion of married respondents having the customer services score of 10 - 15 as against the maximum attractiveness score of 47 was 34.3% percent while the same for unmarried respondents was 6.7% percent. Distribution of respondents by institutional attractiveness and marital status has shown in Table 5.5.3.3.1

Table 5.5.3.3.1: Distribution of respondents by occupational status and marital status.

Marital status * Customer Service Crosstabulation

| | | Customer Service | | | Total | |
|----------------|-----------|-------------------------|--------|---------|-------|--------|
| | | Below 5 | 5 - 10 | 10 - 15 | | |
| Marital status | Married | Count | 34 | 56 | 47 | 137 |
| | | % within Marital status | 24.8% | 40.9% | 34.3% | 100.0% |
| | Unmarried | Count | 9 | 5 | 1 | 15 |
| | | % within Marital status | 60.0% | 33.3% | 6.7% | 100.0% |
| Total | | Count | 43 | 61 | 48 | 152 |
| | | % within Marital status | 28.3% | 40.1% | 31.6% | 100.0% |

The contingency coefficient reflecting the strength of the association between institutional attractiveness score and marital status was estimated at 0.241. In testing the null hypothesis that there was no difference between the institutional attractiveness score and marital status, the χ^2 test was done. In the case of marital status-wise classification, the χ^2 (Chi-Square) value was 9.378 with two (2) degrees of freedom and the value of P was .009. As the p-value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one to infer that customer servicescore is dependent upon marital status.

5.5.3.4 Family Size and Customer Services

The size of the family is assumed to have influence on decision-making in the area of selection of the financial institution for taking house loan. Analysis of the group of respondents having Customer Services score indicates that the respondents belonging to the family size group of above 7 members had the highest level of Customer Services score followed by that of the respondents belonging to the family size group of 3 – 5. Details are furnished in Table 5.5.3.4.1

Table 5.5.3.4.1

Distribution of interviewees by family size and Customer Services score

Family Size * Customer Service Crosstabulation

| Family Size | | Customer Service | | | Total |
|-------------|----------------------|------------------|---------|---------|--------|
| | | Below 10 | 10 - 15 | 15 - 20 | |
| Below 3 | Count | 2 | 11 | 6 | 19 |
| | % within Family Size | 10.5% | 57.9% | 31.6% | 100.0% |
| 3 - 5 | Count | 20 | 19 | 19 | 58 |
| | % within Family Size | 34.5% | 32.8% | 32.8% | 100.0% |
| 5 - 7 | Count | 16 | 15 | 13 | 44 |
| | % within Family Size | 36.4% | 34.1% | 29.5% | 100.0% |
| Above 7 | Count | 4 | 11 | 10 | 25 |
| | % within Family Size | 16.0% | 44.0% | 40.0% | 100.0% |
| Total | Count | 42 | 56 | 48 | 146 |
| | % within Family Size | 28.8% | 38.4% | 32.9% | 100.0% |

In assessing the strength of association between family size and Customer Services score, the contingency coefficient was used. The contingency coefficient reflecting the strength of association between the said variables was 0.199.

In framing the null hypothesis, it was assumed that there was no relationship between family size and Customer Services score. The value of Pearson Chi-Square (χ^2) was 8.481 with 6 degrees of freedom, and the value of P was 0.205

As the value of P is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance. Hence, it is inferred that perceived importance of Customer Services is independent of the by the Family size of the respondents. The Customer Services score did not vary with variations in family size.

5.5.3.5 Educational Background and Customer Service

As revealed by data in Table 5.5.3.5.1, highest percent of the respondents belonging to the educational category of Graduation had customer services in the score between 5 – 10 while the proportion of respondents having the same type of customer services score was 16.4 percent in the educational category of post-graduation and professional. Also the highest percent received by customer services score 44.9 percent in the graduation category of respondents in the score between 10 – 15.

Table 5.5.3.5.1

Distribution of respondents by customer services score and educational background

| Customer Service * Educational Level Crosstabulation | | | | | |
|--|---------------------------|-----------------------|------------|------------------------------|--------|
| Customer Service | | Educational Level | | | Total |
| | | Upto Higher Secondary | Graduation | Post Graduate & Professional | |
| Below 5 | Count | 6 | 20 | 17 | 43 |
| | % within Customer Service | 14.0% | 46.5% | 39.5% | 100.0% |
| 5 - 10 | Count | 12 | 39 | 10 | 61 |
| | % within Customer Service | 19.7% | 63.9% | 16.4% | 100.0% |
| 10 - 15 | Count | 12 | 22 | 15 | 49 |
| | % within Customer Service | 24.5% | 44.9% | 30.6% | 100.0% |
| Total | Count | 30 | 81 | 42 | 153 |
| | % within Customer Service | 19.6% | 52.9% | 27.5% | 100.0% |

The contingency coefficient measuring the strength of association between educational background and customer services score was estimated at 0.233. The value of Pearson Chi-Square was 8.807 with 4 degrees of freedom, and the value of P was 0.066. As the value of P was greater than 0.05, the null hypothesis was accepted at 5 percent level of significance. Hence, it was inferred that perceived importance of customer services was independent of the educational background of the respondents. The customer services score did not vary with variations in academic qualifications.

5.5.3.6 Income Per Month and Customer services

Table 5.5.3.6.1 shows the distribution of respondents by Customer service score and income groups of respondents. Examination of the distribution of the respondents by income groups and institutional credit worthiness score reveals that the proportion of the respondents belonging to the institutional credit worthiness score between 10 - 15 declines with the increase in income. The proportion of respondents with Customer service score between 10 – 15 belonging to the income group of below 40 thousand was 52.4 percent while the proportion of respondents with the same Customer service score between 10 - 15 belonging to the income group of 40 – 60 thousand came down to 35.3 percent. The same tendencies continued in other income groups.

Table 5.5.3.6.1

Distribution of respondents by institutional attractive score and income groups of respondents

| Monthly Income | | Customer Service | | | Total |
|----------------|-------------------------|------------------|--------|---------|--------|
| | | Below 5 | 5 - 10 | 10 - 15 | |
| Below 40 | Count | 2 | 8 | 11 | 21 |
| | % within Monthly Income | 9.5% | 38.1% | 52.4% | 100.0% |
| 40 - 60 | Count | 5 | 6 | 6 | 17 |
| | % within Monthly Income | 29.4% | 35.3% | 35.3% | 100.0% |
| 60 - 80 | Count | 7 | 12 | 9 | 28 |
| | % within Monthly Income | 25.0% | 42.9% | 32.1% | 100.0% |
| Above 80 | Count | 29 | 27 | 22 | 78 |
| | % within Monthly Income | 37.2% | 34.6% | 28.2% | 100.0% |
| Total | Count | 43 | 53 | 48 | 144 |
| | % within Monthly Income | 29.9% | 36.8% | 33.3% | 100.0% |

In assessing the strength of association between customer service score and income groups of respondents, the contingency coefficient was computed. The contingency coefficient between the two variables was estimated at 0.228. In income group-wise classification, the value of χ^2 is equal to 7.863 with 6 degrees of freedom and P is equal to .248. As the value of P was greater than 0.05, the null hypothesis was accepted at 5 percent level of significance. Hence, it was inferred

that perceived importance of customer services was independent of the monthly income of the respondents. The customer services score did not vary with variations in monthly income.

5.5.3.7 Life-Cycle and Customer Service

Table 5.5.3.7.1 displays the distribution of respondents by life-cycle stages and Customer Service score. The proportion of respondents with in Customer Service score between 10 - 15 was found to increase with the passage of the life-cycle stage after the honeymooner's stage.

Table 5.5.3.7.1
Distribution of respondents by life-cycle stages and Customer Service score

| Life Cycle * Customer Service Crosstabulation | | | | | |
|---|---------------------|------------------|--------|---------|--------|
| Life Cycle | | Customer Service | | | Total |
| | | Below 5 | 5 - 10 | 10 - 15 | |
| Single | Count | 9 | 4 | 1 | 14 |
| | % within Life Cycle | 64.3% | 28.6% | 7.1% | 100.0% |
| Honeymooners | Count | 10 | 10 | 6 | 26 |
| | % within Life Cycle | 38.5% | 38.5% | 23.1% | 100.0% |
| Parenthood | Count | 19 | 36 | 29 | 84 |
| | % within Life Cycle | 22.6% | 42.9% | 34.5% | 100.0% |
| Post Parenthood | Count | 5 | 10 | 11 | 26 |
| | % within Life Cycle | 19.2% | 38.5% | 42.3% | 100.0% |
| Dissolution | Count | 0 | 0 | 2 | 2 |
| | % within Life Cycle | 0.0% | 0.0% | 100.0% | 100.0% |
| Total | Count | 43 | 60 | 49 | 152 |
| | % within Life Cycle | 28.3% | 39.5% | 32.2% | 100.0% |

In estimating the strength of the relationship between life-cycle and importance of the elements constituting the term customer service in making decision about the selection of financial institution for taking house loan, the contingency coefficient was used. The contingency coefficient between the two variables was estimated at 0.328.

In this case the value of χ^2 is equal to 18.321 with 8 degrees of freedom and the number of observations is 151. The value of p is equal to 0.019. As the p value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one

to infer that the customer service score is dependent of the life-cycle stage of the respondents. The customer service score varies among the respondents falling under different life-cycle stages.

Factor-4

5.5.4 Home Loan Scheme

The term home loan scheme consists of 4 elements, viz. products Offered, interest rate of the loan, processing fees and procedure of the loan. The internal consistency of the items constituting the term home loan scheme measured by Cronbach's Alpha was estimated at 0.632. Given the same environmental factors for all the clients, the score on home loan scheme varied from one client to another. In identifying the factors responsible for choice of bank, Mittal discussed about the demographic profile of the customers and their choice of a bank. As observed by him, age, occupation and education significantly influence the customer's choice for a bank.⁴¹³ The score on home loan scheme reflects the perceived importance of the customers in making selection of a financial institution.

Variables responsible for variations in the score on home loan scheme were assumed to be age, education, life cycle etc. The following paragraphs are devoted to analyzing the relationship between the score on home loan scheme and its determinants.

5.5.4.1 Age and Home Loan Scheme

The importance attached by customers to home loan scheme pursued by financial institutions was found to vary with variations in age of the customers.

The proportion of respondents expressing the view that the issues constituting the term home loan scheme were highly considered as 38.10 percent in the age group of 35-45 while the proportion of the respondents belonging to the age group below 45-55 who held the same view was 17.5 percent. The degree of association between age and home loan scheme was assessed with the help of contingency coefficient.

⁴¹³Mittal S. (2014), "Influence of the demographic variable on the customer's choice and preferences for a particular type of bank", International Journal of Latest Research in Sciences and Technology, Volume 3, Issue 1, Jan-Feb, 2014.pp. 88 – 90.

Table: 5.5.4.1.1
Distribution of respondents by age groups and Home Loan Scheme score

| Home Loan Scheme | | AGE | | | | Total |
|------------------|---------------------------|----------|---------|---------|----------|--------|
| | | Below 35 | 35 - 45 | 45 - 55 | Above 55 | |
| Below 5 | Count | 0 | 0 | 0 | 1 | 1 |
| | % within Home Loan Scheme | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% |
| 5 - 10 | Count | 4 | 8 | 4 | 2 | 18 |
| | % within Home Loan Scheme | 22.2% | 44.4% | 22.2% | 11.1% | 100.0% |
| 10 - 15 | Count | 22 | 22 | 16 | 8 | 68 |
| | % within Home Loan Scheme | 32.4% | 32.4% | 23.5% | 11.8% | 100.0% |
| 15 - 20 | Count | 19 | 24 | 11 | 9 | 63 |
| | % within Home Loan Scheme | 30.2% | 38.1% | 17.5% | 14.3% | 100.0% |
| Total | Count | 45 | 54 | 31 | 20 | 150 |
| | % within Home Loan Scheme | 30.0% | 36.0% | 20.7% | 13.3% | 100.0% |

The contingency coefficient reflecting the strength of association between age and home loan scheme was estimated at 0.232 and the same was statistically found significant at 0.483 level. Distribution of respondents by housing loan strategy score and age is given in Table 5.5.4.1.1

5.5.4.2 Occupation and Home Loan Scheme

Home loan scheme score was found to vary with variations in occupational categories. The proportion of respondents of the occupational category of salaried personnel holding the highest score of 15 - 20 was 52.40 percent followed by those belonging to the category of self-employed was 34.9 percent, while the same for those belonging to the category of professional was 12.7 percent. Table 5.5.4.2.1 shows the distribution of respondents by occupational groups and housing loan strategy.

Table 5.5.4.2.1

Distribution of respondents by occupational groups and home loan scheme score

| Home Loan Scheme * Occupation Crosstabulation | | | | | |
|---|---------------------------|--------------|----------|---------------|--------|
| Home Loan Scheme | | Occupation | | | Total |
| | | Professional | Salaried | Self Employed | |
| Below 5 | Count | 0 | 0 | 1 | 1 |
| | % within Home Loan Scheme | 0.0% | 0.0% | 100.0% | 100.0% |
| 5 - 10 | Count | 3 | 8 | 8 | 19 |
| | % within Home Loan Scheme | 15.8% | 42.1% | 42.1% | 100.0% |
| 10 - 15 | Count | 18 | 26 | 24 | 68 |
| | % within Home Loan Scheme | 26.5% | 38.2% | 35.3% | 100.0% |
| 15 - 20 | Count | 8 | 33 | 22 | 63 |
| | % within Home Loan Scheme | 12.7% | 52.4% | 34.9% | 100.0% |
| Total | Count | 29 | 67 | 55 | 151 |
| | % within Home Loan Scheme | 19.2% | 44.4% | 36.4% | 100.0% |

The relationship between housing loan strategy and occupational groups was examined with the help of contingency coefficient. The contingency coefficient reflecting the strength of association was estimated at 0.208, which was statistically significant at 0.334 level. Hence, the null hypothesis that there was relationship between home loan scheme score and occupational groups is accepted.

5.5.4.3 Marital Status and Home Loan Scheme

In assessing the relationship between marital status and perception of the importance of home loan scheme, a cross table was prepared. The proportion of the married respondents who viewed home loan scheme to be highly considered or very important was 95.30 while the same for unmarried respondents was 4.7 percent. Examination of the data as put in the Table 5.5.4.3.1 reveals that variation in the response regarding the items constituting the term housing strategy was also due to variation in the marital status. The contingency coefficient reflecting the strength of association between the marital status and the score on the home loan scheme measured was estimated at 0.282. The said relationship was statistically significant at 0.282 level. Details of the distribution of the respondents by marital status and housing loan strategy has been presented in Table 5.5.4.3.1

Table 5.5.4.3.1

Distribution of respondents by marital status and home loan scheme score

| Home Loan Scheme | | Marital status | | Total |
|------------------|---------------------------|----------------|-----------|--------|
| | | Married | Unmarried | |
| Below 5 | Count | 1 | 0 | 1 |
| | % within Home Loan Scheme | 100.0% | 0.0% | 100.0% |
| 5 - 10 | Count | 15 | 3 | 18 |
| | % within Home Loan Scheme | 83.3% | 16.7% | 100.0% |
| 10 - 15 | Count | 59 | 9 | 68 |
| | % within Home Loan Scheme | 86.8% | 13.2% | 100.0% |
| 15 - 20 | Count | 61 | 3 | 64 |
| | % within Home Loan Scheme | 95.3% | 4.7% | 100.0% |
| Total | Count | 136 | 15 | 151 |
| | % within Home Loan Scheme | 90.1% | 9.9% | 100.0% |

5.5.4.4 Life Cycle and Home Loan Scheme

The life-cycle and across cohorts are deemed to be a factor influencing the extent of home ownership. Each stage of the life-cycle is characterized by unique needs and the process of decision making. The variation in the extent of home ownership might in part reflect changes in needs and the process of asset accumulation over the life cycle.⁴¹⁴ As observed by Fernandez-Villa Verde and Krueger, when controlling for time and cohort effects, the peak of housing service does not occur until age fifty-five. Gradually, the same decreases slightly, and then flatten out until the end of the life cycle.⁴¹⁵ In this paragraph, an attempt has been made to examine the relationship between life-cycle and importance of the elements constituting the term home loanscheme.

Table 5.5.4.4.1 displays the distribution of respondents by life-cycle stages and perceived importance of the home loan scheme.

⁴¹⁴ Orazio P. Attanasio, O.P. et al. "Modelling the Demand for Housing over the Lifecycle". February 2010.

See also <http://www.homepages.ucl.ac.uk/~uctpjr/Files/Attanasio%20Bottazzi%20et%20al.pdf>. Retrieved September 11, 2016.

⁴¹⁵ Fernandez-Villaverde, J. , and Krueger, D. "Consumption and Saving over the Life Cycle: How Important are Consumer durables?" Proceedings of the 2002 North American Summer Meetings of the Econometric Society, 2001.

Table 5.5.4.4.1

Distribution of respondents by life cycle stages and home loan scheme

Life Cycle * Home Loan Scheme Crosstabulation

| Life Cycle | | Home Loan Scheme | | | | Total |
|-----------------|---------------------|------------------|--------|---------|---------|--------|
| | | Below 5 | 5 - 10 | 10 - 15 | 15 - 20 | |
| Single | Count | 0 | 3 | 9 | 2 | 14 |
| | % within Life Cycle | 0.0% | 21.4% | 64.3% | 14.3% | 100.0% |
| Honeymooners | Count | 0 | 2 | 12 | 12 | 26 |
| | % within Life Cycle | 0.0% | 7.7% | 46.2% | 46.2% | 100.0% |
| Parenthood | Count | 1 | 11 | 36 | 36 | 84 |
| | % within Life Cycle | 1.2% | 13.1% | 42.9% | 42.9% | 100.0% |
| Post Parenthood | Count | 0 | 3 | 9 | 13 | 25 |
| | % within Life Cycle | 0.0% | 12.0% | 36.0% | 52.0% | 100.0% |
| Dissolution | Count | 0 | 0 | 1 | 1 | 2 |
| | % within Life Cycle | 0.0% | 0.0% | 50.0% | 50.0% | 100.0% |
| Total | Count | 1 | 19 | 67 | 64 | 151 |
| | % within Life Cycle | 0.7% | 12.6% | 44.4% | 42.4% | 100.0% |

It appears that those at the stage of parenthood viewed the elements constituting the term housing strategy either very important or highly considered. In latter stages, the score on the housing loan strategy declines. The contingency coefficient reflecting the relationship between the life-cycle and the perceived importance of the home loan scheme was 0.271 and the relationship was found statistically significant at 0.828 level.

5.5.4.5 Education and Home Loan Scheme

Preference for housing varies mostly with education, particularly in respect of location. As observed in some studies, a strong correlation exists between the education system and property value that creates geographical barriers for low- and moderate- income households.⁴¹⁶ In respect

⁴¹⁶Center for Cities + Schools at the University of California, "Connecting Housing Transportation + Education to Expand Opportunity: Living, Learning + Moving Together" (National Policy Convening Summary, November 2015). (Berkeley:2015). P.4.

of making decision about house loan, educated people with low- and moderate- income are ordinarily very much concerned with investment in housing. A good number of studies have been done to unfold relationship between education and housing decision, but studies on the educational background of customers and the factors influencing the decision for selecting a bank for loan are rare. In this paragraph, an endeavor has been made to examine if there is any relationship between the educational background of customers and perceived importance of the housing loan strategy of the financial institutions. Table 5.5.4.5.1 shows the distribution of respondents by educational backgrounds and home loan scheme score.

Table 5.4.4.5.1
Distribution of respondents by educational backgrounds and home loan scheme score

| Home Loan Scheme * Educational Level Crosstabulation | | | | | |
|---|---------------------------|-----------------------|------------|------------------------------|--------|
| Home Loan Scheme | | Educational Level | | | Total |
| | | Upto Higher Secondary | Graduation | Post Graduate & Professional | |
| Below 5 | Count | 0 | 0 | 1 | 1 |
| | % within Home Loan Scheme | 0.0% | 0.0% | 100.0% | 100.0% |
| 5 - 10 | Count | 2 | 10 | 7 | 19 |
| | % within Home Loan Scheme | 10.5% | 52.6% | 36.8% | 100.0% |
| 10 - 15 | Count | 15 | 39 | 14 | 68 |
| | % within Home Loan Scheme | 22.1% | 57.4% | 20.6% | 100.0% |
| 15 - 20 | Count | 13 | 32 | 19 | 64 |
| | % within Home Loan Scheme | 20.3% | 50.0% | 29.7% | 100.0% |
| Total | Count | 30 | 81 | 41 | 152 |
| | % within Home Loan Scheme | 19.7% | 53.3% | 27.0% | 100.0% |

As revealed by data in Table 5.4.4.5.1 the score on home loan scheme score increases up to graduation level and then declines with the increase in educational background the relationship between educational background and the score on home loan scheme of a financial institution was measured by contingency coefficient which was estimated at 0.194. The said coefficient was statistically significant at 0.429 level.

This relation is indicative of the phenomenon that the more the education of a customer the more the importance attached to the elements constituting the term housing loan strategy of a financial

institution. However, the customers with post-graduation and professional qualification are less concerned with housing loan strategy.

5.5.4.6 Income Per Month and Home Loan Scheme

The income per month of a customer is viewed as one of the important factors influencing the perception of the importance of the variables constituting the term home loan scheme of a financial institution. Review of the patterns of responses of customers regarding the importance of the variables constituting the term home loan scheme indicates that higher income groups lay more emphasis on the housing loan strategy of the financial institution.

Table 5.5.4.6.1

Distribution of respondents by income per month (in Tk. 000) and home loan scheme score

| Home Loan Scheme * Monthly Income Crosstabulation | | | | | | |
|---|---------------------------|----------------|---------|---------|----------|--------|
| Home Loan Scheme | | Monthly Income | | | | Total |
| | | Below 40 | 40 - 60 | 60 - 80 | Above 80 | |
| Below 5 | Count | 0 | 0 | 0 | 1 | 1 |
| | % within Home Loan Scheme | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% |
| 5 - 10 | Count | 1 | 4 | 6 | 7 | 18 |
| | % within Home Loan Scheme | 5.6% | 22.2% | 33.3% | 38.9% | 100.0% |
| 10 - 15 | Count | 5 | 5 | 11 | 41 | 62 |
| | % within Home Loan Scheme | 8.1% | 8.1% | 17.7% | 66.1% | 100.0% |
| 15 - 20 | Count | 14 | 8 | 11 | 29 | 62 |
| | % within Home Loan Scheme | 22.6% | 12.9% | 17.7% | 46.8% | 100.0% |
| Total | Count | 20 | 17 | 28 | 78 | 143 |
| | % within Home Loan Scheme | 14.0% | 11.9% | 19.6% | 54.5% | 100.0% |

Table 5.5.4.6.1 shows the distribution of respondents by income per month (in Tk. 000) and home loan scheme score. In assessing the relationship between the per month income of the customers and their score on the importance of the variables constituting the term home loan scheme of a financial institution, the contingency coefficient was computed. The contingency coefficient reflecting the strength of association between the variables was estimated at 0.298 and the said relationship was found statically significant at 0.123 level.

5.5.4.7 Family Size and Home Loan Scheme

Acquiring a house being a strategic decision, a family size often influences decision making in respect of taking loan. The behavior of the families with respect to taking loan may vary with variations in the size of a family.

Table 5.5.4.7.1

Distribution of respondents by size of the family and home loan scheme pursued by financial institutions

| Home Loan Scheme * Family Size Crosstabulation | | | | | | |
|--|---------------------------|-------------|-------|-------|---------|--------|
| Home Loan Scheme | | Family Size | | | | Total |
| | | Below 3 | 3 - 5 | 5 - 7 | Above 7 | |
| Below 5 | Count | 0 | 0 | 0 | 1 | 1 |
| | % within Home Loan Scheme | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% |
| 5 - 10 | Count | 2 | 9 | 2 | 4 | 17 |
| | % within Home Loan Scheme | 11.8% | 52.9% | 11.8% | 23.5% | 100.0% |
| 10 - 15 | Count | 9 | 26 | 22 | 10 | 67 |
| | % within Home Loan Scheme | 13.4% | 38.8% | 32.8% | 14.9% | 100.0% |
| 15 - 20 | Count | 8 | 22 | 20 | 10 | 60 |
| | % within Home Loan Scheme | 13.3% | 36.7% | 33.3% | 16.7% | 100.0% |
| Total | Count | 19 | 57 | 44 | 25 | 145 |
| | % within Home Loan Scheme | 13.1% | 39.3% | 30.3% | 17.2% | 100.0% |

In assessing the relationship between family size and home loan scheme, distribution of respondents by size of the family and home loan scheme score was examined. From the data in Table 5.5.4.7.1, the proportion of respondents belonging to the group having score of 15- 20 was highest in the family size group of 3 - 5 followed by those of the family size of 5 – 7 and of the family size of above 7.

The contingency coefficient reflecting the strength of association between family size and the score on home loan scheme of the financial institution was estimated at 0.237, the same was not statistically significant.

Factor-5

5.5.5 Loan Sanctioning And Disbursement

Some factors may appear to be attractive to the customers. The variables constituting the term loan sanctioning and disbursement system include the Sanctioning Time of Loan, Loan Sanctioning System of FI and Loan Disbursement System of FI. Based on the interrelated of the variables constituting the term loan sanctioning and disbursement system of a financial institution and experiences in other countries, a composite index for measuring the attractiveness of a financial institution score was estimated with the four variables as mentioned above. Variations in the loan sanctioning and disbursement system of a financial institution score were assumed to be the function of age, marital status, family size, education, occupation, income per month and life-cycle. The following paragraphs focus on the relationship between loan sanctioning and disbursement system score and a set of independent variables influencing perceived score.

5.5.5.1 Age and Loan Sanctioning and Disbursement System

The age of a respondent is viewed as an important variable influencing selection of a financial institution. In assessing the relationship between loan sanctioning and disbursement system and age of the interviewees, it was hypothesized that there was no difference in the perception of the importance of loan sanctioning and disbursement system due to variations in the age of the customers.

Table 5.5.5.1.1

Distribution of respondents by age groups and loan sanctioning and disbursement system score

| Loan Sanctioning and Disbursement | | AGE | | | | Total |
|-----------------------------------|--|----------|---------|---------|----------|--------|
| | | Below 35 | 35 - 45 | 45 - 55 | Above 55 | |
| Below 5 | Count | 0 | 3 | 0 | 0 | 3 |
| | % within Loan Sanctioning and Disbursement | 0.0% | 100.0% | 0.0% | 0.0% | 100.0% |
| 5 - 10 | Count | 26 | 18 | 6 | 3 | 53 |
| | % within Loan Sanctioning and Disbursement | 49.1% | 34.0% | 11.3% | 5.7% | 100.0% |
| 10 - 15 | Count | 17 | 33 | 25 | 18 | 93 |
| | % within Loan Sanctioning and Disbursement | 18.3% | 35.5% | 26.9% | 19.4% | 100.0% |

| | | | | | | |
|-------|--|-------|-------|-------|-------|--------|
| Total | Count | 43 | 54 | 31 | 21 | 149 |
| | % within Loan Sanctioning and Disbursement | 28.9% | 36.2% | 20.8% | 14.1% | 100.0% |

As revealed by data in Table 5.5.5.1 the proportion of respondents belonging highest score in the age group between 35-45 having score of between 10 - 15 was 35.5 percent while the same for the age group of 45-55 and the age group above 55 were 26.90 percent and 19.4 percent respectively. The contingency coefficient reflecting the strength of association between age and loan sanctioning and disbursement system score was estimated at 0.378. In the case of an age-wise classification, the value of χ^2 was 24.91 with 6 degrees of freedom, the number of valid cases was 149 and the value of P was .000. As the value of P is less than 0.05, the null hypothesis was rejected at 0.000 level of significance. Hence, it is inferred that perceived importance of the variables composing the loan sanctioning and disbursement system score depends on upon age.

5.5.5.2 Occupational Status and Loan Sanctioning and Disbursement

While reviewing the relationship between occupational status and loan sanctioning and disbursement score, it was assumed that perceived importance of the factor loan sanctioning and disbursement varied with the variations in the occupational status of respondents.

Table 5.5.5.2.1 Distribution of respondents by occupational status and Loan Sanctioning and Disbursement

| Loan Sanctioning and Disbursement | | Occupation | | | Total |
|-----------------------------------|--|--------------|----------|---------------|--------|
| | | Professional | Salaried | Self Employed | |
| Below 5 | Count | 1 | 2 | 0 | 3 |
| | % within Loan Sanctioning and Disbursement | 33.3% | 66.7% | 0.0% | 100.0% |
| 5 - 10 | Count | 13 | 28 | 12 | 53 |
| | % within Loan Sanctioning and Disbursement | 24.5% | 52.8% | 22.6% | 100.0% |
| 10 - 15 | Count | 15 | 38 | 41 | 94 |
| | % within Loan Sanctioning and Disbursement | 16.0% | 40.4% | 43.6% | 100.0% |
| Total | Count | 29 | 68 | 53 | 150 |
| | % within Loan Sanctioning and Disbursement | 19.3% | 45.3% | 35.3% | 100.0% |

Analysis of the occupation group-wise data of loan sanctioning and disbursement score indicates that the loan sanctioning and disbursement score was found to vary with variations in the occupational status. The proportion of the respondents having loan sanctioning and disbursement score between 10 - 15 was highest in the occupational group of the self-employed (43.60 percent) followed by those of service/ salaried persons (40.4 percent), and professional (16 percent). In unfolding the strength of association between occupational status and loan sanctioning and disbursement score, the contingency coefficient was computed. The contingency coefficient between the two variables as mentioned above was 0.230. Table 5.5.5.2.1 shows the distribution of respondents by occupational status and loan sanctioning and disbursement system.

In testing the null hypothesis that there was no relationship between occupational status and loan sanctioning and disbursement score, the Chi-Square test was done. The value of Pearson Chi-Square was 8.354 with 4 degrees of freedom, and the value of P was .079. As the value of P is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance. Hence, it is inferred that perceived importance of loan sanctioning and disbursement system is independent of the by the occupational status of the respondents. The loan sanctioning and disbursement score did not vary with variations in occupational status.

5.5.5.3 Marital Status and Loan Sanctioning and Disbursement

The marital status of the customer is viewed as one of the factors that influence the criteria of decision-making about the selection of a financial institution for taking house loan.

In unfolding the relationship between marital status and loan sanctioning and disbursement score, analysis of the data given in Table 5.5.5.3.1 was done. Available data reveal that the married respondents were more concerned with the variables constituting the construct loan sanctioning and disbursement system than unmarried respondents. The proportion of married respondents having the loan sanctioning and disbursement score between 10 - 15 as against the maximum score of 89 was 94.7 percent while the same for unmarried respondents was 5.3 percent. Distribution of respondents by loan sanctioning and disbursement and marital status has shown in Table 5.5.5.3.1

Table 5.5.5.3.1

Distribution of respondents by loan sanctioning and disbursement and marital status

Loan Sanctioning and Disbursement * Marital status Crosstabulation

| Loan Sanctioning and Disbursement | | Marital status | | Total |
|-----------------------------------|--|----------------|-----------|--------|
| | | Married | Unmarried | |
| Below 5 | Count | 3 | 0 | 3 |
| | % within Loan Sanctioning and Disbursement | 100.0% | 0.0% | 100.0% |
| 5 - 10 | Count | 43 | 10 | 53 |
| | % within Loan Sanctioning and Disbursement | 81.1% | 18.9% | 100.0% |
| 10 - 15 | Count | 89 | 5 | 94 |
| | % within Loan Sanctioning and Disbursement | 94.7% | 5.3% | 100.0% |
| Total | Count | 135 | 15 | 150 |
| | % within Loan Sanctioning and Disbursement | 90.0% | 10.0% | 100.0% |

The contingency coefficient reflecting the strength of the association between loan sanctioning and disbursement score and marital status was estimated at 0.215. In testing the null hypothesis that there was no difference between the loan sanctioning and disbursement score and marital status, the χ^2 test was done. In the case of marital status-wise classification, the χ^2 (Chi-Square) value was 7.253 with 2 degrees of freedom and the P-value was .027. As the p-value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one to infer that loan sanctioning and disbursement score is dependent upon marital status.

5.5.5.4 Family Size and Loan Sanctioning and Disbursement

The size of the family is assumed to have influence on decision-making in the area of selection of the financial institution for taking house loan. The loan sanctioning and disbursement score varied with variations in the size of the family.

Table 5.5.5.4.1

Distribution of interviewees by family size and loan sanctioning and disbursement score

| Loan Sanctioning and Disbursement | | Family Size | | | | Total |
|-----------------------------------|--|-------------|-------|-------|---------|--------|
| | | Below 3 | 3 - 5 | 5 - 7 | Above 7 | |
| Below 5 | Count | 0 | 2 | 1 | 0 | 3 |
| | % within Loan Sanctioning and Disbursement | 0.0% | 66.7% | 33.3% | 0.0% | 100.0% |
| 5 - 10 | Count | 9 | 25 | 11 | 6 | 51 |
| | % within Loan Sanctioning and Disbursement | 17.6% | 49.0% | 21.6% | 11.8% | 100.0% |
| 10 - 15 | Count | 10 | 30 | 31 | 19 | 90 |
| | % within Loan Sanctioning and Disbursement | 11.1% | 33.3% | 34.4% | 21.1% | 100.0% |
| Total | Count | 19 | 57 | 43 | 25 | 144 |
| | % within Loan Sanctioning and Disbursement | 13.2% | 39.6% | 29.9% | 17.4% | 100.0% |

In assessing the strength of association between family size and loan sanctioning and disbursement score, the contingency coefficient was used. The contingency coefficient reflecting the strength of association between the said variables was 0.230.

In framing the null hypothesis, it was assumed that there was no relationship between family size and loan sanctioning and disbursement score. The value of Pearson Chi-Square (χ^2) was 8.039 with 6 degrees of freedom, and the value of P was 0.235.

As the value of P is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance. Hence, it is inferred that perceived importance of loan sanctioning and disbursement is independent by the respondents of size of the Family. The loan sanctioning and disbursement score did not vary with variations in family size.

5.5.5.5 Educational Background and loan sanctioning and disbursement

Loan sanctioning and disbursement score varies with variations in the educational background of the interviewees. Examination of the distribution of average scores by academic qualifications reveals that perceived importance of the composite index loan sanctioning and disbursement score was almost the same for the respondents belonging to different educational background excepting those belonging to the category of the educational background of upto higher secondary.

In reviewing the relationship between the educational background of respondents and loan sanctioning and disbursement, distribution of interviewees by academic background and loan sanctioning and disbursement was analyzed. The loan sanctioning and disbursement score of the respondents varied with variations in the educational background of the respondents. Details are furnished in Table 5.5.5.1

Table 5.5.5.1

Distribution of respondents by loan sanctioning and disbursement score and educational background

| Loan Sanctioning and Disbursement * Educational Level Crosstabulation | | | | | |
|--|--|-----------------------|------------|------------------------------|--------|
| Loan Sanctioning and Disbursement | | Educational Level | | | Total |
| | | Upto Higher Secondary | Graduation | Post Graduate & Professional | |
| Below 5 | Count | 1 | 2 | 0 | 3 |
| | % within Loan Sanctioning and Disbursement | 33.3% | 66.7% | 0.0% | 100.0% |
| 5 - 10 | Count | 6 | 34 | 13 | 53 |
| | % within Loan Sanctioning and Disbursement | 11.3% | 64.2% | 24.5% | 100.0% |
| 10 - 15 | Count | 22 | 44 | 29 | 95 |
| | % within Loan Sanctioning and Disbursement | 23.2% | 46.3% | 30.5% | 100.0% |
| Total | Count | 29 | 80 | 42 | 151 |
| | % within Loan Sanctioning and Disbursement | 19.2% | 53.0% | 27.8% | 100.0% |

As revealed by data in Table 5.5.5.1, 46.3 percent of the respondents belonging to the educational category of Graduation had loan sanctioning and disbursement score between 10 - 15 while the proportion of respondents having the same type of loan sanctioning and disbursement score was 30.5 percent in the educational category of post-graduation and professional. The percentage for the up to Higher Secondary category of respondents having loan sanctioning and disbursement score of between 10 - 15 was only 23.2 percent.

The contingency coefficient measuring the strength of association between educational background and loan sanctioning and disbursement score was estimated at 0.199. The value of Pearson Chi-Square was 6.242 with 4 degrees of freedom, and the value of P was 0.182. As the value of P was greater than 0.05, the null hypothesis was accepted at 5 percent level of significance. Hence, it was inferred that perceived importance of loan sanctioning and disbursement was

independent of the educational background of the respondents. The loan sanctioning and disbursement score did not vary with variations in academic qualifications.

5.5.5.6 Income Per Month and loan sanctioning and disbursement

Table 5.5.5.6.1

Distribution of respondents by institutional attractive score and income groups of respondents

| Loan Sanctioning and Disbursement | | Monthly Income | | | | Total |
|-----------------------------------|--|----------------|---------|---------|----------|--------|
| | | Below 40 | 40 - 60 | 60 - 80 | Above 80 | |
| Below 5 | Count | 0 | 0 | 1 | 2 | 3 |
| | % within Loan Sanctioning and Disbursement | 0.0% | 0.0% | 33.3% | 66.7% | 100.0% |
| 5 - 10 | Count | 2 | 6 | 16 | 27 | 51 |
| | % within Loan Sanctioning and Disbursement | 3.9% | 11.8% | 31.4% | 52.9% | 100.0% |
| 10 - 15 | Count | 19 | 11 | 10 | 48 | 88 |
| | % within Loan Sanctioning and Disbursement | 21.6% | 12.5% | 11.4% | 54.5% | 100.0% |
| Total | Count | 21 | 17 | 27 | 77 | 142 |
| | % within Loan Sanctioning and Disbursement | 14.8% | 12.0% | 19.0% | 54.2% | 100.0% |

In assessing the strength of association between loan sanctioning and disbursement score and income groups of respondents, the contingency coefficient was computed. The contingency coefficient between the two variables was estimated at 0.308. In income group-wise classification, the value of χ^2 is equal to 14.883 with 6 degrees of freedom and P is equal to .021. As the p-value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one to infer that loan sanctioning and disbursement score is dependent upon monthly income.

5.5.5.7 Life-Cycle and Loan Sanctioning And Disbursement

In estimating the strength of the relationship between life-cycle and importance of the elements constituting the term loan sanctioning and disbursement in making decision about the selection of financial institution for taking house loan, the contingency coefficient was used. The contingency coefficient between the two variables was estimated at 0.351.

Table 5.5.5.7.1

Distribution of respondents by life-cycle stages and loan sanctioning and disbursement score

| Loan Sanctioning and Disbursement * Life Cycle Crosstabulation | | | | | | | |
|---|--|------------|------------------|----------------|--------------------|-----------------|--------|
| Loan Sanctioning and Disbursement | | Life Cycle | | | | | Total |
| | | Single | Honeym ooners | Parent hood | Post Parenthood | Dissolut ion | |
| Below 5 | Count | 0 | 0 | 3 | 0 | 0 | 3 |
| | % within Loan Sanctioning and Disbursement | 0.0% | 0.0% | 100.0 % | 0.0% | 0.0% | 100.0% |
| 5 - 10 | Count | 10 | 14 | 19 | 9 | 0 | 52 |
| | % within Loan Sanctioning and Disbursement | 19.2% | 26.9% | 36.5% | 17.3% | 0.0% | 100.0% |
| 10 - 15 | Count | 4 | 11 | 61 | 17 | 2 | 95 |
| | % within Loan Sanctioning and Disbursement | 4.2% | 11.6% | 64.2% | 17.9% | 2.1% | 100.0% |
| Total | Count | 14 | 25 | 83 | 26 | 2 | 150 |
| | % within Loan Sanctioning and Disbursement | 9.3% | 16.7% | 55.3% | 17.3% | 1.3% | 100.0% |

In this case the value of χ^2 is equal to 21.116 with 8 degrees of freedom and the number of observations is 150. The value of p is equal to 0.07. As the p value is less than 0.05, the null hypothesis is rejected at 5% level of significance. The rejection of the null hypothesis leads one to infer that the loan sanctioning and disbursement score is dependent of the life-cycle stage of the respondents. The loan sanctioning and disbursement score varies among the respondents falling under different life-cycle stages.

Performance Dynamics of Home Loan Programs

6.1 Indicators Used in Evaluating Home Loan Programs

The Top management evaluates the performance on the basis of target fulfillment. In this regard some quantitative measures that are being used in evaluating the achievement status which includes home loan sanctioned, cumulative loan sanctioned, Sanctioned housing units, loan disbursed, recoverable loan, loan recovery, default loan, un-classified loan, classified loan. Another indicator used to measure the responsiveness of the institution to the total demand of house loans. In this regard, the institution measures the percentage of applicants who could be sanctioned home loans.

In view of the critical importance of housing finance, it has been witnessing substantial growth world-wide in the recent past. In fact, in many countries, it has been recognized as the driver for economic growth. There were also many favorable factors, which also encouraged housing finance boom. Lower inflation, lower interest rates and increasing real estate prices provided the necessary environment for the growth of housing finance. Although the commercial banks were the largest mobilizer of savings in the country, traditionally, banks were rather reluctant to finance for housing. This was mainly because banks considered housing finance as a long-term credit against mortgage, which was not in their business domain. The difficulties, particularly the legal technicalities regarding title, valuation etc., in accepting immovable property as security and in realizing the amount lent, in case of default, discouraged banks to advance money on mortgage of real estate in general. Banks considered housing loans as unproductive and inflationary. Granting housing loans was considered a function of institutions specializing in housing finance, namely Bangladesh House Building Finance Corporation (BHBFC). The entry of commercial banks was definitely a landmark in the housing finance sector.

The housing finance has witnessed phenomenal growth during the last ten years. There has been expansion and improvement in the housing finance market by way of various financial reforms; however, the housing loans as a percentage of GDP have remained at around 4.02%, significantly lower than the levels achieved in most of the developed countries. It indicates the

extent of opportunity for deeper penetration of such market. With improving demographics and economies of scale, the mortgage to GDP ratio is likely to increase.

The analysis of housing finance data clearly shows that the private sector bank has higher growth performance in housing finance than the public-sector banks. The performance of public and private housing finance institutions can be measured on many parameters. The key operational and financial indicators were analyzed and presented in following Figures.

6.2 Overall Performance of home loan programs:

The overall effectiveness of the home loan program may be assessed in terms of some prime indicators. The indicators that may be used in measuring the effectiveness level include growth rate of home loans, annual home loan disbursement, the status of home loan recovery and the status of home loan overdue. The review of the above-mentioned parameters reflecting the performance of home loan programs at the national level indicates that all the selected parameters have demonstrated rising trend. The analysis of the each of the parameters has been done on the basis of growth rate and average annual rate of increase of each parameter. Below are discussed all the possible dimensions of performance of the home loan programs.

6.2.1 Cumulative outstanding home loan:

Cumulative outstanding home loan reflects the total amount of home loan due by different financial institutions. This is indicative of loan remaining outstanding at a given period of time. The amount of cumulative outstanding home loan in the period (2004-05) was estimated at Tk. 8,680 crore which increased in the period (2014-15) to Tk. 193,329 crore, i.e. the amount of cumulative outstanding home loan increased by 22.27 times. The increase in the amount of cumulative outstanding home loan is indicative of the fact that there is a rising trend in the amount of cumulative outstanding home loan, which has been possible due to the increase in the amount of loan disbursement. The average annual compound rate of growth of the cumulative outstanding home loan was estimated at 36.39%.

In assessing the rate of increase of total cumulative outstanding home loan in response to time, trend equation was computed. The trend equation of the total cumulative outstanding home loan for the period 2004-05 to 2014-15 may be stated under:

$$y_1 = -459645592 + 229188t \quad [6.2.1]$$

$$R^2 = 0.933 ; \text{Sig.} = 0.00$$

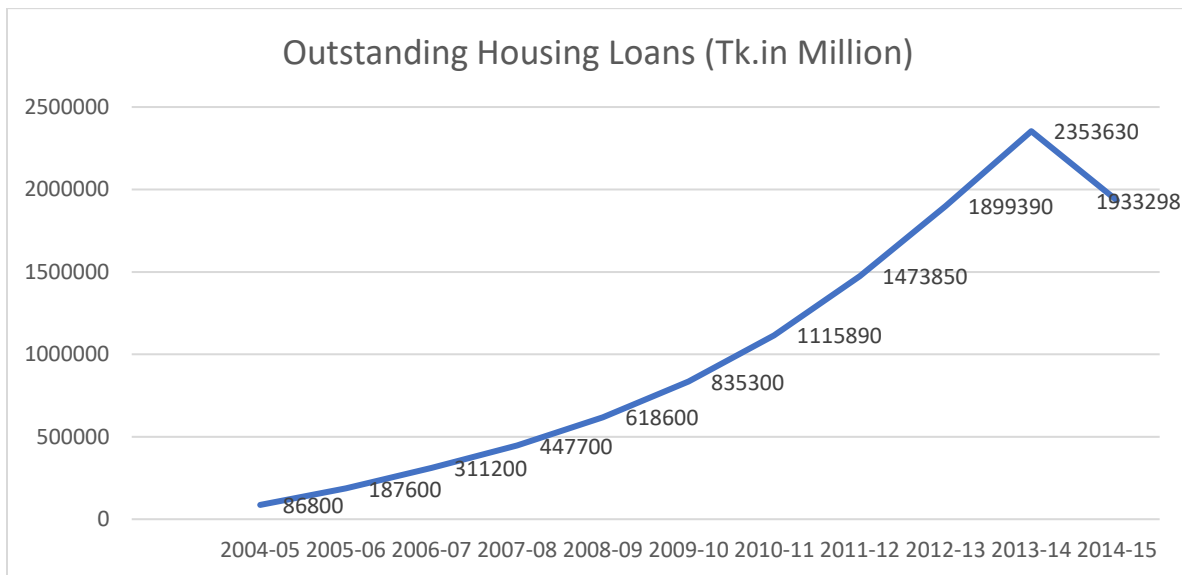
$$\text{SD (Standard Deviation)} = 1276$$

Where,

y_1 denotes total cumulative loans outstanding; and

t denotes year.

Figure 6.2.1: Trends in the total cumulative outstanding home loan in (in Tk. million)



The R^2 reflecting the extent of variances in the total cumulative outstanding home loan explained by the equation was estimated at 0.933; and the said equation significant at 0.00 level.

It may be however noted that growth rate of total cumulative outstanding home loan was not uniform throughout the period. In analyzing the total cumulative outstanding home loan of the financial institutions averages and growth rate were computed for the first five year 2004/2005-2008/2009 and second six year 2009/2010 – 2014/2015. The averages, growth rate and standard deviations (SD) of the above-mentioned parameter have been shown in table 6.2.1.

Table 6.2.1: Distribution of averages, standard deviations, and growth rate of Loan outstanding by period.

| Period | Average (In tk. million) | SD (In tk. million) | Growth Rate (%) |
|-------------------|-------------------------------------|--------------------------------|----------------------------|
| 2004/05 - 2014/15 | 1023932.5 | 786760.85 | 36.39 |
| 2004/05 - 2008/09 | 330380 | 210309.28 | 63.39 |
| 2009/10 – 2014/15 | 1601893 | 566339.29 | 18.27 |

From the table 4.2.1 it appears that average yearly outstanding home loan during the second period (2009/10 – 2014/15) was higher than that of the first period (2004/05 - 2008/09). In order to assess if the mean of the two periods were significantly different “t” test was done. The calculated “t” value for the outstanding home loan was estimated at -5.09 and the t critical two-tail value was estimated at 2.36, which is greater than the calculated value, hence disregard the null hypothesis or there are differences of the mean of the two periods.

6.2.2 Year Wise Home Loan Disbursement:

The final outcome of the loan sanctioning process is the disbursement of the loan sanctioned to the borrower. More the disbursement of home loan the more is likely to be the acquisition of apartments or houses. Hence, the amount of home loan disbursed during a given period of time is viewed to be key indicators reflecting the growth of home loans. The growth rate of the amount of home loan disbursed was estimated at 37.68%. In measuring the annual rate of increase of home loan disbursed, the following trend equation was estimated-

$$y_2 = -459204368.36 + 228983t \quad [6.2.2]$$

[R²=0.953; Sig. = 0.00
SD =777975.21]

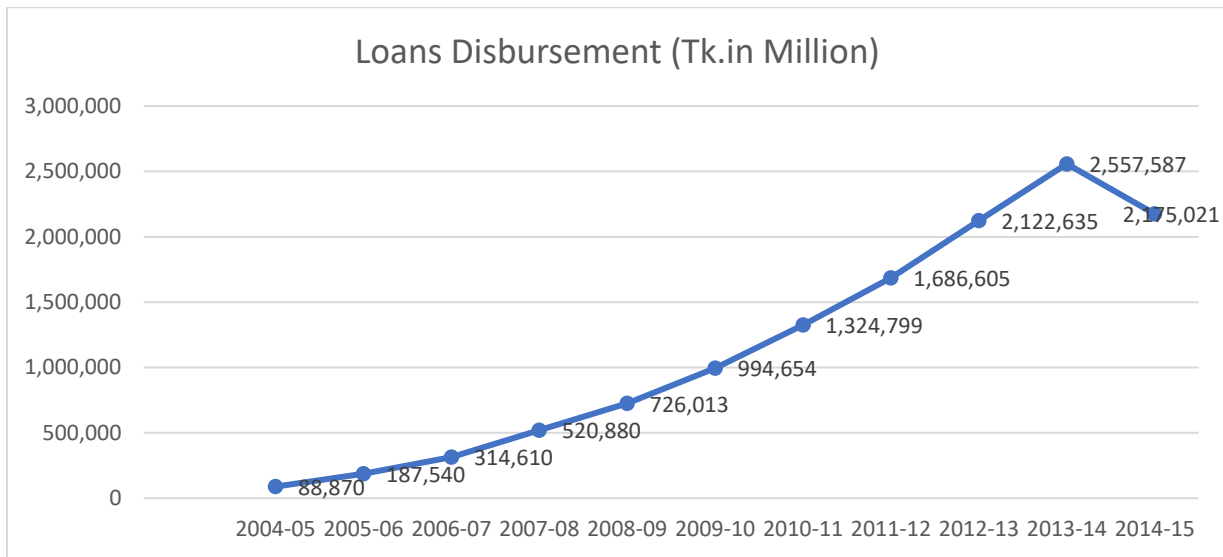
Where,

y₂ denotes year wise total loans Disbursed; and
t denotes year.

From equation 6.2.2 it appears that on an average the amount of increase in home loan disbursement per year was estimated at Tk.2290 crore. The year to year variations measured in terms of SD was Tk.77997 crore.

The distribution of home loans disbursed by financial year has been displayed in figure 6.2.2.

Figure 6.2.2: Trends in the total year wise home loan disbursement (in Tk. million)



On the average the amount of home loan disbursed per year during the period 2004-05 to 2014-15 was estimated at Tk. 115447 crore. However, the amount of loans disbursement varied significantly from year to year. The extent of year to year to variation measured in terms of standard deviations was Tk. 87,442 crore.

In assessing the period wise performance in respect of home loan disbursement, the period was divided into two, first five-year period (2004/2005) - (2008/2009) and second six-year period (2009/2010) - (2014/2015). Average, standard deviations and growth rate of disbursement of home loan were estimated. Distribution of averages, standard deviations and growth rate by period shown in table 6.2.2.

Table 6.2.2: Distribution of averages, standard deviations and growth rate of Loan Disbursement by period.

| Period | Average (In tk. million) | SD (In tk. million) | Growth Rate (%) |
|--------------------------|-------------------------------------|--------------------------------|----------------------------|
| 2004/05 - 2014/15 | 1,051,918 | 777975.21 | 36.88 |
| 2004/05 - 2008/09 | 367582.6 | 257329.84 | 69.06 |
| 2009/10 – 2014/15 | 1810216.83 | 584003.84 | 16.93 |

The year to year variations increased primarily due to increase in the total amount of home loan disbursement in the period starting from 2009/10-2014/15. The yearly average amount of home loan disbursement during the period 2004/05-2008/09 was estimated at Tk. 330380 crore, while the same during the period 2009/10-2014/15 was Tk. 1601893 crore. The first period has been characterized by sharp rise in the amount of home loan disbursement compared to that of the second period. In the first period the growth rate of home loan disbursement was 69.06% and the same for the second period was only 16.93%. This is indicative of the fact that the amount of home loan disbursement increased during the second period but the rate of increase in the second period much lower than the first period. In order to assess if the mean amount of home loan disbursement during the first period and the second period was the same, t test was done. The t test value was estimated at -5.45 which is much less than t critical two-tail test value. This is indicative of the fact that means of home loan disbursement during the two periods were different.

6.2.3: Home Loan Recovery:

Profitability of a financial institutions in respect of home loan is a function of regularity in repayment of the loans. If the installments due are repaid as per schedule, the amount of recovery increases and provide funds for further for giving new loans. If the performance of the financial institutions can better be assessed by the trend in the recovery of the loan. Indirectly, the effectiveness level of the home loan program can be assessed by its recovery position. The average amount of loan recovered by the financial institutions during the period 2004/05- 2014/15 was estimated at Tk 89866 crore. The year to year variations in the recovery of loans was estimated at

Tk 69,905 crore. The year to year variations in recovery of loans was primarily due to increase in the amount of loan recovered during the second period 2009/10-2014/15.

To conduct period wise analysis of loan recovery the average, SD and growth rate were estimated.

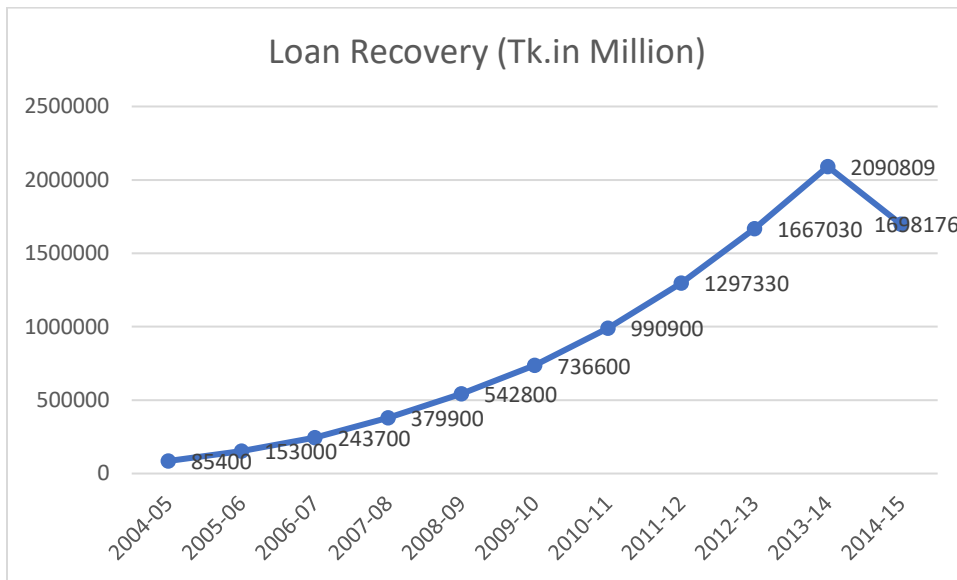
Table 6.2.3 displays the distribution of mean, SD and growth rate by periods.

Table 6.2.3: Distribution of averages, standard deviations and growth rate of Loan Recovery by period.

| Period | Average (In tk. million) | SD (In tk. million) | Growth Rate (%) |
|-------------------|-----------------------------|------------------------|--------------------|
| 2004/05 - 2014/15 | 898,695 | 699047.10 | 34.85 |
| 2004/05 - 2008/09 | 280960 | 183272.401 | 58.78 |
| 2009/10 – 2014/15 | 898,695 | 699047.10 | 34.85 |

Figure 6.2.3 displays the trend in the amount of loan recovery.

Figure 6.2.3: Trends in the total year wise home loan recovery (in Tk. million)



In estimating the rate of increase of home loan recovery in response to change in time, of the regression of recovery on time was estimated. The regression of loan recovery on time may be stated as under –

$$y_3 = -407826874.6 + 203346.05t \quad [6.2.3]$$

$$[R^2=0.930; \text{Sig.} = 0.00]$$

$$SD = 699047.10]$$

Where,

Y_3 denotes year wise total loans Recovery; and

t denotes year.

From equation 6.2.3 it appears that on an average yearly amount in increase of home loan recovery per year was estimated at Tk.20335 crore. The explanatory power of the trend equation measured in terms of R^2 was estimated at 0.93, i.e. 93% of the variance in the amount of home loan recovery was explained by the equation, which is statistically significant at 0.00 level.

Period wise analysis of the amount of home loan recovery reveals that the amount of home loan recovery during the second period (2009/10-2014/15) was much higher then the amount of home loan recovery during the first period. The amount of home loan recovery is highly corelated with the amount of loan disbursed. The amount of high recovery during the second period might be due to increase in the amount of home loan disbursement. The average amount of loan recovery during the first period (2004/05-2008/09) was Tk. 2896 crore. In comparing if the two means were the same, t-test was done. The estimated t-value was less than the t-critical t-Value, the null hypothesis was rejected. This is indicative of the fact that the performance of the financial institution in respect of home loan recovery during the second period was better that that of the first period. This estimation was statistically significant at 0.00 level.

6.2.4: Home Loan Overdue:

One of the indicators reflecting the effectiveness of home loan operation is the amount of overdue in relation to outstanding loan. The less the percentage of overdue amount the more the success status. The average annual proportion of home loan overdue in relation to total loan outstanding was estimated at 69.30%. The inter year variation measured in terms of standard deviation in the amount of overdue loan was estimated at Tk.21559.35 crore. In measuring the annual rate of increase of home loan disbursed, the following trend equation was estimated-

$$y_2 = -127737965+63712.4t \quad [6.2.4]$$

$$[R^2=0.961; \text{Sig.} = 0.00]$$

$$SD = 215593.5]$$

Where,

y_2 denotes year wise total loans overdue; and

t denotes year.

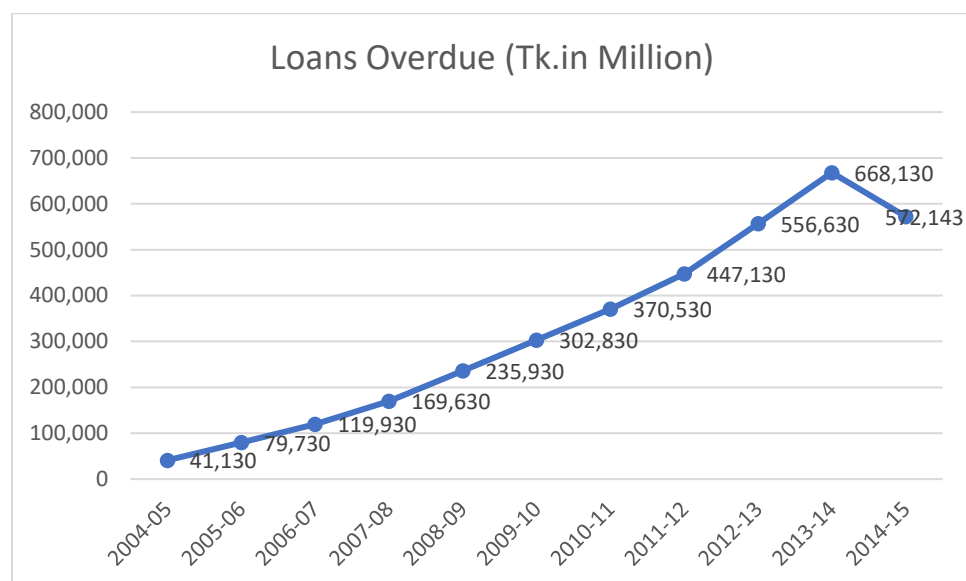
In analysis the variation in inter year overdue loan, the entire period was divided into two groups first period (2004/05-2008/09) and the second period (2009/10-2014/15). The group wise analysis of the mean indicates that the average amount of overdue home loan increased to Tk.46863 crore during the second period while the same during the first period was Tk.12927 crore. The growth rate of home loan was however, much higher during the period (2004/05-2008/09) than that of the second period. The averages, growth rate and standard deviations(SD) of the above-mentioned parameter have been shown in table 6.2.4.

Table 6.2.4: Distribution of averages, standard deviations and growth rate of Loan Overdue by period.

| Period | Average (In tk. million) | SD (In tk. million) | Growth Rate (%) |
|--------------------------|-------------------------------------|--------------------------------|----------------------------|
| 2004/05 - 2014/15 | 323,977 | 215593.50 | 30.12 |
| 2004/05 - 2008/09 | 129270 | 76346.89 | 54.76 |
| 2009/10 – 2014/15 | 486232.167 | 137095.35 | 13.57 |

Figure 6.2.4 displays the trend in the amount of loan overdue.

Figure 6.2.4: Trends in the total year wise home loan overdue (in Tk. million)



Analysis of the means by period reveals that the annual average amount of overdue loan during the second period increased 3.76 times more than that of the first period. This might occur due to the increase in the volume of outstanding loan.

6.3 Sector-wise Analysis of Performance:

In assessing the sector wise performance of home loan programs, the indicators reflecting the performance were loan outstanding, loan disbursement, loan recovery and loan overdue. Review of the performance of the home loan program indicators reveals that, the share of the private sector institution has been found to increase over the period under review. Below is discussed the comparative performance of public and private sector financial institution using the indicator mentioned above.

6.3.1: Outstanding Home Loan:

Outstanding home loan of the public financial institution was estimated at Tk.5,190 crore during the period 2004/05 which increased to Tk.64,427 crore during the period 2014/15. The annual average outstanding loan in the public-sector Tk.37,443 crore during the period 2004/05-2014/15. The rate of increase of home loan outstanding during the said period has been estimated with the help of the following regression equation-

$$y = - 140010361 + 69843t \quad [6.3.1.1]$$

$$R^2=0.965; \text{Sig.} = 0.00$$

$$SD = 235781.54$$

Where,

y denotes total cumulative loans outstanding in the public sector; and
t denotes year.

Average rate of increase of home loan outstanding in private sector during the period 2004/05-2014/15 may be seen in the following regression equation-

$$y = -319635230 + 159345t \quad [6.3.1.2]$$

$$R^2 = 0.914; \text{Sig.} = 0.00$$

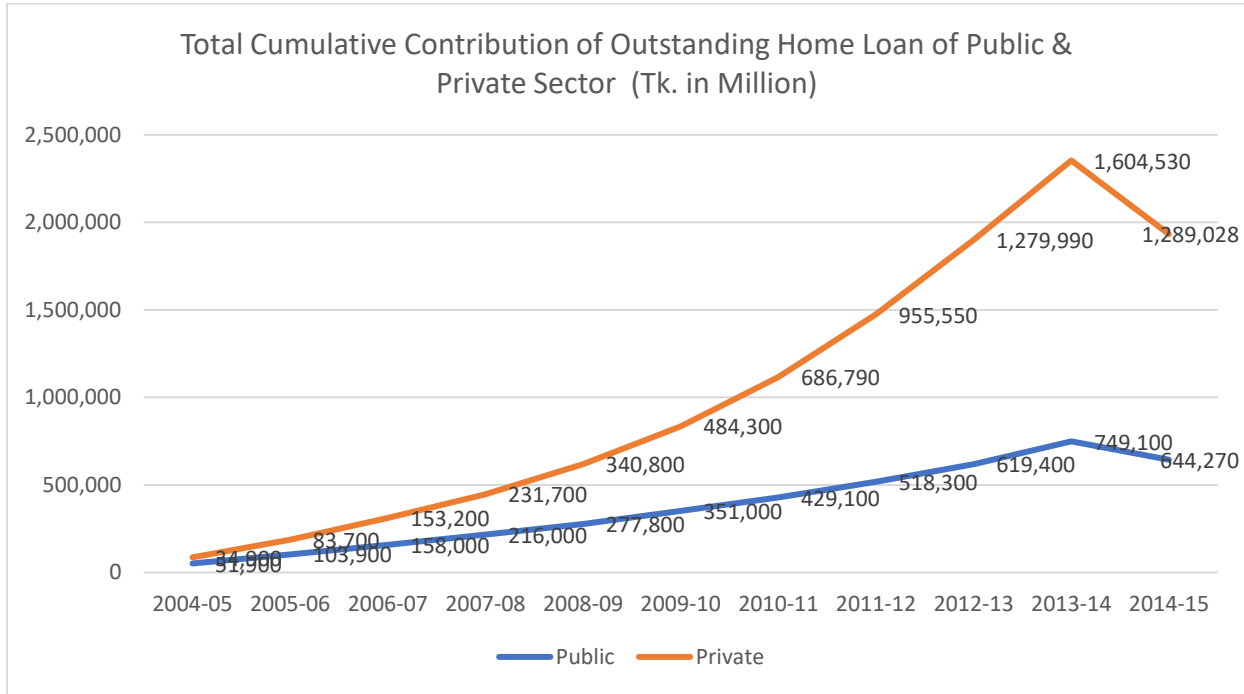
$$SD = 552718.1208$$

Where,

y denotes total cumulative loans outstanding in the private sector; and
t denotes year.

Comparative Analysis of the rate of increase of home loan outstanding reveals that the rate increase is higher in the private sector than that of the public sector. Reason behind variation in the rate of increase of home loan outstanding might be attributed to the growth of private sector financial institutions combined with the change of policy. The distribution of home loan outstanding of private and public sector by said financial year has been displayed in figure 6.3.1.

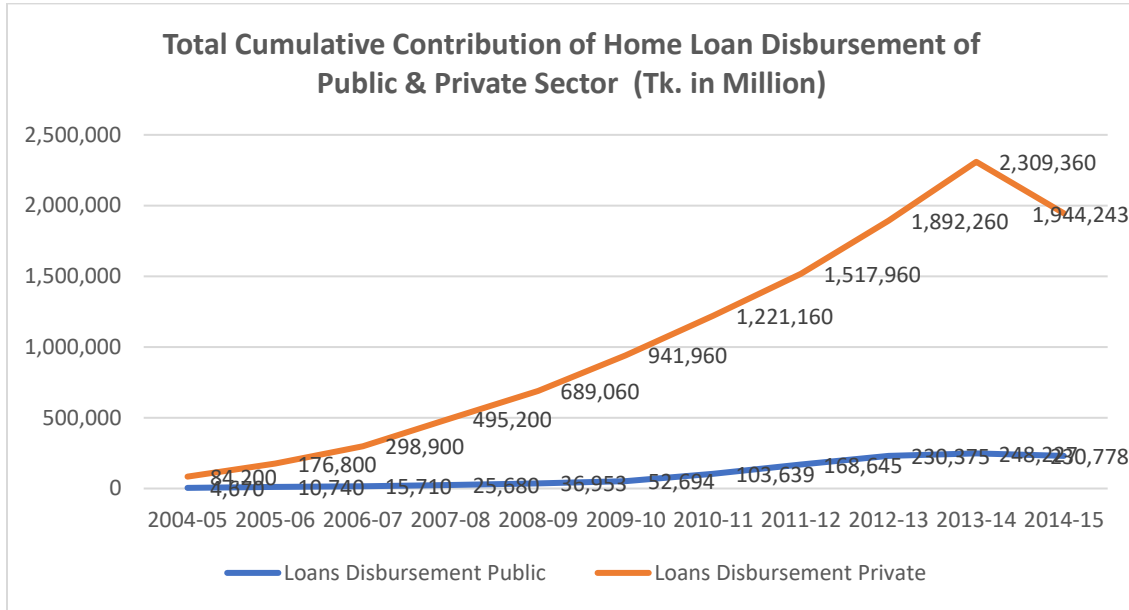
Figure 6.3.1: Trends in the total year wise home loan outstanding of private and public sector (in Tk. million)



6.3.2: Home Loan Disbursement:

Both private and public sector demonstrated rising trend of disbursement of home loan during the period under review. The comparative study of the average amount of home loan in the private and public sector indicated that yearly average of home loan disbursement in the private sector was ten times higher than that of the public sector. The average amount of home loan disbursement by the public sector during the said period was Tk.10,256 crore while the same in the private sector Tk.1,05,191 crore. This state of affair is indicative of higher involvement in offering in disbursing by the private sector. Figure 6.3.2 shows the year wise disbursement of home loan by sector.

Figure 6.3.2: Trends in the total year wise home loan disbursement of private and public sector (in Tk. million)



In assessing the yearly rate of increase in home loan disbursement by the public sector has been measured with the help of the following equation-

$$y = -56124435 + 27973.6t \quad [6.3.2.1]$$

$$R^2 = 0.891; \text{Sig.} = 0.00$$

$$SD = 98296.24$$

Where,

y denotes year wise home loans disbursement in the public sector; and
t denotes year.

The following equation reflecting the rate of change in the home loan disbursement for the period 2004/05-2014/15 may be seen as under-

$$y = -459204368 + 228983t \quad [6.3.2.2]$$

$$R^2 = 0.953; \text{Sig.} = 0.00$$

$$SD = 777975.21$$

Where,

y denotes year wise home loans disbursement in the private sector; and
t denotes year.

From the equations as mentioned above, the yearly rate of change of home loan disbursement in the public sector was 27973.6 which was statistically significant at 0.00 level.

In assessing the private sector the rate of change of home loan disbursement was estimated at 228983, which is statistically significant at 0.00 level.

6.3.3: Home Loan Recovery:

The recovery status of a financial institution at a given period of time reflects the effectiveness level of the home loan program. The growth rate of recovery of home loan in the private sector was estimated at 33.83%, while the same was in the public sector was 47.75%. In estimating the change of the total home loan recovery in the public sector was estimated with the help of regression equation which may be stated as under-

$$y = -49153087 + 24499.69t \quad [6.3.3.1]$$
$$R^2 = 0.882; \text{Sig.} = 0.00$$
$$SD = 86503.34$$

Where,

y denotes year wise home loans recovery in the public sector; and

t denotes year.

In the same way the rate of change of the recovery amount in the private sector was estimated with help of the following regression equation-

$$y = -358673787.6 + 178846.3t \quad [6.3.3.2]$$
$$R^2 = 0.935; \text{Sig.} = 0.00$$
$$SD = 613511.67$$

Where,

y denotes year wise home loans recovery in the private sector; and

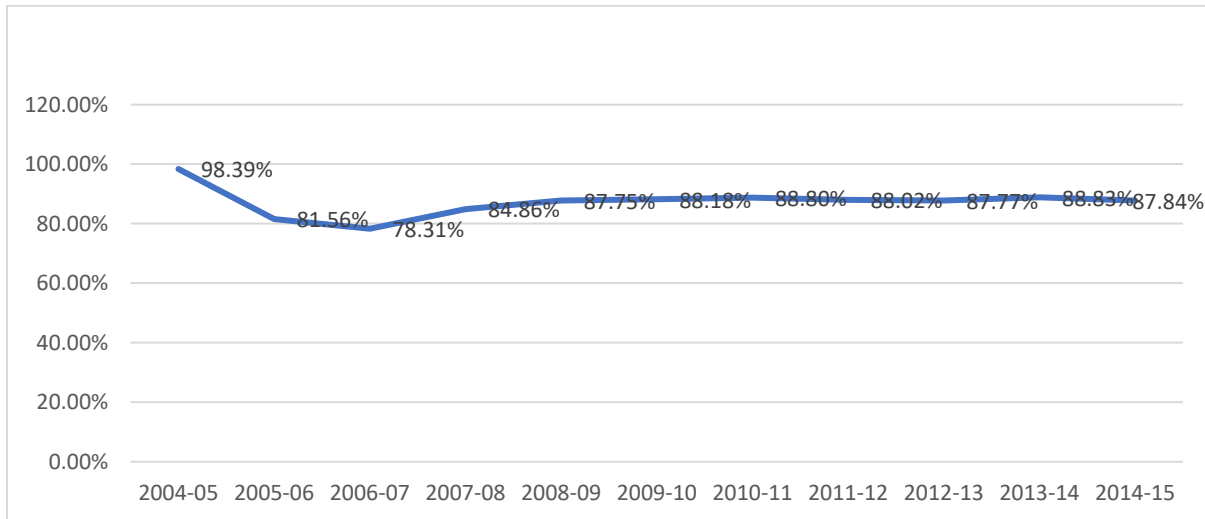
t denotes year.

The analysis of the total amount of home loan recovery by sectors reveals that the rate of recovery in the private sector was higher than in the public sector. The recovery rate in the public and private sector was 24499.69 and 178846.30 respectively.

The analysis of the home loan recovery status was also done with the help of loan recovery rate computed for estimating percentage of recovery rate in association to total outstanding loan. The

effectiveness of the loan recovery mechanism has been evaluated using the recovery amount to total outstanding loan ratio. As the data on loan due was not available, the percentage of home loan recovery in relation to total loan outstanding has been used as proxy variable. Figure 6.3.3 shows the trend in the percentage of loan recovery in relation to total loan outstanding.

Figure 6.3.3: Trend in the percentage of loan recovery in relation to total loan outstanding.



6.3.4: Home Loan Overdue:

Managerial effectiveness of home loan program may be assessed by reviewing the status of overdue of home loan. The less the overdue amount the better the management. The average amount of the overdue home loan was in the public sector was estimated at Tk. 37,443 crore, which is 42.70% of the outstanding loan of the said sector during the period 2004/05-2014/15. The same in the private sector was estimated at Tk. 16,408 crore, which constitutes 28.02% of the outstanding loan of the same period. The growth rate of the private and public sector was 27.11% and 33.75% respectively. The growth rate of the home loan overdue has however, been higher in the private sector than that of the public sector. This situation leads one to suggest that private sector requires to be more careful about the loan management process.

In assessing the rate of increase in the home loan, regression analysis was done. The relationship between home loan overdue and time in the public sector has measured with the help of regression equation.

$$y = -57141275.27 + 28508.04t \quad [6.3.4.1]$$

$$R^2=0.979; \text{Sig.} = 0.00$$
$$SD =95536.12$$

Where,

y denotes year wise home loans overdue in the public sector; and
t denotes year.

Similarly, the regression equation was computed for the private sector which is stated under-

$$y = -70596690.36+35204.36t \quad [6.3.4.2]$$
$$R^2=0.936; \text{Sig.} = 0.00$$
$$SD =120628.97$$

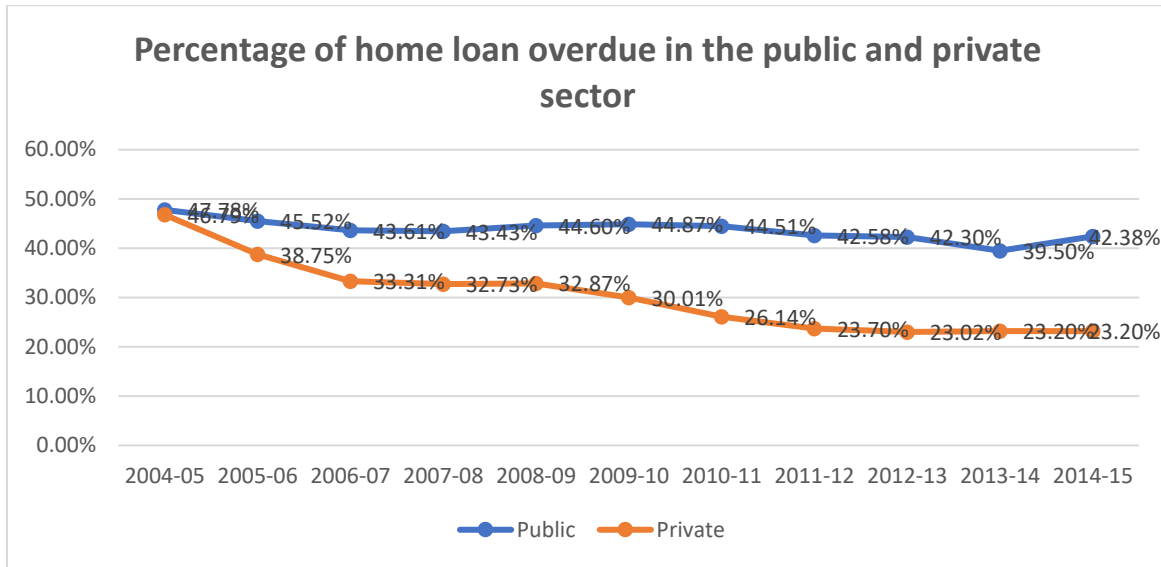
Where,

y denotes year wise home loans overdue in the private sector; and
t denotes year.

In measuring the extent of overdue loan in relation to home loan outstanding in the private and public sector, the percentage of overdue loan in relation to outstanding loan has been computed. The comparative analysis of the percentage of overdue loan in the private and public sector shows that the extent of home loan overdue was higher in the public sector than that of the private sector. The average home loan overdue in the private and public sector are Tk.159,896 crore and Tk.164,081 crore respectively.

The year wise comparison of the extent of home loan overdue shows that the overdue loan amount was more than 40% in most of the year in the public sector which the same in the private sector was less than 35% in most of the year during that period under review. Figure 6.3.4 shows the trends in the percentage of home loan overdue in the public and private sector during 2004/05-2014/15.

Figure 6.3.4: Trends in the percentage of home loan overdue in the public and private sector

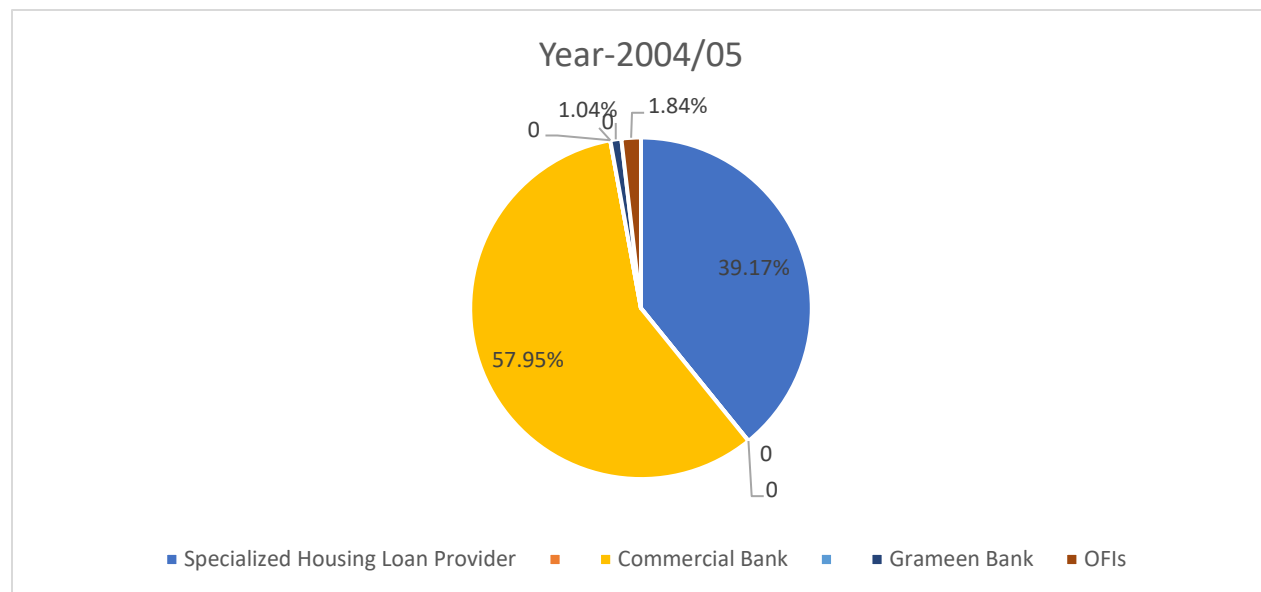


6.4 Analysis of Performance by Types of Institutions

Various types of financial institutions offer home loan in various degrees. The types of institutions engaged in offering home loans mainly include specialized financial institutions for home loan, commercial banks, Grameen bank and Non-banking financial institutions (NBFI). The specialized financial institution for offering home loan is National housing finance (NHF), Bangladesh house building finance corporation (BHBFC), and Delta Brac Housing (DBH). The categories of concerned financial institutions offering home loans are Private commercial bank (PCBs), Foreign commercial bank (FCBs) and State commercial bank (SCBs).

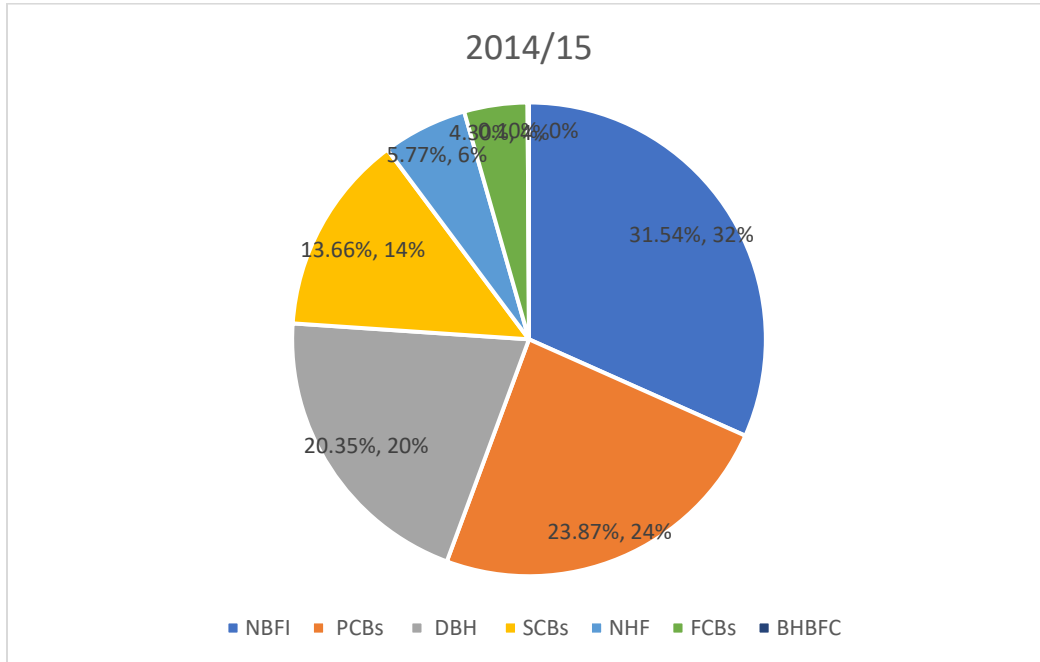
In analysis of performance in home loan programs reveals that performance of each type of institutions varied from time to time. In 2004/05, the highest amount of home loan given by commercial bank (57.95%) followed by specialized home loan provider (39.17%) and others (1.04%). The proportion of home loan provided by commercial banks has been found to increase during the period under review. While the same of other category of institutions including specialized home loan providers declined. Figure 6.4.1 shows the trend in the proportion of home loan of each category of institutions.

Figure 6.4.1: The proportion of home loan of each category of institutions for the year 2004/05.



The reason behind declining trend of the relative proportion of home loan provided by specialized financial institution was that they concentrated their activities only in the major cities while the operations of commercial banks and other institutions were extended in all areas of Bangladesh. Analysis of the growth rates of outstanding home loan provided by different categories of institutions during the period 2004/05-2014/15 reveals that the highest growth rate of home loan was observed in NBFIs (31.54%) followed by PCBs (23.87%), DBH (20.35%), SCBs (13.66%), NHF (5.77%) and FCBs (4.3%). The lowest growth rate was observed in BHBFC was (.096%). The negative rate of growth of home loan was observed in Grameen bank (-24.95%).

Figure 6.4.2: The proportion of home loan of each category of institutions for the year 20014/15.



In estimating the rate of outstanding home loan change in response to time, the trend equation was done. Review of the average yearly rate of change of the home loan outstanding in response to time by categories of institution indicates that the highest yearly average rate of change in home loan outstanding to change in time was highest in the PCBs followed by SCBs and FCBs. Below are given the trend equation of all categories of financial institutions offering home loan.

The trend value of outstanding home loan provided by BHBFC may be stated as under-

$$y = -682365.45 + 352.72t \quad [6.4.1]$$

$$R^2 = 0.319; \text{Sig.} = 0.07$$

$$SD = 2071.17$$

Where,

y denotes year wise outstanding home loans by BHBFC; and

t denotes year.

The yearly average rate of change of outstanding home loan provided by BHBFC in response to time was estimated at only Tk.35 crore. There has not been any consistent pattern in the trend of

home loan provided by the institution. The R^2 was estimated at 0.32. The trend equation was however not statistically significant.

The trend of outstanding home loan provided by DBH is mentioned below-

$$y = -5424172.72 + 2706.81t \quad [6.4.2]$$
$$R^2 = 0.977; \text{Sig.} = 0.00$$
$$SD = 9080.15$$

Where,

y denotes year wise outstanding home loans by DBH; and

t denotes year.

From the equation it appears that yearly average rate of growth of home loan provided by DBH was Tk.271 crore. The trend equation statistically significant at 0.00 level and explanatory power of the equation was estimated at 0.98.

Review of the trend in the home loan provided by NHF indicates that the yearly average increase in home loan outstanding provided due to unit change in time was estimated at Tk.16 crore. The relationship between outstanding home loan and time was found statistically significant at 0.00 level. The extent of variances in the dependent variable measured in terms of R^2 was 0.88.

The trend value of outstanding home loan provided by NHF may be stated as under-

$$y = -322273.81 + 161.5t \quad [6.4.3]$$
$$R^2 = 0.877; \text{Sig.} = 0.00$$
$$SD = 571.75$$

Analysis of the trend in the outstanding home loan provided by SCBs reveals that a positive trend.

The regression equation in the home loan provided by SCBs stated below-

$$y = -14910746.55 + 7444.22t \quad [6.4.4]$$
$$R^2 = 0.912; \text{Sig.} = 0.00$$
$$SD = 25846.8$$

In measuring the trend in the outstanding home loan provided by the PCBs, trend analysis was done. The trend equation reflecting the relationship between home loan outstanding and time may be stated as under-

$$y = -54580610.87 + 27214.89t \quad [6.4.5]$$
$$R^2 = 0.954; \text{Sig.} = 0.00$$

$$SD = 89769.89$$

The yearly average rate of change in the outstanding home loan due to unit change in time was Tk.2721 crore which appears to be highest amongst all financial institutions. The relationship was found to be statistically significant at 0.00 level and the extent of variances in the dependent variable measured in terms of R^2 was 0.95.

Like other financial institutions FCBs were also found to be involved in offering home loan. The average yearly rate of change in outstanding home loan provided by FCBs was estimated at Tk.288 crore. The relationship between outstanding home loan provided by FCBs and time may be stated as under-

$$y = - 5770415.63 + 2882.40t \quad [6.4.6]$$

$$R^2 = 0.541; \text{Sig.} = 0.00$$

$$SD = 12997.03$$

The trend equation was found statistically significant at 0.00 level and R^2 reflecting the extent of variances in the dependent variable explained by the equation was 0.54.

The growth rate of outstanding home loan provided by Grameen bank was negative. Similarly, annual average rate of change in outstanding home loan provided by Grameen bank in response to unit change in time was found also lowest and negative. The reason behind the lowest position of providing home loan might be due to limited coverage and for only lower income people. The trend equation measuring the relationship in time and outstanding home loan provided is presented below-

$$y = +119994.18 - 59.59t \quad [6.4.7]$$

$$R^2 = 0.618; \text{Sig.} = 0.00$$

$$SD = 251.42$$

Like other banking financial institution Non-banking financial institution (NBFI) played an important role in providing home loan. The trend equation in the outstanding home loan provided by NBFI may be stated as under-

$$y = -5667808.36 + 2825.59t \quad [6.4.8]$$

$$R^2 = 0.895; \text{Sig.} = 0.00$$

$$SD = 9905.9$$

From the equation no 6.4.8 it appears that the average annual change in the outstanding home loan was estimated at Tk.283 crore. The explanatory power of the equation measured in terms of R^2 was 0.90 and the relationship between home loan disbursement and time was found statistically significant at 0.00 level.

6.5 Inter-Firm Analysis of Performance

Both public and private sectors are involved in providing financial assistance to end borrower for constructing or procuring apartments. As of December 2022, the total number of specialized institutions involved in providing housing loan was three viz. House Building Finance Corporation, Delta Brac Housing and National Housing Finance. The following paragraphs are devoted to analyzing the performance of two specialized institutions- one private sector and another public sector financial institution.

6.5.1 Performance dynamics of Bangladesh House Building Corporation

Bangladesh house building finance corporation (BHBFC) was founded in 1952 for providing financial assistance to construct residential houses in the urban area. Immediately after the independence the organization was reorganized by the presidential order no 7 of 1973. The paid up capital of the organization stood at 110 crore taka. The main purposes of the institution were to provide loan for building house, renovating residential house and purchasing apartment/flats. The organization deals with client drawn through its network of 29 Zonal and Regional offices. BHBFC operates three kinds of loan schemes-rural housing, metropolitan housing and housing for expatriates. The product profiles of BHBFC are presented in table 6.5.1.

Table 6.5.1: Product Profiles of BHBFC

| Product Name | Area | Maximum Limit | Duration | Rate of Interest |
|----------------------|----------------------|---------------|----------|------------------|
| Nagar Bondhu | All over the country | Tk. 1 crore | 20 years | 8.5% |
| Nagar Bondhu Flat | All over the country | Tk. 80 Lacs | 25 years | 9% |
| Palli Maa | Rural Area | Tk. 80 Lacs | 20 years | 8.5% |
| Abasan Unnyan Reen | All over the country | Tk. 1 crore | 20 years | 8.5% |
| Abashan Meramat Reen | All over the country | Tk. 25 Lacs | 10 years | 8.5% |
| Probash Bandhu | All over the country | Tk. 1 crore | 25 years | 8.5% |

| | | | | |
|----------------------|------------|-------------|----------|------|
| Krishak Abashan Reen | Rural Area | Tk. 30 Lacs | 25 Years | 8.5% |
|----------------------|------------|-------------|----------|------|

6.5.1.1: Analysis of performance:

Despite the operation of the organization for more than 6 decades in the area of house building finance, the organization is yet to systematize the records of its performance parameters. Based on the available data the performance of the corporation has been measured using some indicators. The indicators used in the study include: number of loan sanctioned, annual loan disbursement, total number of housing units constructed, recoverable amount, percentage of loan recovery, percentage of classified loan, net profit before tax and the profitability ratio.

6.5.1.2 Loan Disbursement

The average amount of loan disbursement per year during the period 2005-06 was estimated at Tk.26047.3 lacs. The year to year variation measured by standard deviation was estimated at Tk.9689.90 lacs. The loan disbursement pattern is indicative of the fact that the organization could not maintain consistency in disbursing sanctioned loan. The compound annual growth rate of loan disbursement was estimated at 12.61%. The rate of increase of loan disbursement was estimated with the help of regression equation, which is statistically significant at 0.00 level. The trend equation of the total home loan disbursement for the period 2006-07 to 2015-16 may be stated under:

$$y_1 = 14474.6 + 2104.127t \quad [6.5.1.2]$$

$$R^2 = 0.432 ; \text{Sig.} = 0.026$$

$$\text{SD (Standard Deviation)} = 9689.90$$

Where,

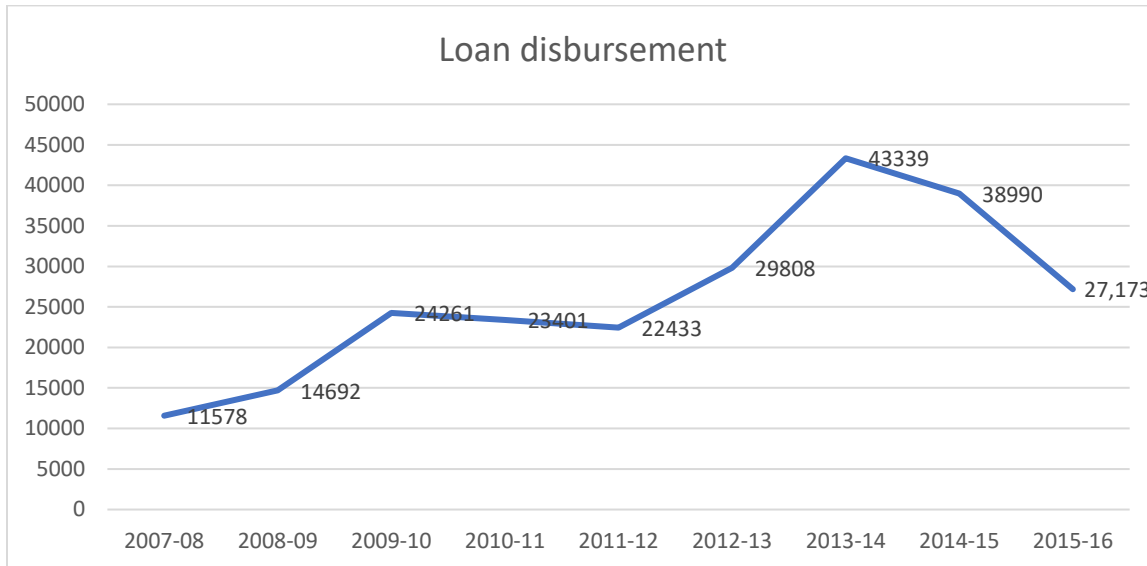
y_1 denotes total loan disbursement; and

t denotes year.

Analysis of the trend in the total housing units which can be constructed in a given year indicates that there was a downward trend. The downward trend in the no of housing units constructed might be due to price hike, scarcity of land, declining demand due to price hike, price hike of construction materials, and lack of adequate funds for house construction. It has also been observed that the effective monitoring and evaluation system of the loan is yet to developed in the organization.

The distribution of home loans disbursed by financial year has been displayed in figure 6.5.1.2.

Figure 6.5.1.2: Trends in the total year wise home loan disbursement (in Lacs)



6.5.1.3 Home Loan Outstanding:

Loan outstanding reflects the total amount of home loan due by the financial institutions. This is indicative of loan remaining outstanding at a given period of time. The amount of outstanding home loan in the period (2006-07) was estimated at Tk. 251,644 lacs which increased in the period (2015-16) to Tk. 300,550 lacs. The average annual compound rate of growth of the cumulative outstanding home loan was estimated at 2.04%.

In assessing the rate of increase of total outstanding home loan in response to time, trend equation was computed. The trend equation of the total outstanding home loan for the period 2006-07 to 2015-16 may be stated under:

$$y_2 = 229319.2 + 7104.727t \quad [6.5.1.3]$$

$$R^2 = 0.828 ; \text{Sig.} = 0.00$$

$$\text{SD (Standard Deviation)} = 23632.9$$

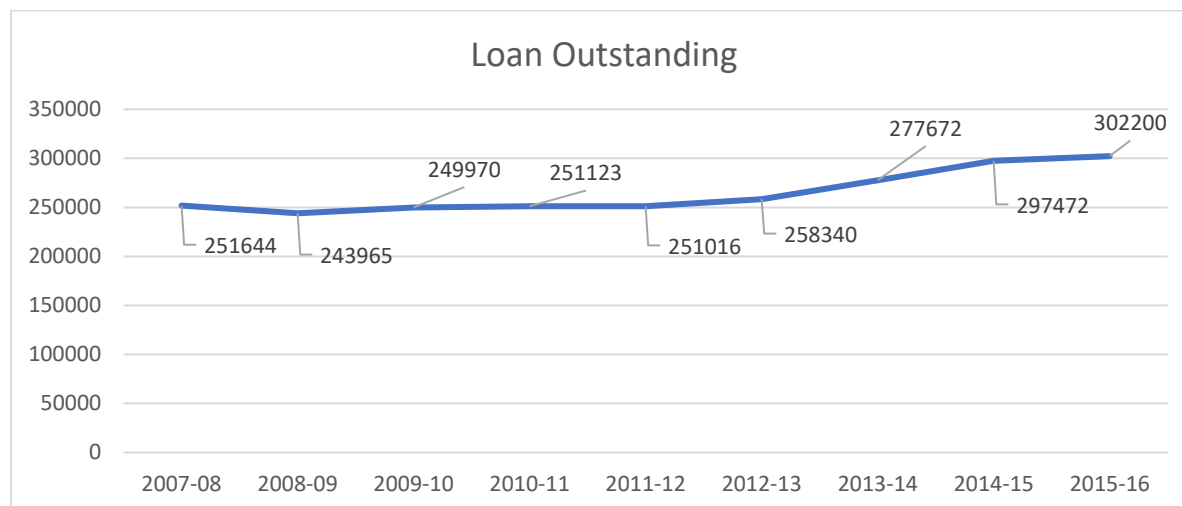
Where,

y_2 denotes total loan outstanding; and

t denotes year.

The distribution of home loans outstanding by financial year has been displayed in figure 6.5.1.3.

Figure 6.5.1.3: Trends in the total outstanding home loan (in Tk. lacs)



6.5.1.4 Unclassified Loan

Unclassified loans are the proportion of outstanding loans that the bank believe that the borrower will repay the loan. The effectiveness level of the home loan program can be assessed by its proportion of unclassified loan. The average amount of unclassified loan by BHBFC during the period 2007/08- 2015/16 was estimated at Tk.237,034lacs. The year to year variations in unclassified loan was estimated at Tk.31,575 lacs. The average annual compound rate of growth of the unclassified home loan was estimated at 3.48%.

The rate of increase of unclassified loan was estimated with the help of regression equation, which is statistically significant at 0.00 level. The trend equation of the unclassified loan for the period 2006-07 to 2015-16 may be stated under:

$$y_3 = 184621.1 + 9529.6t \quad [6.5.1.4]$$

$$R^2 = 0.835 ; \text{Sig.} = 0.00$$

$$\text{SD (Standard Deviation)} = 31,575$$

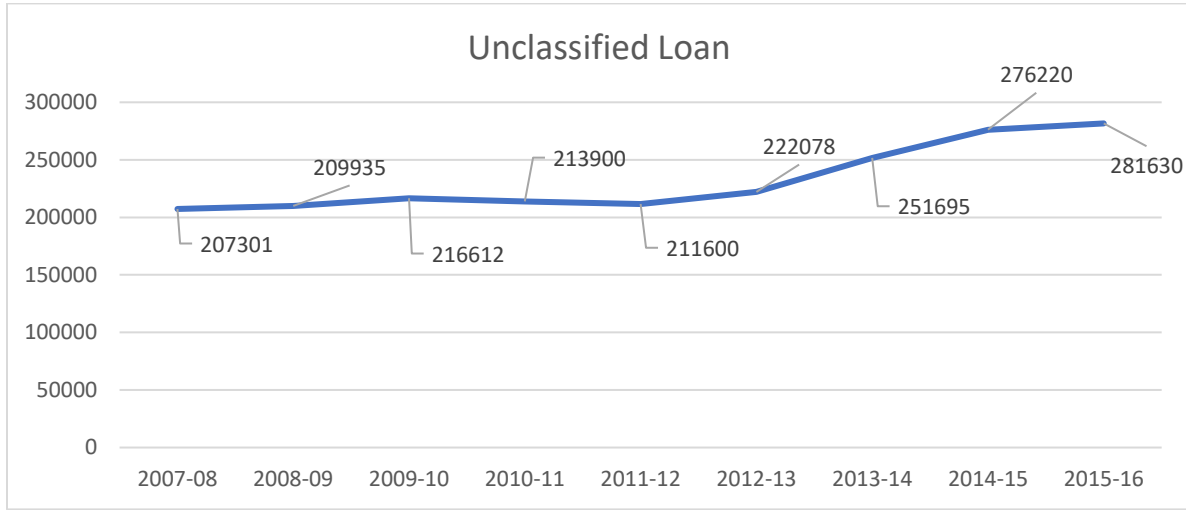
Where,

y_3 denotes total loan disbursement; and

t denotes year.

The distribution of home loans outstanding by financial year has been displayed in figure 6.5.1.4.

Figure 6.5.1.4: Trends in the total unclassified home loan (in Tk. lacs)



6.5.1.5 Classified Loan

Classified loans are the proportion of outstanding loans that the bank believe that the borrower will not repay the principal amount of loan as well as interest payment. A financial institution estimate or compute classified loan as a safety measure to mitigate a possible loss and to prevent any further risk.

The average amount of classified loan per year during the period 2006-07 to 2015-16 was estimated at Tk.31,361 lacs. The year to year variation measured by standard deviation was estimated at Tk.8,525.7 lacs. The average annual compound rate of growth of the classified home loan was estimated at -6.95%.

In estimating the rate of increase of classified home loan in response to change in time the regression of classified loan on time was estimated. The regression of classified loan on time may be stated as under –

$$y_4 = 44698 - 2424.90t \quad [6.5.1.5]$$

$$R^2 = 0.742 ; \text{Sig.} = 0.00$$

$$\text{SD (Standard Deviation)} = 8,525.7$$

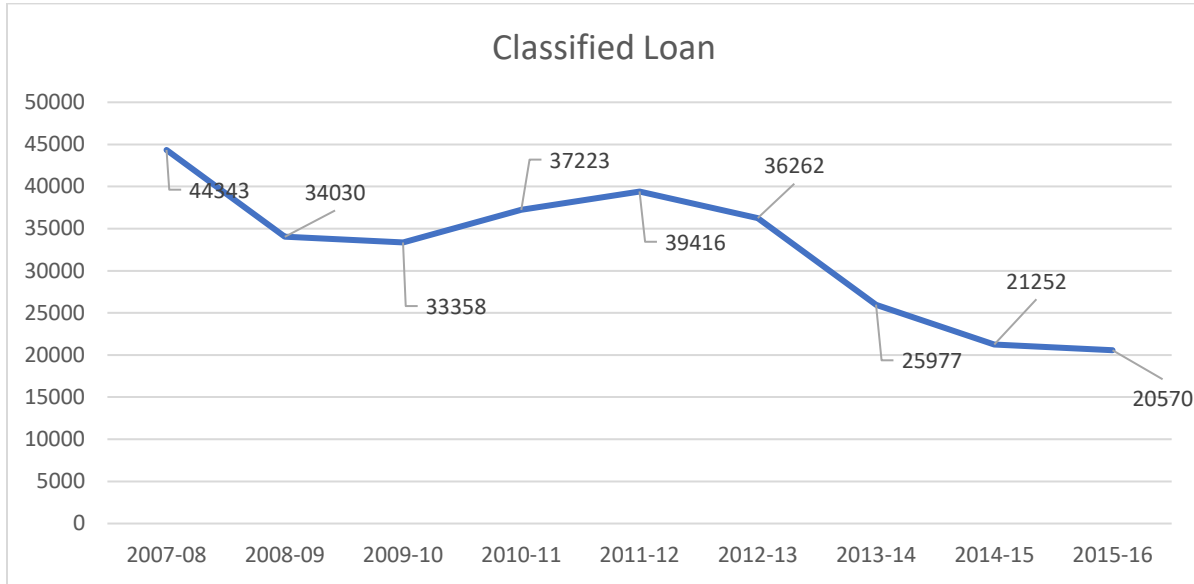
Where,

y_4 denotes classified loan; and

t denotes year.

The distribution of classified home loans by financial year has been displayed in figure 6.5.1.5.

Figure 6.5.1.5: Trends in the total classified home loan (in Tk. lacs)



There is an inverse relationship between the classified loans and performance efficiency. The lesser the classified loan higher the efficiency of financial institutions in managing credit. The chart above shows decreasing trend of classified loans of BHBFC.

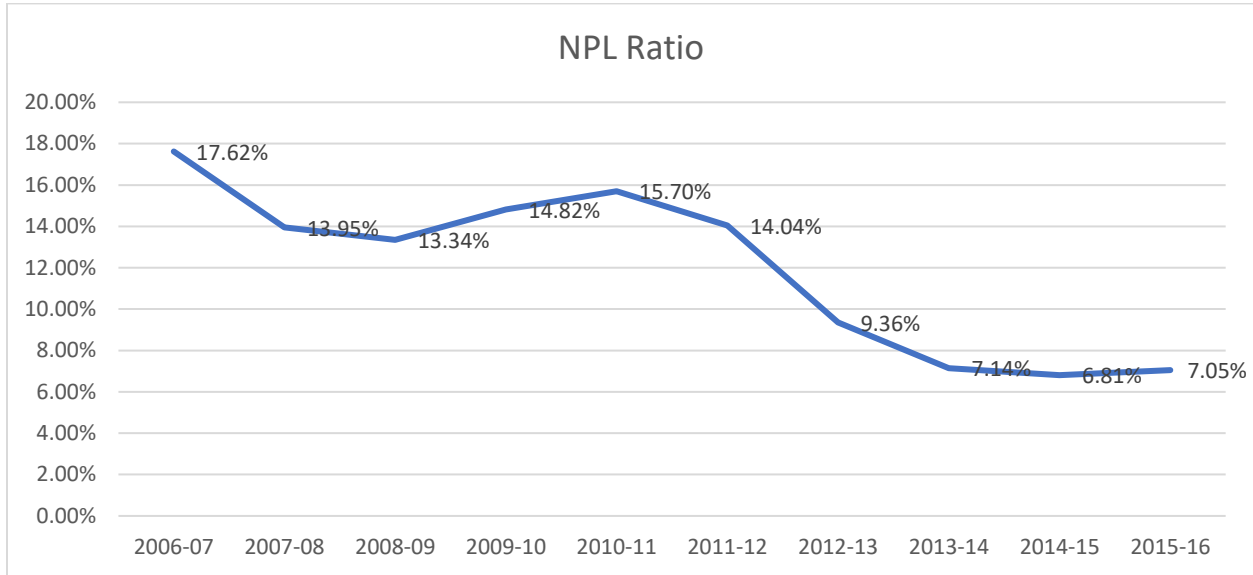
6.5.1.6 NPL Ratio:

The most important indicator and a key concern in the financial sector is the ratio of non-performing loans (NPLs) to total loans. A significant percentage of defaulted loans, a sign of financial distress of financial institutions.

The average of the non performing home loan ratio was estimated at 11.98% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 4.02%. The average annual compound rate of growth of the NPL ratio loan was estimated at -8.55%.

The distribution of NPL ratio by financial year has been displayed in figure 6.5.1.6.

Figure 6.5.1.6: Trends in the NPL ratio of home loan in percentage.



The explanatory power of the trend equation measured in terms of R^2 was estimated at 0.704, i.e. 70% of the variance in the NPL ratio of Home Loan was explained and is statistically significant at 0.001 level.

6.5.1.7 Profit after Tax:

Bangladesh House Building Finance Corporation (BHBFC) never counted any loss since its inception but there is a steady growth in the amount of Net Profit after Tax. The average amount of profit after tax by BHBFC during the period 2007/08- 2015/16 was estimated at Tk.8,802.7lacs. Inter-year variations in net profit after tax measured by the standard deviation was estimated at Tk.1,888.17 lacs. The average annual compound growth rate of net profit after tax in BHBFC brought under the purview of the study was estimated at 16.30 percent during the same period.

In estimating the rate of increase of the profit after tax in response to change in time the regression of the profit after tax on time was estimated, which is statistically significant at 0.00 level. The regression of the profit after tax on time may be stated as under –

$$y_s = 9134 - 60.273t \quad [6.5.1.6]$$

$$R^2 = 0.009; \text{Sig.} = 0.00$$

SD (Standard Deviation) =1888.17

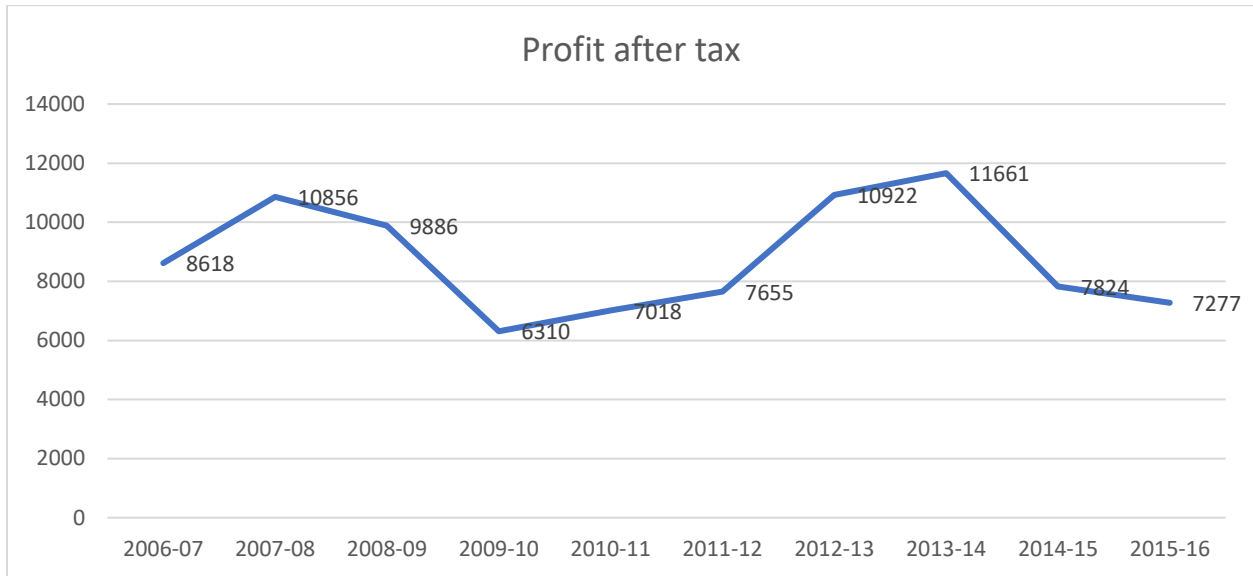
Where,

y_t denotes profit after tax; and

t denotes year.

The distribution of profit after tax by financial year has been displayed in figure 6.5.1.7.

Figure 6.5.1.7: Trends in the total profit after tax (in Tk. lacs)



6.5.1.8 Return on Asset (ROA):

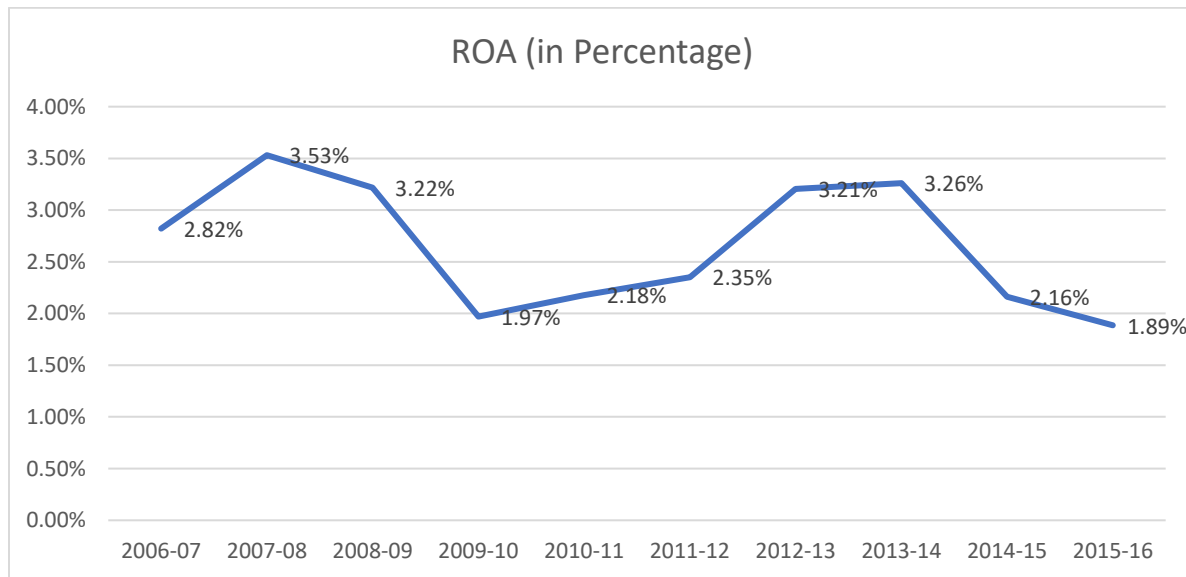
An organization's profitability in relation to its total assets is measured by its return on assets (ROA). It shows stakeholders how effectively company managers are generating income from their asset. Return on assets is computed as a percentage and its calculated as:

$$\text{ROA} = \text{Net Income} / \text{Total Assets}$$

The average rate of the Return on assets (ROA) of BHBFC was estimated at 2.66% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 0.62%. The average annual compound rate of growth of the ROA shows a downward trend was estimated at -1.37%.

The distribution of ROA by financial year has been displayed in figure 6.5.1.6.

Figure 6.5.1.8: Trends in the ROA of home loan in percentage.



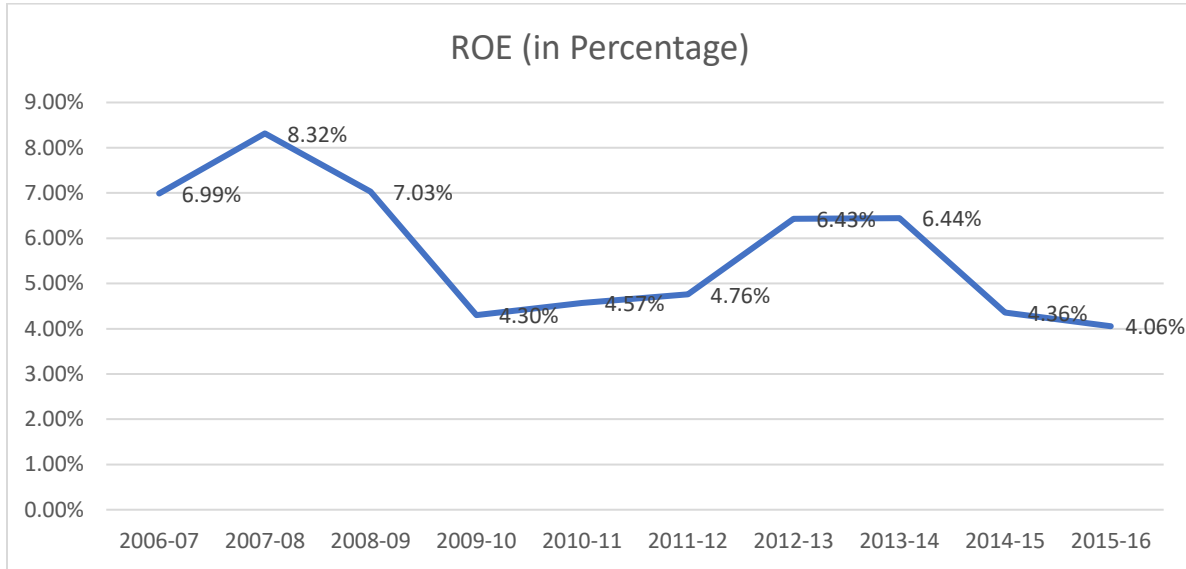
The explanatory power of the trend equation measured in terms of R^2 was estimated at 0.171, The rate of increase of ROA was estimated with the help of regression equation, which is statistically significant at 0.00 level.

6.5.1.9 Return on Equity (ROE):

The capability of a firm to generate profits from its shareholder's contribution computed by ROE. It is a profitability ratio and a measure of financial performance to figure out how much profit a corporation makes for every dollar invested by shareholders. The highest ROE was found during the period 2007/08, (8.32%) and the lowest during the period 2015/16, (4.06%). The average of ROE was estimated at 5.72% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 1.49%. The average annual compound rate of growth of the ROE was estimated at -5.87% a downward trend.

The distribution of ROE by financial year has been displayed in figure 6.5.1.7.

Figure 6.5.1.9: Trends in the ROE of home loan in percentage.



The rate of increase of ROE was estimated with the help of regression equation, which is statistically significant at 0.00 level.

6.5.1.10 Employment generation:

Employment generation is viewed to be one of the important indicators reflecting the success status of an organization. Analysis of the employee strength in BHBFC reveals that the employee strength was highest increased to 586 highest in the year 2011/12 as against the base year figure of employee strength of 452 in the year 2006/07. The average number of employee during the period 2006-07 to 2015-16 was estimated at 490. The year to year variation measured by standard deviation was estimated at 71. The average annual compound rate of growth of the number of employee was estimated at 2.93%.

In estimating the rate of increase of number of employee in response to change in time the regression of number of employee on time was estimated. The regression of number of employee on time may be stated as under –

$$y_6 = 413.6 + 13.83t \quad [6.5.1.7]$$

$$R^2 = 0.348 ; \text{Sig.} = 0.00$$

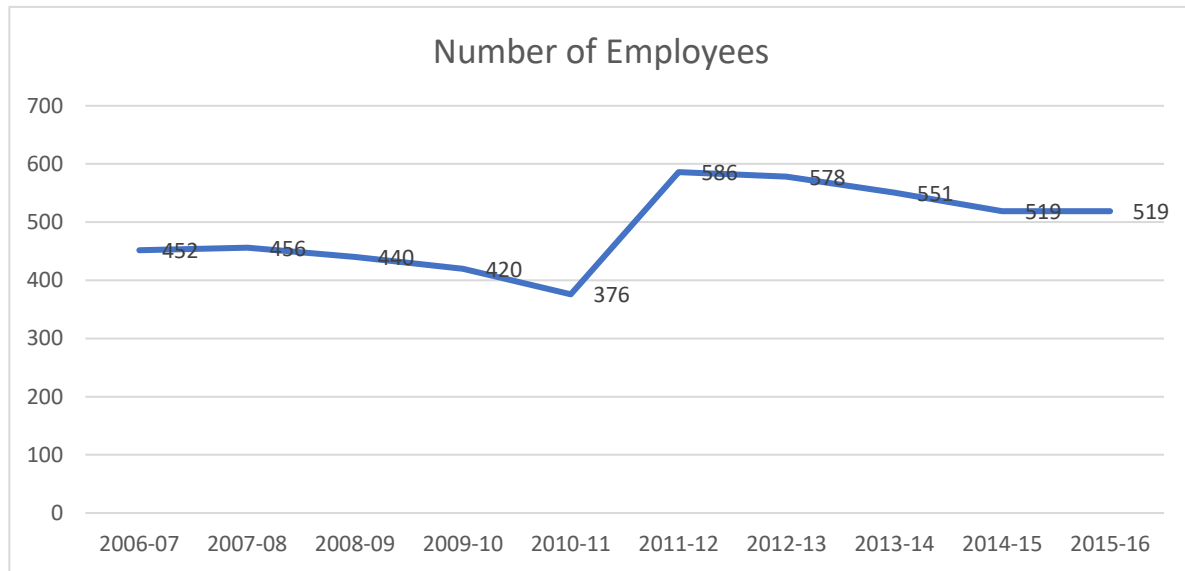
$$\text{SD (Standard Deviation)} = 8,525.7$$

Where,

y_t denotes number of employee; and
 t denotes year.

The distribution of number of employee by financial year has been displayed in figure 6.5.1.8.

Figure 6.5.1.10: Trends in the number of employee



The rate of increase of number of employee in response to change in time the regression of the number of employee on time was estimated, which is statistically significant at 0.00 level.

6.5.2 Performance dynamics of Delta Brac Housing:

DBH, a forerunner in Bangladesh's private housing financing industry, began operations in 1997 with the goal of enhancing national society by steadily increasing house ownership. The organization has enrolled praiseworthy development in making house buying among in excess of 23,000 families in Dhaka and other significant urban areas of the country. The company has been actively promoting the real estate industry to a wide range of potential customers who had a long-held but unfulfilled dream of owning a lovely house. DBH's credit rating of "AAA" has been the highest among all Bangladeshi banks and financial institutions for thirteen years in a row. Through its Home Loan product, DBH, a specialist in housing finance, has gained the trust of thousands of customers. The product profiles of DBH are presented in table 6.5.2.

Table 6.5.2: Product Profiles of DBH

| Product Name | Area | Maximum Limit | Duration | Rate of Interest |
|-------------------------------|-----------------------------|----------------------------|-----------------|-------------------------|
| <u>Apartment Loan</u> | All over the country | 80% of the Apartment Value | 25 Years | 9.5% to 10% |
| <u>Home Construction Loan</u> | All over the country | 80% of the Value | 25 Years | 9.5% to 10% |
| <u>Home Extension Loan</u> | All over the country | 80% of the Value | 25 Years | 9.5% to 10% |
| <u>Housing Plot Loan</u> | Dhaka, Chittagong or Sylhet | 70% of the Value | 10 Years | 9.5% to 10% |
| <u>Home Owner's Loan</u> | All over the country | 70% property value | 10 Years | 9.5% to 10% |
| Flexi Plus Home Loan | All over the country | | | |

6.5.2.1: Analysis of performance:

The performance of DBH has been measured using the following indicators i.e. number of loan sanctioned, annual loan disbursement, total number of housing units constructed, recoverable amount, percentage of loan recovery, percentage of classified loan, net profit before tax and the profitability ratio.

6.5.2.2 Loan Disbursement

The final outcome of the loan sanctioning process is the disbursement of the loan sanctioned to the borrower. More the disbursement of home loan the more is likely to be the acquisition of apartments or houses. Hence, the amount of home loan disbursed during a given period of time is viewed to be key indicators reflecting the growth of home loans. The growth rate of the amount of home loan disbursed at DBH was estimated at 18.78% during the period 2006/07 to 2015/16. The average amount of loan disbursement per year during the period 2005/06 to

2015/16 was estimated at Tk.62,935.0 lacs. The year to year variation measured by standard deviation was estimated at Tk.23413.5 lacs.

In measuring the annual rate of increase of home loan disbursed, the following trend equation was estimated-

$$y_1 = 28061.33 + 6340.67t \quad [6.5.2.2]$$

$$R^2 = 0.672 ; \text{Sig.} = 0.020$$

$$\text{SD (Standard Deviation)} = 23413.5$$

Where,

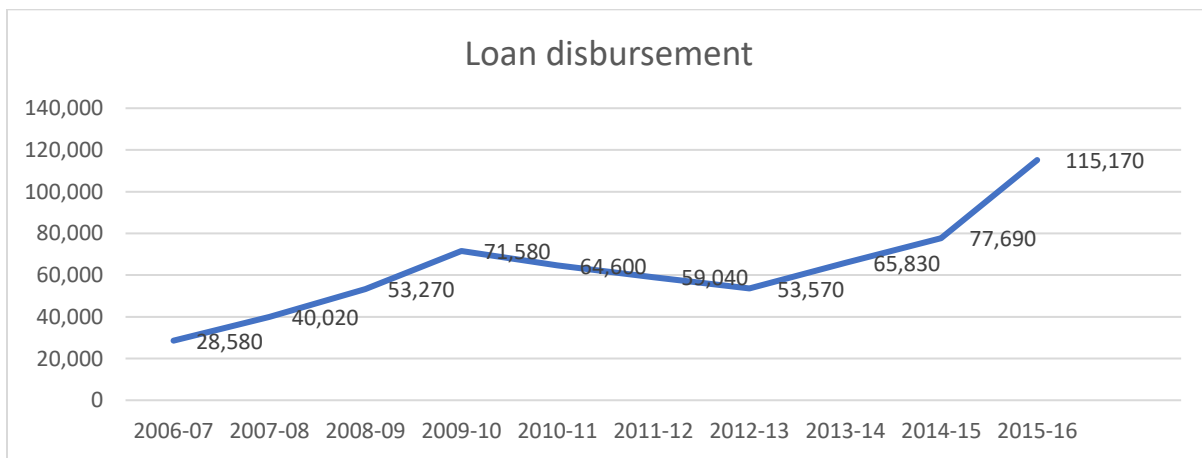
y_1 denotes total loan disbursement; and

t denotes year.

The R^2 reflecting the extent of variances in home loan disbursement explained by the equation was estimated at 0.672; and the said equation significant at 0.020 level.

The distribution of home loans disbursed by financial year has been displayed in figure 6.5.2.2.

Figure 6.5.2.2: Trends in the total year wise home loan disbursement (in Lacs)



6.5.2.3 Home Loan Outstanding:

Loan outstanding reflects the total amount of home loan due by the financial institutions. This is indicative of loan remaining outstanding at a given period of time. The amount of outstanding home loan in the period (2006-07) was estimated at Tk. 74,000 lacs which increased in the period (2015-16) to Tk. 3,34,000 lacs. i.e. the amount of outstanding home loan increased by 4.51 times. The increase in the amount of outstanding home loan is indicative of the fact that

there is a rising trend in the amount of outstanding home loan, which has been possible due to the increase in the amount of loan disbursement. The average annual compound rate of growth of the outstanding home loan during the period 2006/07 to 2015/17 was estimated at 18.83%.

In assessing the rate of increase of outstanding home loan in response to time, trend equation was computed. The trend equation of the total outstanding home loan for the period 2006-07 to 2015-16 may be stated under:

$$y_2 = 49466.67 + 28169.7t \quad [6.5.2.3]$$

$$R^2 = 0.979 ; \text{Sig.} = 0.001$$

$$\text{SD (Standard Deviation)} = 86195.13$$

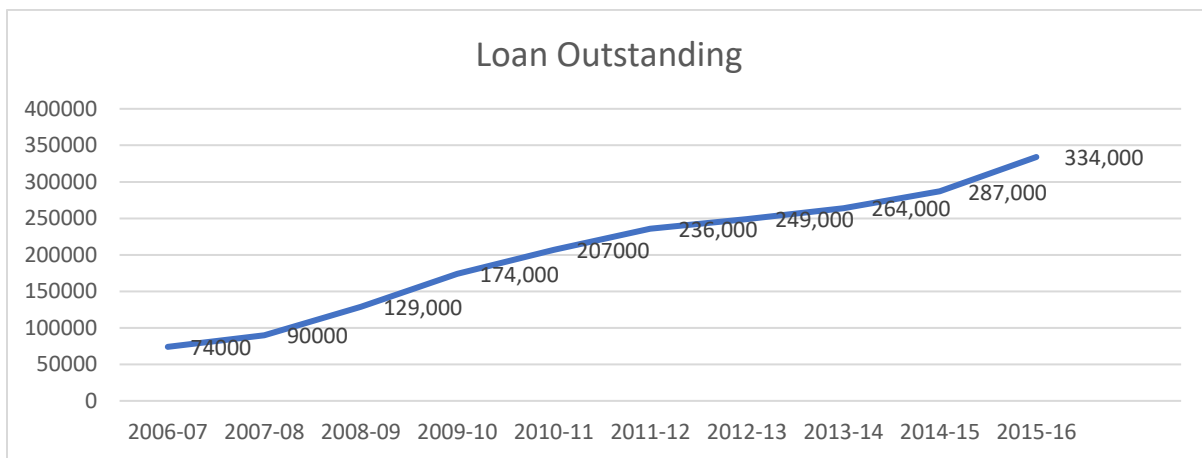
Where,

y_2 denotes total loan outstanding; and

t denotes year.

The distribution of home loans outstanding by financial year has been displayed in figure 6.5.2.3.

Figure 6.5.2.3: Trends in the total outstanding home loan in (in Tk. lacs)



6.5.2.4 Unclassified Loan

The average amount of unclassified loan by DBH during the period 2008/09- 2015/16 was estimated at Tk.240,143lacs. The year to year variations in unclassified loan was estimated at Tk.62,914.70 lacs. The average annual compound rate of growth of the unclassified home loan was estimated at 13.80%.

The rate of increase of unclassified loan was estimated with the help of regression equation, which is statistically significant at 0.001 level. The trend equation of the unclassified loan for the period 2008-09 to 2015-16 may be stated under:

$$y_3 = 75848.81 + 25,275.95t \quad [6.5.2.4]$$

$$R^2 = 0.968 ; \text{Sig.} = 0.001$$

$$\text{SD (Standard Deviation)} = 62,914.70$$

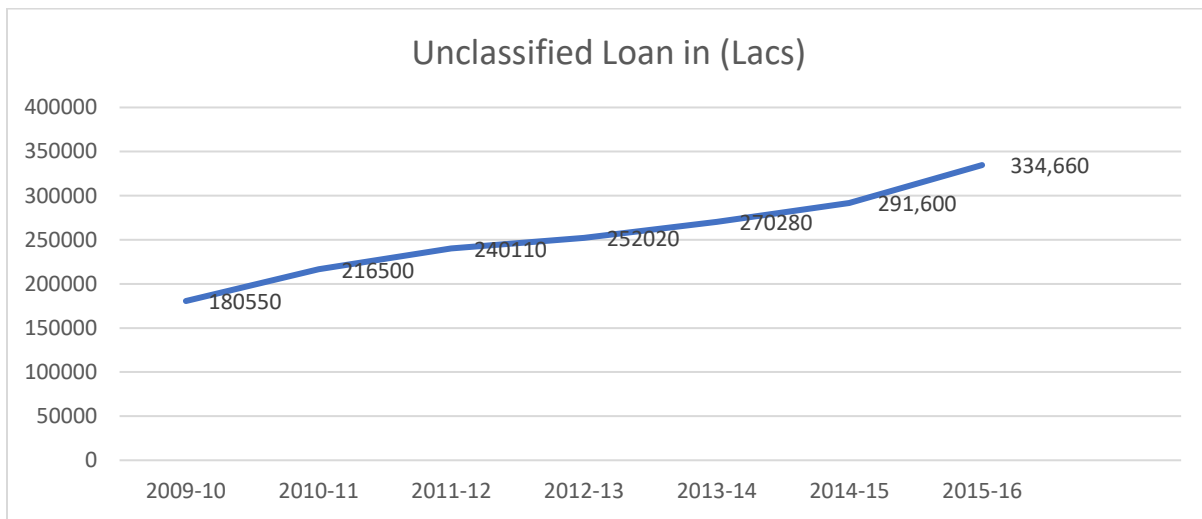
Where,

y_3 denotes total unclassified loan; and

t denotes year.

The distribution of unclassified home loans by financial year (2008/09-2015/16) has been displayed in figure 6.5.2.4.

Figure 6.5.2.4: Trends in the total unclassified home loan in (in Tk. lacs)



6.5.2.5 Classified Loan

The average amount of classified loan per year during the period 2008-09 to 2015-16 was estimated at Tk.4,80 lacs. The year to year variation measured by standard deviation was estimated at Tk.391.52 lacs. The average annual compound rate of growth of the classified home loan was estimated at 57.39%.

In estimating the rate of increase of classified home loan in response to change in time the regression of classified loan on time was estimated. The regression of classified loan on time may be stated as under –

$$y_4 = -521.65 + 154.1t \quad [6.5.2.5]$$

$$R^2 = 0.930 ; \text{Sig.} = 0.005$$

$$\text{SD (Standard Deviation)} = 391.52$$

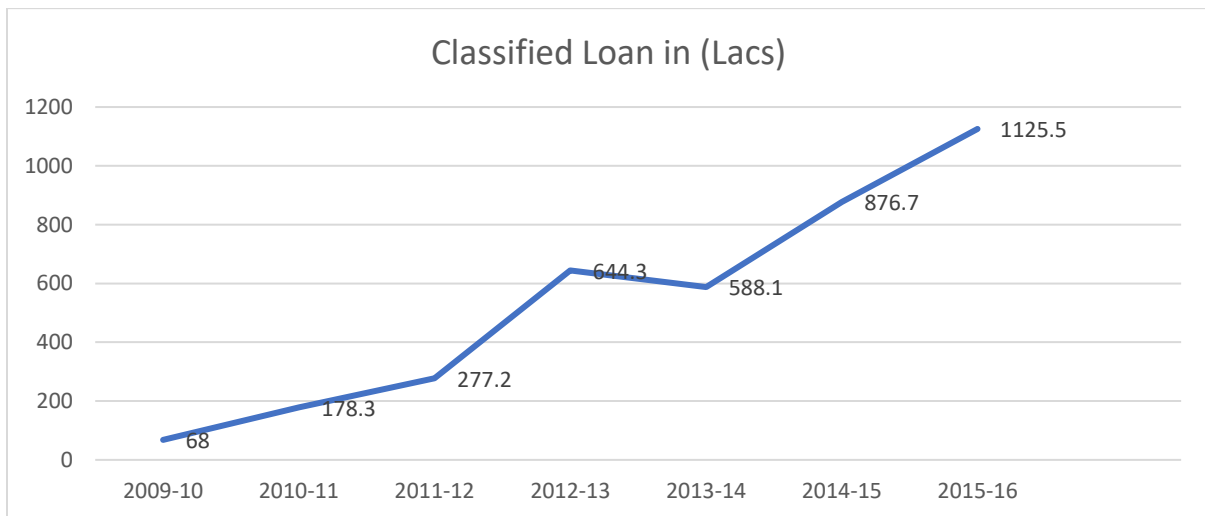
Where,

y_4 denotes classified loan; and

t denotes year.

The distribution of classified home loans by financial year has been displayed in figure 6.5.2.5.

Figure 6.5.2.5: Trends in the total classified home loan in (in Tk. lacs)



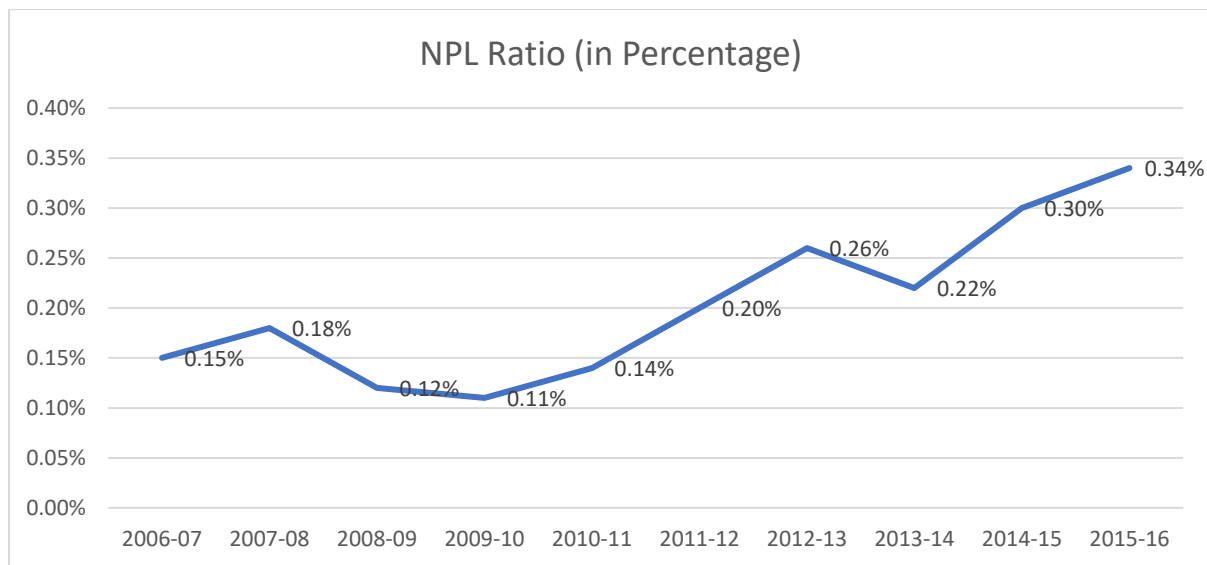
6.5.2.6 NPL Ratio:

DBH has been successful to restrain the increase to a minimum NPL ratio, the best figure in the financial industry.

The average of the non performing home loan ratio was estimated at .20% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 0.08%. The average annual compound rate of growth of the NPL ratio loan was estimated at 12.53%.

The distribution of NPL ratio by financial year has been displayed in figure 6.5.2.6.

Figure 6.5.2.6: Trends in the NPL ratio of home loan in percentage.



The explanatory power of the trend equation measured in terms of R^2 was estimated at 0.788, i.e. 78% of the variance in the NPL ratio of home loan was explained and is statistically significant at 0.00 level.

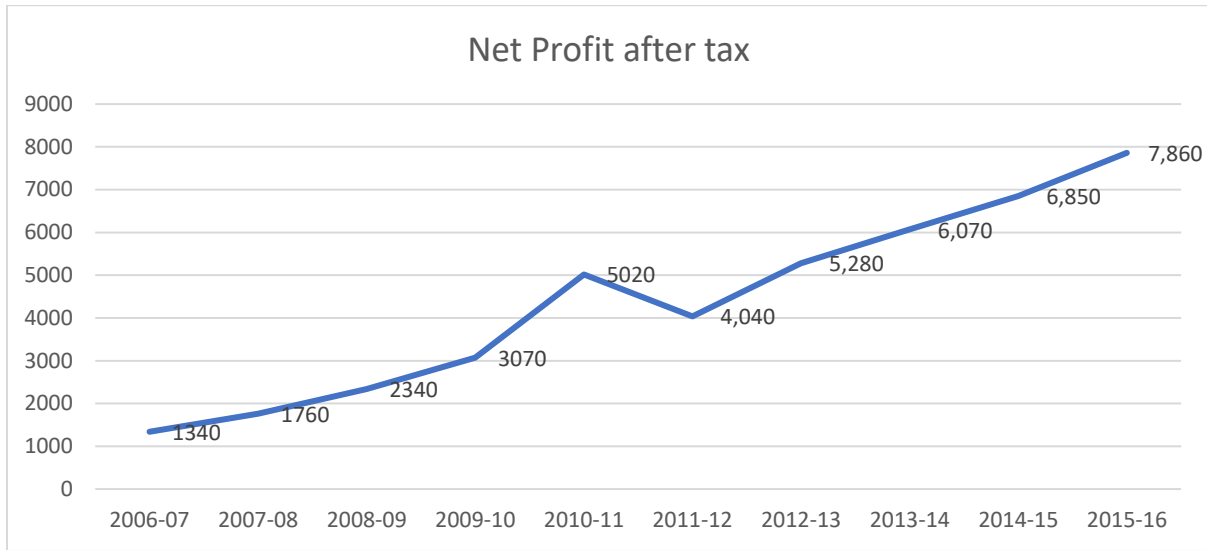
6.5.2.7 Net Profit after Tax:

The amount of net profit after tax of DBH during the period (2004-05) was Tk. 1,340lacs which increased in the period (2015-16) to Tk. 7,860lacs. The average amount of profit after tax by DBH during the period 2007/08- 2015/16 was estimated at Tk.4,363 lacs. Inter-year variations in net profit after tax measured by the standard deviation was estimated at Tk.2220.70 lacs. The average annual compound growth rate of net profit after tax in DBH brought under the purview of the study was estimated at 23.64 percent during the same period.

In estimating the rate of increase of the profit after tax in response to change in time the regression of the profit after tax on time was estimated. However, the regression coefficient was not found statistically significant.

The distribution of profit after tax by financial year has been displayed in figure 6.5.2.7.

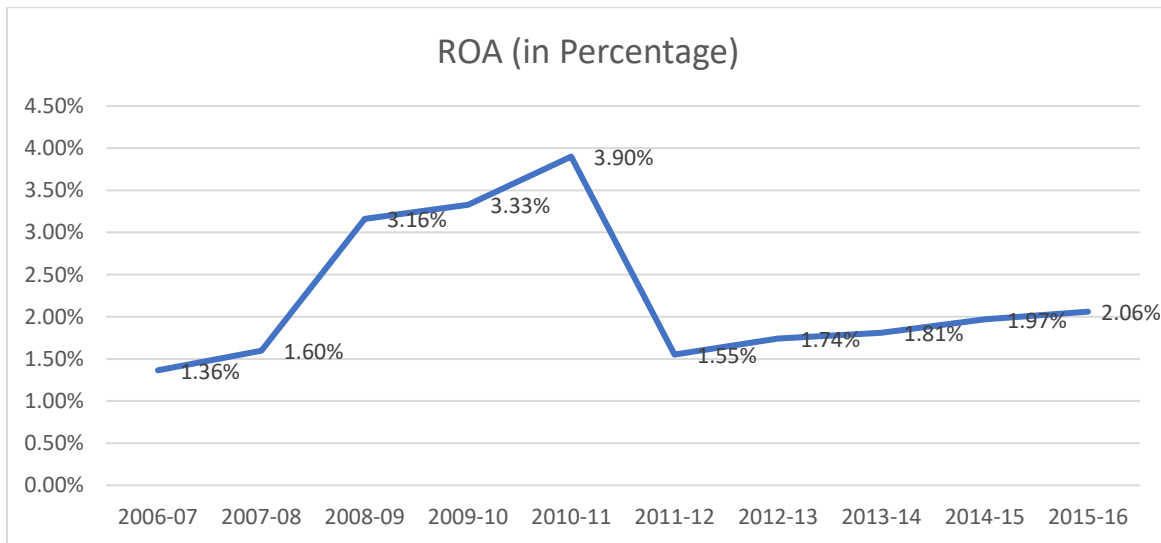
Figure 6.5.2.7: Trends in the total profit after tax (in Tk. lacs)



6. 5.2.8 Return on Asset (ROA):

The average rate of the Return on assets (ROA) of DBH was estimated at 2.20% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 0.88%. The average annual compound rate of growth of the ROA shows an upward trend was estimated at 11.86%. The distribution of ROA by financial year has been displayed in figure 6.5.2.8.

Figure 6.5.2.8: Trends in the ROA of home loan in percentage.

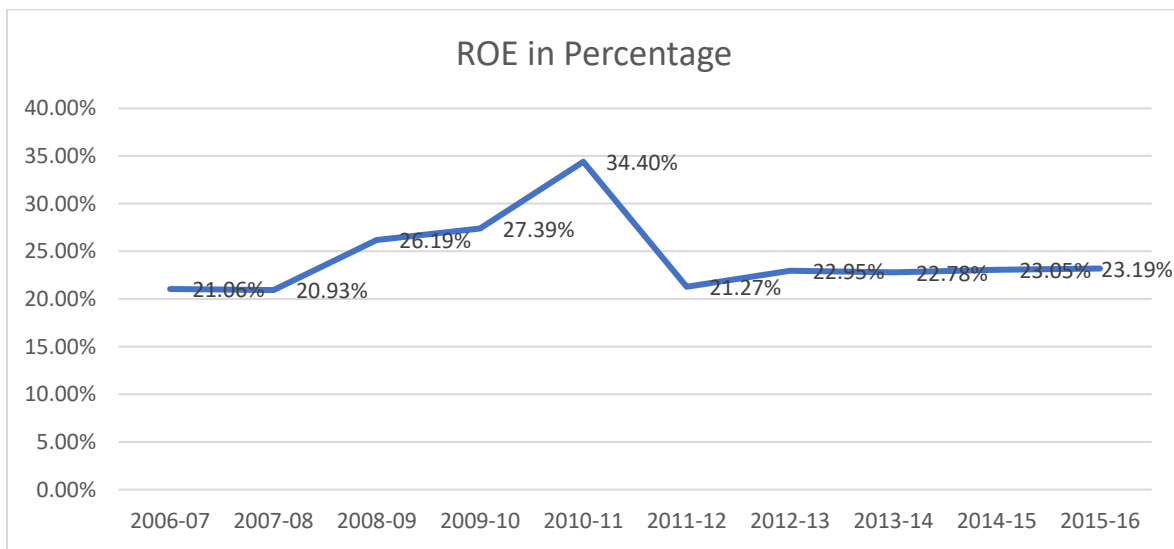


The explanatory power of the trend equation measured in terms of R^2 was estimated at 0.011, The rate of increase of ROA was estimated with the help of regression equation, which is statistically significant at 0.005 level.

6. 5.2.9 Return on Equity (ROE):

The highest ROE was found during the period 2010/11, (34.40%) and the lowest during the period 2007/08, (20.93%). The average of ROE was estimated at 24.32% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 4.12%. The average annual compound rate of growth of the ROE was estimated at 2.83% an upward trend. The distribution of ROA by financial year has been displayed in figure 6.5.2.7.

Figure 6.5.2.9: Trends in the ROE of home loan in percentage.



The rate of increase of ROE was estimated with the help of regression equation, which is statistically significant at 0.00 level.

6.5.2.10 Employment generation:

Analysis of the employee strength in DBH reveals that the employee strength increased over a period of time. During the year 2006/07 number of employee was to 98 and it was increased to 227 in the year 2015/16. The average number of employee during the period 2006-07 to 2015-

16 was estimated at 177. The year to year variation measured by standard deviation was estimated at 43.67. The average annual compound rate of growth of the number of employee was estimated at 10.57%.

In estimating the rate of increase of number of employee in response to change in time the regression of number of employee on time was estimated. The regression of number of employee on time may be stated as under –

$$y_6 = 1010.67 + 137.33t \quad [6.5.2.7]$$

$$R^2 = 0.969 ; \text{Sig.} = 0.001$$

$$\text{SD (Standard Deviation)} = 43.67$$

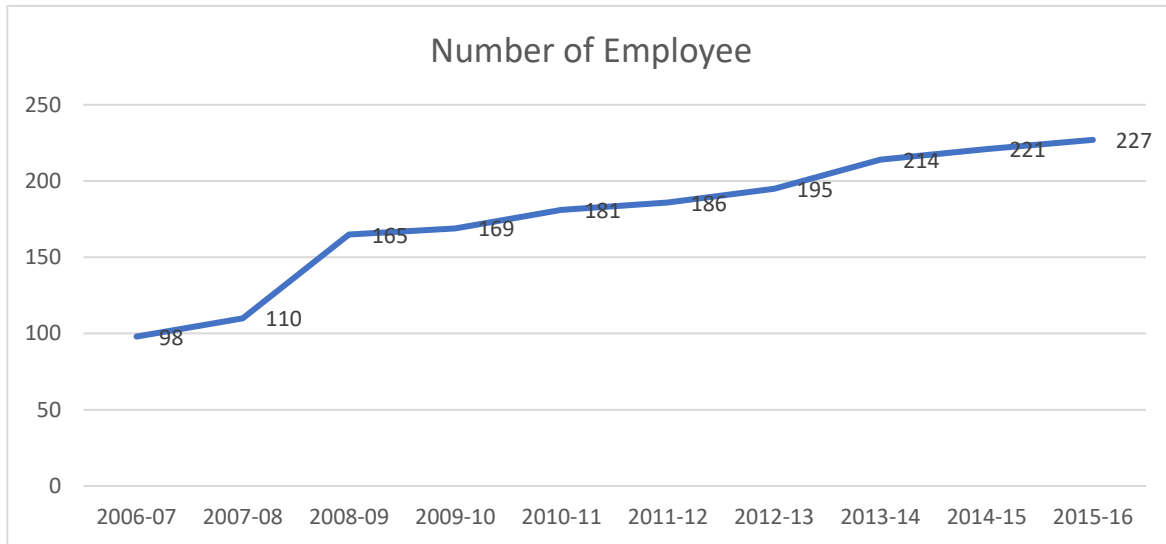
Where,

y_6 denotes number of employee; and

t denotes year.

The distribution of number of employee by financial year has been displayed in figure 6.5.2.8.

Figure 6.5.2.10: Trends in the number of employee



The rate of increase of number of employee in response to change in time the regression of the number of employee on time was estimated, which is statistically significant at 0.001 level.

6.6 Clientele Satisfaction of Home Loan Programs

One of the important indicators reflecting effectiveness of home loan management is clientele satisfaction. The level of satisfaction of the clients on dimensions viewed to be important or very important by customers indicates to what extent the management of financial institution could address the issues that are considered to be important. Data on as many as twenty issues pertaining to different aspects were collected.

6.6.1 Introduction

Clientele satisfaction is the end outcome of the entire home loan management. The construct clientele satisfaction consists of 20 elements which includes interest rate of the loan amount, procedure of the home loan, processing fees of the home loan, sanctioning time of loan, location of the financial institution, attractiveness of the promotions/advertisement of the institution, behavior of the promotion personnel, customer care of the financial institution, repayment system of the loan etc.

The satisfaction level on each of the elements was measured using 5 point Likert type of scale. In order to assess the internal consistency of elements constituting the construct clientele satisfaction, Cronbach alpha was used. The Cronbach alpha of the construct clientele satisfaction was estimated at 0.789, the summary of descriptive statistics has been presented in table 6.6.

Table: 6.6 Summary of Descriptive Statistics of Customer Satisfaction

| | Items | Grand Mean | Item Mean | Standard Deviation | Cronbach's Alpha |
|-----------------------|--------------|-------------------|------------------|---------------------------|-------------------------|
| Customer Satisfaction | 20 | 64.73 | 3.237 | 8.89 | 0.789 |

In assessing the relationship between the clientele satisfaction and set of socioeconomic and demographic profiles of respondents, cross tabulation was done. The relationship between clientele satisfaction and each of the independent variables was assessed with the help of nonparametric statistics. Below are discussed the relationship between clientele satisfaction and set of independent variables. The average clientele satisfaction score was estimated at 64.73 and inter respondent variation in clientele satisfaction score measured by standard deviation was 8.89. Clientele Satisfaction score was assumed to vary with variations in age, gender, occupation, marital status, education level, nature of family, family size and life cycle.

6.6.1 Relationship between Clientele Satisfaction Score and Age:

The respondents' varying ages were found to have an impact on the customer satisfaction score. The average age of the respondents who took loan was estimated at 42.67 and the extent of variation in age was measured using standard deviation. The standard deviation of age was estimated at 10.66. The relationship with age and clientele satisfaction score measured by contingency coefficient was estimated at 0.310 and the said relationship between age and clientele satisfaction score was statistically significant at 0.016 level. Distribution of respondents by satisfaction score and age has been presented in table 6.6.1.1.

Table 6.6.1.1: Distribution of Respondents by Clientele Satisfaction Score and Age

| | | Clientele Satisfaction and Age Cross Tabulation | | | | Total |
|---|---------------------------------|---|---------|---------|----------|--------|
| | | Age | | | | |
| | | Below 35 | 35 - 45 | 45 - 55 | Above 55 | |
| Somewhat Satisfied (Score Below-60) | Count | 15 | 21 | 6 | 5 | 47 |
| | % within Clientele Satisfaction | 31.9% | 44.7% | 12.8% | 10.6% | 100.0% |
| | % within Age | 35.7% | 38.9% | 20.0% | 23.8% | 32.0% |
| | % of Total | 10.2% | 14.3% | 4.1% | 3.4% | 32.0% |
| Moderately Satisfied (Score Between 60-65) | Count | 11 | 13 | 2 | 2 | 28 |
| | % within Clientele Satisfaction | 39.3% | 46.4% | 7.1% | 7.1% | 100.0% |
| | % within Age | 26.2% | 24.1% | 6.7% | 9.5% | 19.0% |
| | % of Total | 7.5% | 8.8% | 1.4% | 1.4% | 19.0% |
| Highly Satisfied (Score Above-65) | Count | 16 | 20 | 22 | 14 | 72 |
| | % within Clientele Satisfaction | 22.2% | 27.8% | 30.6% | 19.4% | 100.0% |
| | % within Age | 38.1% | 37.0% | 73.3% | 66.7% | 49.0% |
| | % of Total | 10.9% | 13.6% | 15.0% | 9.5% | 49.0% |
| Total | Count | 42 | 54 | 30 | 21 | 147 |
| | % within Clientele Satisfaction | 28.6% | 36.7% | 20.4% | 14.3% | 100.0% |
| | % within Age | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | % of Total | 28.6% | 36.7% | 20.4% | 14.3% | 100.0% |

The Tukey HSD (honestly significant difference) procedure allows for a comparison of the possible **pairs** of means. To determine the significant differences between means of different age groups, Tukey HSD test was done. There are four age groups, six possible paired comparisons (comparisons between **individual** means) are performed. The results below confirm that the

averages of the two groups that are significantly different are age group of 35-45 and age group of 45-55 as their P value (sig) =.036 which is less than .05 and the rest of the groups are not significantly different given that their value of P are greater than 0.05. Table 6.6.1.2 shows multiple comparisons test between different age groups and Clientele satisfaction score.

Table 6.6.1.2- Multiple Comparisons Test among Different Age Groups on Clientele Satisfaction Score.

Tukey HSD

| (I) Age | (J) Age | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval | |
|----------------|----------------|-----------------------|------------|-------------|-------------------------|-------------|
| | | | | | Lower Bound | Upper Bound |
| Below 35 | 35 - 45 | .8757 | 1.78844 | .961 | -3.7734 | 5.5247 |
| | 45 - 55 | -4.5095 | 2.07798 | .137 | -9.9112 | .8922 |
| | Above 55 | -2.8095 | 2.32325 | .622 | -8.8488 | 3.2298 |
| 35 - 45 | Below 35 | -.8757 | 1.78844 | .961 | -5.5247 | 3.7734 |
| | 45 - 55 | -5.3852* | 1.97944 | .036 | -10.5307 | -.2396 |
| | Above 55 | -3.6852 | 2.23555 | .355 | -9.4965 | 2.1261 |
| 45 - 55 | Below 35 | 4.5095 | 2.07798 | .137 | -.8922 | 9.9112 |
| | 35 - 45 | 5.3852* | 1.97944 | .036 | .2396 | 10.5307 |
| | Above 55 | 1.7000 | 2.47329 | .902 | -4.7293 | 8.1293 |
| Above 55 | Below 35 | 2.8095 | 2.32325 | .622 | -3.2298 | 8.8488 |
| | 35 - 45 | 3.6852 | 2.23555 | .355 | -2.1261 | 9.4965 |
| | 45 - 55 | -1.7000 | 2.47329 | .902 | -8.1293 | 4.7293 |

6.6.2 Relationship between Clientele Satisfaction Score and Gender:

Analysis of the clientele satisfaction score by gender reveals that clientele satisfaction level of female was higher than that of male clients. The average satisfaction score of female respondents was 67.47 the extent of variation measured by standard deviation was 9.45 while the same for male respondents was 64.33 and standard deviation was 8.76. Summary of descriptive statistics of clientele satisfaction score by gender has been shown in table 6.6.2.1 and distribution of respondents by satisfaction score and gender has been presented in table below 6.6.2.2.

**Table 6.6.2.1:
Summary of Descriptive Statistics of Clientele Satisfaction Score by Gender.**

| Gender | Mean | N | Std. Deviation |
|---------------|-------------|----------|-----------------------|
| Male | 64.3308 | 130 | 8.76691 |
| Female | 67.4737 | 19 | 9.45967 |
| Total | 64.7315 | 149 | 8.88715 |

**Table 6.6.2.2
Distribution of Respondents by Satisfaction Score and Gender**

| | | Gender | | Total |
|----------------------|---------------------------------|--------|--------|--------|
| | | Male | Female | |
| Somewhat Satisfied | Count | 45 | 4 | 49 |
| | % within Clientele Satisfaction | 91.8% | 8.2% | 100.0% |
| | % within Gender | 34.6% | 21.1% | 32.9% |
| | % of Total | 30.2% | 2.7% | 32.9% |
| Moderately Satisfied | Count | 26 | 2 | 28 |
| | % within Clientele Satisfaction | 92.9% | 7.1% | 100.0% |
| | % within Gender | 20.0% | 10.5% | 18.8% |
| | % of Total | 17.4% | 1.3% | 18.8% |
| Highly Satisfied | Count | 59 | 13 | 72 |
| | % within Clientele Satisfaction | 81.9% | 18.1% | 100.0% |
| | % within Gender | 45.4% | 68.4% | 48.3% |
| | % of Total | 39.6% | 8.7% | 48.3% |
| Total | Count | 130 | 19 | 149 |
| | % within Clientele Satisfaction | 87.2% | 12.8% | 100.0% |
| | % within Gender | 100.0% | 100.0% | 100.0% |
| | % of Total | 87.2% | 12.8% | 100.0% |

The proportion of female respondents having satisfaction score of above 65 (highly satisfied) within gender was 68.4% while the same for male was 45.4%. The higher satisfaction score of woman may be attributed to ego satisfaction of woman. Ordinarily, the owner of the house/apartments is male as per traditional values. The ownership of apartments by female creates additional satisfaction because of unique position held by woman in the household.

To compare the mean of clientele satisfaction score between the group of female and the group of male, a paired (or “dependent”) t-test was done. The experimental outcome shows that the t-measurement is - 87.690 with 148 degrees of freedom. The two-tailed p-value that corresponds to this is 0.00, which is less than 0.05.. We get to the conclusion that the difference in the average client satisfaction scores for males and females is not 0. Paired sample test between male group and female group and Clientele satisfaction score is presented in Table 6.6.2.3.

Table 6.6.2.3.
Paired Sample Test Between Male Group and Female Group on Clientele Satisfaction Score

| Gender - Clientele Satisfaction Score | Paired Differences | | | | t | df | Sig. (2-tailed) | |
|---------------------------------------|--------------------|----------------|-----------------|---|-----------|---------|-----------------|-------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | | | | Upper |
| | -63.60403 | 8.85378 | .72533 | -65.03737 | -62.17069 | -87.690 | 148 | .000 |

6.6.3 Relationship between Clientele Satisfaction Score and Occupation:

Level of clientele satisfaction was found to vary with variation in occupational status. The average satisfaction score of the salaried group was estimated at 66.04 and the extent of variation within the group measured by standard deviation was 8.64 while the same for salaried group was 64.76 and standard deviation within the group was 8.90. The lowest average clientele satisfaction score was observed in the case of professionals. Summary of descriptive statistics of clientele satisfaction score by occupation has been shown in the table (6.6.3.1) below.

Table 6.6.3.1: Descriptive Statistics of Clientele Satisfaction Score by Occupation.

| Occupation | Mean | N | Std. Deviation |
|---------------|---------|-----|----------------|
| Professional | 59.4444 | 27 | 10.62773 |
| Salaried | 66.0448 | 67 | 8.64350 |
| Self Employed | 65.8333 | 54 | 7.35039 |
| Total | 64.7635 | 148 | 8.90873 |

Analysis of the cross tabulation of clientele satisfaction score by occupation reveals that the proportion of respondents having satisfaction score of above 65 (Highly Satisfied) belonging to the Salaried group was 47.2%, while the same for professional group and self-employed group

were 12.5% and 40.3% respectively. Distribution of clientele satisfaction score by occupation is presented in table 6.6.3.2

The relationship between the clientele satisfaction score and occupation measured by contingency coefficient was 0.31 and at the 0.00 level, the same was significant statistically.

Table 6.6.3.2
Distribution of Respondents by Satisfaction Score and Occupation

| | | Occupation | | | Total |
|----------------------|---------------------------------|--------------|----------|---------------|--------|
| | | Professional | Salaried | Self Employed | |
| Somewhat Satisfied | Count | 17 | 19 | 12 | 48 |
| | % within Clientele Satisfaction | 35.4% | 39.6% | 25.0% | 100.0% |
| | % within Occupation | 63.0% | 28.4% | 22.2% | 32.4% |
| | % of Total | 11.5% | 12.8% | 8.1% | 32.4% |
| Moderately Satisfied | Count | 1 | 14 | 13 | 28 |
| | % within Clientele Satisfaction | 3.6% | 50.0% | 46.4% | 100.0% |
| | % within Occupation | 3.7% | 20.9% | 24.1% | 18.9% |
| | % of Total | 0.7% | 9.5% | 8.8% | 18.9% |
| Highly Satisfied | Count | 9 | 34 | 29 | 72 |
| | % within Clientele Satisfaction | 12.5% | 47.2% | 40.3% | 100.0% |
| | % within Occupation | 33.3% | 50.7% | 53.7% | 48.6% |
| | % of Total | 6.1% | 23.0% | 19.6% | 48.6% |
| | Count | 27 | 67 | 54 | 148 |
| | % within Clientele Satisfaction | 18.2% | 45.3% | 36.5% | 100.0% |
| | % within Occupation | 100.0% | 100.0% | 100.0% | 100.0% |
| | % of Total | 18.2% | 45.3% | 36.5% | 100.0% |

To determine the significant differences between means of different occupational groups, post hoc test (or multiple comparison tests) was done. Null hypothesis is that the population means are equal for all occupational groups. P (“Sig.”) = 0.002-less than 0.05. so we reject the hypothesis: the population means of different occupational groups are not equal. Multiple comparisons test between different occupational groups and Clientele satisfaction score are presented in Table 6.6.3.3.

Table 6.6.3.3**Multiple Comparisons Test among different Occupational group on Clientele Satisfaction Score**

| Source | Type III Sum of Squares | df | Mean Square | F | Sig. |
|-------------------|-------------------------|----------|----------------|--------------|--------------|
| Corrected Model | 935.691 ^a | 2 | 467.845 | 6.322 | .002 |
| Intercept | 519350.700 | 1 | 519350.700 | 7017.578 | .000 |
| Occupation | 935.691 | 2 | 467.845 | 6.322 | 0.002 |
| Error | 10731.032 | 145 | 74.007 | | |
| Total | 632425.000 | 148 | | | |
| Corrected Total | 11666.723 | 147 | | | |

6.6.4 Relationship between Clientele Satisfaction Score and Marital Status:

Clientele satisfaction score has been found to vary with variation in marital status. The respondents belonging to the category of married population was found slightly higher than that of unmarried group. The average clientele satisfaction score of married group was 65.97 and the variation within the group measured by standard deviation was 8.91 while the same for the unmarried group was 64.72 and the standard deviation was 8.86. The possible reason behind higher satisfaction level in the married group may be attributed to the favorable feeling of apartment ownership which they planned for their family life. Summary of descriptive statistics of clientele satisfaction score by marital status has been shown in table 6.6.4.1

Table 6.6.4.1: Summary of Descriptive Statistics of Clientele Satisfaction Score by Marital Status.

| Marital status | Mean | N | Std. Deviation |
|----------------|---------|-----|----------------|
| Married | 64.9704 | 135 | 8.91162 |
| Unmarried | 62.0769 | 13 | 8.86436 |
| Total | 64.7162 | 148 | 8.91535 |

Analysis of the cross tabulation of clientele satisfaction score by marital status reveals that the proportion of respondents having satisfaction score of above 65 (Highly Satisfied) belonging to the Married group was 95.8%, while the same for unmarried group was 4.2%. Respondents having satisfaction score of between 60 to 65 (Moderately Satisfied) belonging to the Married group was 82.1%, while the same for unmarried group was 17.9%

The relationship between marital status and clientele satisfaction score measured by contingency coefficient was 0.178 which was not statistically significant (0.089). Thus conclusive comment on the relationship between clientele satisfaction and marital status cannot be made. Distribution of respondents by clientele satisfaction score and marital status is presented in table 6.6.4.2.

Table 6.6.4.2
Distribution of Respondents by Satisfaction Score and Marital Status

| Clientele Satisfaction and Marital Status Cross tabulation | | | | |
|---|---------------------------------|----------------|-----------|--------|
| | | Marital status | | Total |
| | | Married | Unmarried | |
| Somewhat Satisfied | Count | 44 | 5 | 49 |
| | % within Clientele Satisfaction | 89.8% | 10.2% | 100.0% |
| | % within Marital status | 32.6% | 38.5% | 33.1% |
| | % of Total | 29.7% | 3.4% | 33.1% |
| Moderately Satisfied | Count | 23 | 5 | 28 |
| | % within Clientele Satisfaction | 82.1% | 17.9% | 100.0% |
| | % within Marital status | 17.0% | 38.5% | 18.9% |
| | % of Total | 15.5% | 3.4% | 18.9% |
| Highly Satisfied | Count | 68 | 3 | 71 |
| | % within Clientele Satisfaction | 95.8% | 4.2% | 100.0% |
| | % within Marital status | 50.4% | 23.1% | 48.0% |
| | % of Total | 45.9% | 2.0% | 48.0% |
| Total | Count | 135 | 13 | 148 |
| | % within Clientele Satisfaction | 91.2% | 8.8% | 100.0% |
| | % within Marital status | 100.0% | 100.0% | 100.0% |
| | % of Total | 91.2% | 8.8% | 100.0% |

Paired sample test was used to determine whether the mean difference of clientele satisfaction score between single and married group is zero. The corresponding two-tailed p-value is 0.00, which is less than 0.05 i.e. the difference of means of clientele satisfaction score between single and married group is different from 0. Paired sample test between single and married group and Clientele satisfaction score is presented in Table 6.6.4.3.

Table 6.6.4.3
Paired Sample Test between Single and Married Group on Clientele Satisfaction Score
Paired Samples Test

| Marital status - Clientele Satisfaction Score | Paired Differences | | | | | t | df | Sig. (2- tailed) |
|---|--------------------|-------------------|--------------------|--|-----------|---------|-----|---------------------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| | -63.62838 | 8.94601 | .73536 | -65.08162 | -62.17514 | -86.527 | 147 | .000 |

6.6.5 Relationship between Clientele Satisfaction Score and Life Cycle:

Every individual passes through different stages of life cycle. The stages of life cycle include the stage of being single, the stage of honeymooner, the stage of parenthood, the stage of post parenthood and the stage of dissolution. As a person may not pass stage of dissolution at all, such stage is unusual in majority cases. In this sample, the no of such respondents was only 2 out of 154 respondents. At every stage in the life cycle people have different needs. With the fulfillment of the need at each stage, satisfaction level for need fulfillment increases. As observed in the study, the need for accommodation appears to be very high at the parenthood and the post parenthood stage. The hypothesis that the fulfillment of housing need has positive contribution to increasing satisfaction for housing need fulfillment is supported by the data. The higher clientele satisfaction score was found amongst the respondents belonging to the post parenthood stage followed by that of parenthood stage. For the purpose of analysis, the respondents were divided into two groups by life cycle stage: pre-parenthood and post parenthood. The average clientele satisfaction score of the respondents belonging to the group of post parenthood was estimated at 65.33 and the extent of variation in satisfaction score within the group measured by standard deviation was 9.31. The same for those belonging to the pre-parenthood stage was 62.58 and standard deviation was 6.93. Summary of descriptive statistics of clientele satisfaction score by Life Cycle has been shown in table 6.6.5.1

Table 6.6.5.1

Summary of Descriptive Statistics of Clientele Satisfaction Score by Life Cycle.

| Life Cycle | Mean | N | Std. Deviation |
|------------------------|-------------|----------|-----------------------|
| Pre-Parenthood | 62.5789 | 38 | 6.93067 |
| Post Parenthood | 65.3364 | 110 | 9.31732 |
| Total | 64.6284 | 148 | 8.82735 |

The null hypothesis that there was no difference between the satisfaction score of the group of pre-parenthood and of the group of post parenthood thus rejected. The rejection of the hypothesis is indicative of the phenomenon that respondents belonging to post parenthood were more satisfied with the services rendered in procuring apartments. The extent of relationship between the clientele satisfaction score and life cycle stage measured by contingency coefficient was 0.2370 and was statistically significant at 0.012 level. The distribution of respondents by life cycle stage and satisfaction score has been presented in table 6.6.5.2.

Table 6.6.5.2

Distribution of Respondents by Satisfaction Score and Life Cycle

| Clientele Satisfaction and Life cycle Cross tabulation | | | | |
|---|---------------------------------|----------------|-----------------|--------|
| | | Lifecycle | | Total |
| | | Pre-parenthood | Post parenthood | |
| Somewhat Satisfied | Count | 15 | 34 | 49 |
| | % within Clientele Satisfaction | 30.6% | 69.4% | 100.0% |
| | % within Lifecycle | 39.5% | 30.9% | 33.1% |
| | % of Total | 10.1% | 23.0% | 33.1% |
| Moderately Satisfied | Count | 12 | 16 | 28 |
| | % within Clientele Satisfaction | 42.9% | 57.1% | 100.0% |
| | % within Lifecycle | 31.6% | 14.5% | 18.9% |
| | % of Total | 8.1% | 10.8% | 18.9% |
| Highly Satisfied | Count | 11 | 60 | 71 |
| | % within Clientele Satisfaction | 15.5% | 84.5% | 100.0% |
| | % within Lifecycle | 28.9% | 54.5% | 48.0% |
| | % of Total | 7.4% | 40.5% | 48.0% |
| Total | Count | 38 | 110 | 148 |
| | % within Clientele Satisfaction | 25.7% | 74.3% | 100.0% |

| | | | |
|--------------------|--------|--------|--------|
| % within Lifecycle | 100.0% | 100.0% | 100.0% |
| % of Total | 25.7% | 74.3% | 100.0% |

Analysis of the cross tabulation also reveals that clientele satisfaction score of the respondents belonging to the post parenthood group was higher than that of pre-parenthood group almost at every level of satisfaction.

To determine whether there is mean difference of clientele satisfaction score between pre parenthood and post parenthood paired sample test was done. The result from the test clarify that the t-statistic is -88.258 with 147 degrees of freedom. The corresponding two-tailed p-value is 0.00, which is less than 0.05. We conclude that the difference of means of clientele satisfaction score between pre parenthood group and post parenthood group is different from 0. Paired sample test between pre parenthood group and post parenthood group and Clientele satisfaction score is presented in Table 6.6.5.3.

Table 6.6.5.3
Paired Sample Test between Pre Parenthood Group and Post Parenthood Group on Clientele Satisfaction Score

| Paired Samples Test | | | | | | | | |
|--|--------------------|----------------|-----------------|---|----------|--------|-----|-----------------|
| Clientele Satisfaction Score - Lifecycle | Paired Differences | | | | | t | df | Sig. (2-tailed) |
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| | 63.43919 | 8.74446 | .71879 | 62.01869 | 64.85969 | 88.258 | 147 | .000 |

6.6.6 Relationship between Clientele Satisfaction Score and Educational Level:

In assessing the relationship between educational level and clientele satisfaction score, the average score for each category of respondent was estimated. The highest clientele satisfaction score was found amongst the respondents belonging to the category of clients with higher secondary education group followed by those of higher education and professionals. The average clientele satisfaction score for those having higher secondary education was 66.71 and the extent of variation measured by standard deviation was 8.72 while the same for those having higher secondary education was 64.70 and standard deviation was 9.42. The clientele satisfaction score for professional group was estimated at 62.90 and standard deviation was 7.57. Summary of descriptive statistics of clientele

satisfaction score by education level has been shown in table 6.6.6.1 and distribution of respondents by education level and satisfaction score has been presented in table 6.6.6.2.

Table 6.6.6.1

Summary of Descriptive Statistics of Clientele Satisfaction Score by Education Level.

| Education Level | Mean | N | Std. Deviation |
|-----------------------------------|-------------|----------|-----------------------|
| No Formal Education | 62.5556 | 9 | 10.32123 |
| Higher Secondary Education | 66.7143 | 21 | 8.71862 |
| Higher Education | 64.6883 | 77 | 9.41759 |
| Professional | 62.8966 | 29 | 7.57036 |
| Others | 68.4167 | 12 | 6.68048 |
| Total | 64.7973 | 148 | 8.88089 |

Table 6.6.6.2

Distribution of Respondents by Satisfaction Score and Education Level

| Clientele Satisfaction and Education level Cross tabulation | | | | | |
|--|---------------------------------|------------------------|----------------------|------------------|--------|
| | | Clientele Satisfaction | | | Total |
| | | Somewhat Satisfied | Moderately Satisfied | Highly Satisfied | |
| No Formal Education | Count | 3 | 3 | 3 | 9 |
| | % within Education Level | 33.3% | 33.3% | 33.3% | 100.0% |
| | % within Clientele Satisfaction | 6.3% | 10.7% | 4.2% | 6.1% |
| Higher Secondary Education | % of Total | 2.0% | 2.0% | 2.0% | 6.1% |
| | Count | 6 | 3 | 12 | 21 |
| | % within Education Level | 28.6% | 14.3% | 57.1% | 100.0% |
| Higher Education | % within Clientele Satisfaction | 12.5% | 10.7% | 16.7% | 14.2% |
| | % of Total | 4.1% | 2.0% | 8.1% | 14.2% |
| | Count | 26 | 16 | 35 | 77 |
| Professional | % within Education Level | 33.8% | 20.8% | 45.5% | 100.0% |
| | % within Clientele Satisfaction | 54.2% | 57.1% | 48.6% | 52.0% |
| | % of Total | 17.6% | 10.8% | 23.6% | 52.0% |
| Others | Count | 11 | 5 | 13 | 29 |
| | % within Education Level | 37.9% | 17.2% | 44.8% | 100.0% |
| | % within Clientele Satisfaction | 22.9% | 17.9% | 18.1% | 19.6% |
| % of Total | 7.4% | 3.4% | 8.8% | 19.6% | |

| | | | | | |
|--------|---------------------------------|--------|--------|--------|--------|
| | Count | 2 | 1 | 9 | 12 |
| Others | % within Education Level | 16.7% | 8.3% | 75.0% | 100.0% |
| | % within Clientele Satisfaction | 4.2% | 3.6% | 12.5% | 8.1% |
| | % of Total | 1.4% | 0.7% | 6.1% | 8.1% |
| Total | Count | 48 | 28 | 72 | 148 |
| | % within Education Level | 32.4% | 18.9% | 48.6% | 100.0% |
| | % within Clientele Satisfaction | 100.0% | 100.0% | 100.0% | 100.0% |
| | % of Total | 32.4% | 18.9% | 48.6% | 100.0% |

The multiple comparison procedure is used to determine which groups are significantly different after obtaining a statistically significant result from an Analysis of Variance. The null hypothesis is that the population means are equal for all Education level administered. P (“Sig.”) = 0.301 - higher than 0.05- The p-value of 0.301 in this case is large, and indicates that there is not enough evidence to reject the null hypothesis that the two populations have equal variances. so we accept this hypothesis: *the population means of education levels are all equal*. Multiple comparisons test between different educational levels and Clientele satisfaction score are presented in Table 6.6.6.3.

Table 6.6.6.3
Multiple Comparisons Test among Different Educational Level on Clientele Satisfaction Score

| Source | Type III Sum of Squares | df | Mean Square | F | Sig. | Partial Eta Squared |
|------------------------|-------------------------|-----|-------------|----------|-------------|---------------------|
| Corrected Model | 385.285 ^a | 4 | 96.321 | 1.229 | .301 | .033 |
| Intercept | 365420.759 | 1 | 365420.759 | 4662.046 | .000 | .970 |
| Education Level | 385.285 | 4 | 96.321 | 1.229 | .301 | .033 |
| Error | 11208.634 | 143 | 78.382 | | | |
| Total | 633000.000 | 148 | | | | |
| Corrected Total | 11593.919 | 147 | | | | |

6.6.7 Relationship between Clientele Satisfaction Score and Family Size:

Clientele satisfaction has been found to vary with variation with family size. Average size of the family was 5.69 and the standard deviation was 2.189. Analysis of the satisfaction score of the respondents by family size reveals that there was a negative correlation between family size and clientele satisfaction score. The coefficient of correlation between family size and clientele

satisfaction score was -0.218 which was statistically significant at 0.01 level. The highest level of clientele satisfaction was observed amongst the respondents belonging to the category of family size Below-3 (66.52) and the lowest average satisfaction score was found amongst the respondents belonging to the category of family size Above-7 (60.48). The reason behind negative correlation of the two variables might be the responses of the clients were influenced much by the extent of satisfaction that they derived from the adequacy of accommodation rather than services of the institution. Summary of descriptive statistics of clientele satisfaction score by family size has been shown in table 6.6.7.1 and distribution of respondents by family size and satisfaction score has been presented in table 6.6.7.2.

Table 6.6.7.1 Summary of Descriptive Statistics of Clientele Satisfaction Score by Family Size

| Family Size | Mean | N | Std. Deviation |
|----------------|---------|-----|----------------|
| Below 3 | 66.5263 | 19 | 7.50828 |
| 3 - 5 | 65.4821 | 56 | 8.40128 |
| 5 - 7 | 64.9767 | 43 | 8.70000 |
| Above 7 | 60.4800 | 25 | 10.30825 |
| Total | 64.5944 | 143 | 8.86935 |

Table 6.6.7.2: Distribution of Respondents by Clientele Satisfaction Score and Family Size

| Clientele Satisfaction and Family Size Cross tabulation | | | | | | |
|---|---------------------------------|-------------|-------|-------|---------|--------|
| | | Family Size | | | | Total |
| | | Below 3 | 3 - 5 | 5 - 7 | Above 7 | |
| Somewhat Satisfied | Count | 3 | 16 | 15 | 14 | 48 |
| | % within Clientele Satisfaction | 6.3% | 33.3% | 31.3% | 29.2% | 100.0% |
| | % within Family Size | 15.8% | 28.6% | 34.9% | 56.0% | 33.6% |
| | % of Total | 2.1% | 11.2% | 10.5% | 9.8% | 33.6% |
| Moderately Satisfied | Count | 8 | 11 | 6 | 1 | 26 |
| | % within Clientele Satisfaction | 30.8% | 42.3% | 23.1% | 3.8% | 100.0% |
| | % within Family Size | 42.1% | 19.6% | 14.0% | 4.0% | 18.2% |
| | % of Total | 5.6% | 7.7% | 4.2% | 0.7% | 18.2% |
| Highly Satisfied | Count | 8 | 29 | 22 | 10 | 69 |
| | % within Clientele Satisfaction | 11.6% | 42.0% | 31.9% | 14.5% | 100.0% |
| | % within Family Size | 42.1% | 51.8% | 51.2% | 40.0% | 48.3% |
| | % of Total | 5.6% | 20.3% | 15.4% | 7.0% | 48.3% |
| Total | Count | 19 | 56 | 43 | 25 | 143 |
| | % within Clientele Satisfaction | 13.3% | 39.2% | 30.1% | 17.5% | 100.0% |

| | | | | | |
|----------------------|--------|--------|--------|--------|--------|
| % within Family Size | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| % of Total | 13.3% | 39.2% | 30.1% | 17.5% | 100.0% |

Multiple comparison procedures protect from obtaining too many significant results. The more comparisons, the larger the difference between pairs of means is required to find them significant.

The Tukey HSD (honestly significant difference) test was used to determine the significant comparison between the possible pairs of means. The result from the Tukey Test shows that all the P values (Column headed ‘Sig.’) are more than 0.05. Since all the P value (Column headed ‘Sig.’) is greater than the 0.05 level required for statistical significance, all of these different family sizes groups are not significantly different.

Table 6.6.7.3
Multiple Comparisons Test among Different Family Sizes on Clientele Satisfaction Score
Tukey HSD

| Family Size | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval | | |
|-------------|-----------------------|------------|---------|-------------------------|-------------|---------|
| | | | | Lower Bound | Upper Bound | |
| Below 3 | 3 - 5 | .1997 | 2.18867 | 1.000 | -5.4902 | 5.8896 |
| | 5 - 7 | .7051 | 2.28008 | .990 | -5.2225 | 6.6326 |
| | Above 7 | 5.2018 | 2.54276 | .176 | -1.4086 | 11.8123 |
| 3 - 5 | Below 3 | -.1997 | 2.18867 | 1.000 | -5.8896 | 5.4902 |
| | 5 - 7 | .5054 | 1.76371 | .992 | -4.0797 | 5.0905 |
| | Above 7 | 5.0021 | 2.09227 | .083 | -.4371 | 10.4414 |
| 5 - 7 | Below 3 | -.7051 | 2.28008 | .990 | -6.6326 | 5.2225 |
| | 3 - 5 | -.5054 | 1.76371 | .992 | -5.0905 | 4.0797 |
| | Above 7 | 4.4967 | 2.18770 | .173 | -1.1907 | 10.1841 |
| Above 7 | Below 3 | -5.2018 | 2.54276 | .176 | -11.8123 | 1.4086 |
| | 3 - 5 | -5.0021 | 2.09227 | .083 | -10.4414 | .4371 |
| | 5 - 7 | -4.4967 | 2.18770 | .173 | -10.1841 | 1.1907 |

6.6.8 Relationship between Clientele Satisfaction Score and Nature of Family:

Clientele satisfaction score has also been influenced by the type of family. Households broad under the purview of the study are classified into two groups: joint family group and nuclear family group. The study reveals that clientele satisfaction of the respondents belonging to the nuclear

family group was higher than that of the respondents belonging to the joint family group. The average clientele satisfaction of the nuclear family group was estimated at 66.63 and inter respondent variation in satisfaction score measured by standard deviation was 8.22. The same for the joint family group was 62.85 and standard deviation was 9.16. Summary of descriptive statistics of clientele satisfaction score by nature of family has been shown in table 6.6.8.1.

Table 6.6.8.1

Summary of Descriptive Statistics of Clientele Satisfaction Score by Nature of Family

| Nature of Family | Mean | N | Std. Deviation |
|-------------------------|-------------|----------|-----------------------|
| Joint Family | 62.8533 | 75 | 9.16617 |
| Nuclear Family | 66.6351 | 74 | 8.22554 |
| Total | 64.7315 | 149 | 8.88715 |

In assessing if the means of the two groups were similar, mean test was done. The hypothesis that there were no differences in the mean of satisfaction score between the nuclear family group and joint family group was rejected. The rejection of the null hypothesis is the indicative of the phenomenon that satisfactions score of the nuclear family group was higher than that of the joint family group.

In assessing the extent of relationship between the clientele satisfaction score and family type, cross tabulation was done. The contingency coefficient reflecting the extent of relationship between the two variables was estimated at 0.258 which is statistically significant at 0.05 level. Table 6.6.8.2 shows the distribution of the respondents by satisfaction score level and nature of family.

Table 6.6.8.2:

Distribution of Respondents by Clientele Satisfaction Score and Nature of Family

Clientele Satisfaction and Nature of Family Cross tabulation

| | | Nature of Family | | Total |
|----------------------|---------------------------------|------------------|---------|--------|
| | | Joint | Nuclear | |
| Somewhat Satisfied | Count | 34 | 15 | 49 |
| | % within Clientele Satisfaction | 69.4% | 30.6% | 100.0% |
| | % within Nature of Family | 45.3% | 20.3% | 32.9% |
| | % of Total | 22.8% | 10.1% | 32.9% |
| Moderately Satisfied | Count | 11 | 17 | 28 |
| | % within Clientele Satisfaction | 39.3% | 60.7% | 100.0% |
| | % within Nature of Family | 14.7% | 23.0% | 18.8% |
| | % of Total | 7.4% | 11.4% | 18.8% |
| Highly Satisfied | Count | 30 | 42 | 72 |
| | % within Clientele Satisfaction | 41.7% | 58.3% | 100.0% |
| | % within Nature of Family | 40.0% | 56.8% | 48.3% |
| | % of Total | 20.1% | 28.2% | 48.3% |
| Total | Count | 75 | 74 | 149 |
| | % within Clientele Satisfaction | 50.3% | 49.7% | 100.0% |
| | % within Nature of Family | 100.0% | 100.0% | 100.0% |
| | % of Total | 50.3% | 49.7% | 100.0% |

To determine whether there is statistical evidence that the mean difference between Joint family type and Nuclear family type on clientele satisfaction is significantly different from zero, a paired sample t test was done. The test result shows that the t-statistic is -87.776 with 148 degrees of freedom. The corresponding two-tailed p-value is 0.00, which is less than 0.05. The difference of means of clientele satisfaction score between Joint family type and Nuclear family type are different from 0. Paired sample test between Joint family type and Nuclear family type on clientele satisfaction score is presented in Table 6.6.8.3.

Table 6.6.8.3
Paired Sample Test between Nature of Family Groups on Clientele Satisfaction Score
Paired Samples Test

| Nature of Family - Clientele Satisfaction Score | Paired Differences | | | | t | df | Sig. (2- tailed) | |
|---|--------------------|-------------------|--------------------|--|-----------|---------|---------------------|-------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | | | | Upper |
| | -63.23490 | 8.79372 | .72041 | -64.65852 | -61.81128 | -87.776 | 148 | .000 |

Chapter-VII

Summary of Findings and Recommendations

7.1 Summary of Findings

- Bangladesh passed through several phases of development. The development phases may be broadly classified into two stages: the pre-independence and post-independence periods. The pre-independence period was featured by the Muslim rule over five and half-centuries from 1201 to 1757 AD, the British colonial rule from 1757 to 1947, and the Pakistani period from 1947 to 1971. With the end of the British dominion in August 1947, the subcontinent was partitioned into Pakistan and India. Bangladesh was one of the parts of Pakistan known as East Pakistan. Bangladesh remained under Pakistani colonial control for about 24 years, from August 1947 to March 25, 1971. As an independent sovereign state, Bangladesh appeared on the world map on December 16, 1971, following the liberation war's victory.
- As per the population census, the country's population was estimated at 149.77 million in 2011, which increased to 165.55 million in 2018-19. The population density increased to 1,253 people per square kilometer in 2018 against 538 persons per square kilometer in 1975. Bangladesh witnessed a transformation of the economy from an agriculture-based rural economy to a business activity-based urban economy.
- As a constitutional commitment, the Government undertook several programs to meet the people's basic needs. At the initial stage, the country pursued the course of planned development based on socialist principles. The public sector-based economy continued till the late 80s. Later on, the Government switched over to a market-based economy.

- The people's per capita GDP increased to US\$ 1827 in 2018-2019 from US\$ 687 in 2009-10. Per capita GDP growth increased to 4.9 percent during 2011-1015 from 1.3 percent during 1973-1978. The foreign exchange reserve rose to US\$32.34 billion on 30th June 2019 as against US\$ 10.75 on June 30, 2010.
- The structural changes that occurred have impacted the rate of inflow of the population in the urban areas. A significant change occurred in the headcount poverty ratio. The headcount poverty ratio declined to 24.8 percent in 2015 from 82.1 in 1978. Similarly, life expectancy rose to 70.70 years in 2015 from 53.07 years in 1978. The increase in population and the increase in income have a positive effect on housing sub-sectors.
- The share of the housing subsector to GDP varied from 6 percent to 7 percent. Due to real estate, renting, & business services, the GDP growth rate is about 4 percent during 2008/09-2018/19.
- The importance of the housing sector, both in the context of the Bangladesh economy and its role in serving the fundamental human rights of shelter, calls for awareness regarding various pertinent issues involving the housing sector. Generally, high population growth, rapid urbanization, and many illegal and overcrowded housing units without access to essential city services directly affect housing demand.
- The demand for a dwelling house was assumed to be a function of its relative price, household income, and demographic characteristics. Household income, as observed in a study, was the most important determinant of housing consumption. The study revealed that the magnitude of price elasticity was smaller than that of income. High-income elasticity indicates that housing demand was more responsive to the household's payment capability than the house price. The need for a home becomes demand only when the potential customer has the financial ability to purchase. The increase in the market for dwelling houses in the city is a big challenge for policymakers.

- The housing delivery system consists of several subsystems involved in house delivery. Subsystems engaged in the house delivery process may broadly be divided into formal and informal housing delivery subsystems.
- Formal suppliers are of two types-the public sector and the private sector. The public sector's housing delivery subsystem components include public sector organizations like the National Housing Authority and autonomous bodies. A private formal housing delivery system consists of a private formal subsystem, individual entities, and cooperative housing. The rising demand for apartments in the cities has resulted in the growth and expansion of developers' business enterprises. Simultaneously, microcredit institutions have become dominant in providing housing credit to low-income group populations in rural areas. Below are briefly described the major players in the supply of housing.
- Informal settlements refer to human settlements, which do not ordinarily meet requirements for legal recognition. As mentioned in the Vienna Declaration, informal settlements' distinguishing features include informal or insecure land tenure, inadequate access to basic services, social and Regardless of legal status, the informal housing sector plays a vital role in providing accommodation to low-income people.
- Given purchasing power, house choice is influenced by a set of variables that includes dwelling size, structural quality of dwelling, access to a better quality of a toilet, access to water supply, and access to drinking water. As observed by some experts, Bangladesh's housing market has a surplus of upper-echelon housing while the great majority of middle- and lower-income population groups have been suffering from an acute shortage of affordable housing. units fall under inadequate/deficient categories. They remain outside the area of formal banking and financial institutions. As estimated by the Planning Commission, there was a shortage of about 5 million houses in the urban areas in 2009 in Bangladesh.

- The whole population covering various income and occupational groups does not have access to the traditional real estate markets due to the demand and supply-side constraints. As observed in the Government report, the Government and formal private developers' achievements were insignificant compared to their massive needs. Low-quality housing is both an effect and a cause of poverty in rural areas. The housing conditions during the last decade, however, slightly improved.
- Despite the country's achievement in different fields, Bangladesh is yet to tackle adequately one of its basic needs-that of housing for all. Compared to the demand for housing, the supply of housing was inadequate. According to the Planning Commission, Govt. of Bangladesh, the estimated urban housing shortage would reach 8.5 million units in 2021.
- A significant proportion of urban slums and squatter settlements with the worst living conditions concern policymakers. The rural poor, often landless or with little land holding, struggle to afford residential land, which is generally not inexpensive due to high population density. Although the housing quality remains low, renting such a house is very costly. The rapidly growing urban population's pressure has significantly impacted the scarcity and costs of urban land for housing and other purposes. Some projects were designed to serve the disadvantaged group in the urban areas, although efforts were minimal compared to the needs. The Government could meet only 7 percent of the annual housing demand. The rest of the market is met by the private sector.
- A significant component of a market-based economy is the market mechanism. It is used to optimize the distribution of goods and services in a society. The intent is to allow market forces to operate without state intervention. However, the free interplay of the market forces without an appropriate regulatory framework may create continuous market distortions. In meeting the challenge of ensuring housing for all, the policy directives to develop housing development infrastructures were issued. Necessary laws were enacted, and regulatory bodies were established to ensure compliance by concerned parties. Policies, plans, laws, and regulatory bodies are interrelated and interdependent. Any lag or

inadequacy in any of the components may have an unfavorable impact on concerned parties' behavior.

- As a strong commitment to the Universal Declaration of Human Rights and the state's constitutional obligation, the Government approved the “National Housing Policy 1993” on September 27, 1993. The policy's focus was to encourage in situ upgrading, slum renovation, and progressive housing developments. The Government’s role was limited to a facilitator or enabler's role to increase access to land, infrastructure, services, and credit. The Government would also take steps to make building materials available at a fair price for low- and middle-income groups. Although the policy's contents were expansive in coverage, they did not prove meaningful because of the absence of implementation mechanisms. As observed by the Planning Commission, there were several inadequacies in the policy framework. Follow-up activities in implementing the policies were minimal.
- Some of the critical issues incorporated in the revised policy included increasing availability of rods and other materials, facilitating the poor to purchase land, setting up “urban land banks” for dealing with khas land, banks of dry rivers, arranging housing credit programs, providing drinking water, sanitation, and welfare services, and promoting people's participation in maintaining social, physical infrastructure, and community facilities. There was also a provision for sanitation, water, and shelters for pavement dwellers and the homeless.
- A new housing policy was formulated in 2008, which aimed to make “housing accessible to all strata of society....” The Government's strategy was to act as a promoter and facilitator and, to a limited extent, as a housing provider. The priority target groups constituted the disadvantaged, the needy, and the shelter-less poor. The specific housing strategies, as envisaged in the National Housing Policy, were supplying serviced land at reasonable prices, helping create and promote housing financing institutions, increasing affordability for the disadvantaged and the low-income groups through providing credit for income generation, improving the existing housing stock alongside new housing; and preserving cultural heritage in new housing projects as well as ensuring the conservation of the natural environment.

- As there were some inadequacies in the previous policy regarding some pressing issues, the Government declared a new policy in 2016. As stated in the policy, some expensive houses were constructed to meet the rich and the foreigners' demand. But the private sector did not give any importance to the construction of housing for mass people. With this background in mind, the new policy known as the National Housing Policy 2016 was declared. The National Housing policy 2016 has been based on the premise that “none should be homeless.” In addressing the housing deficit, the Government would play a proactive role in guaranteeing access to affordable housing for all. As mentioned in the policy, some of the critical objectives include ensuring suitable accommodation for all, reflecting manifestation of content and spirit of National constitutions, charters of United Nations, international acts, and human rights.
- Some of the unique features of the Housing Policy 2016 included the conservation of the environment, protection of biodiversity, protecting cultural heritage, and formulation of a 'Land Bank’. As mentioned in the policy, adequate measures would be taken to ensure compliance with the National Building Code in constructing houses and apartments.
- The historical perspective of housing development may be examined in terms of policy directives, given in the Five-year plans, perspective plans, and other planning documents. Some of the planning documents that have relevance in housing include Perspective Plan of Bangladesh 2010-2021, National Sustainable Development Strategy 2010-2021, National Social Security Strategy of Bangladesh, National Water Management Plan, Millennium Development Goal (MDG).
- A review of five-year plans indicates that policymakers were aware of the problems and also possible measures. However, an appropriate mechanism to monitor the achievements and failures could not be developed during the last five decades.
- The legal and regulatory framework concerning housing and real estate development includes laws, regulations, codes, and directives of the Government issued from time to time. The components of the regulatory framework include The Government Buildings

Act, 1899 , Building Construction Act, 1952 (Act no. II of 1953 , The Town Improvement Act, 1953, Bangladesh National Building Code 2006, Land Development Rules for Private Housing (2004) , Bangladesh Building Construction Rules, 2008 , and Dhaka Mahanagar Imarat Nirman Bidhimala 2008.

- The regulatory bodies that have been set up to handle specific housing dimensions are many. Organizations that directly or indirectly influence housing development may broadly be divided into three categories, viz., National Government Agencies, Special Purpose Authorities, and Local Government Organizations.
- Institutional set-up is the function of goals and prioritized housing finance goals centered around loans and target customers. According to Bangladesh Bank, the financial system consists of three broad fragmented sectors: the formal sector, semi-formal sector, and informal sector. The institutions regulated by Bangladesh Bank fall under the formal sector category, while the semi-formal sector consists of regulated organizations but not under Bangladesh Bank's control. The semi-formal sector is represented by Bangladesh House Building Finance Corporation (BHBFC), Samabay Bank, Grameen Bank, Palli Karma Sahayak Foundation (PKSF), non- Governmental Organizations (NGOs and discrete government programs). The informal sector refers to private intermediaries providing financial services, which are outside the orbit of the regulatory framework. The types of home loans offered by financial institutions include home purchase loans, home improvement loans, home construction loans, balance transfer, home extension loans, land purchase loans, bridge loans, and loans for the non-resident.
- The housing sector's finance sources include builder's and buyers' private assets, savings of expatriates, government loan and allocation, support from international donors, commercial banks, other specialized financial institutes, and private organizations' assets. Depending on financial institutions' status, they may broadly be divided into two categories, viz., formal and informal financial institutions. The institution providing housing finance include Bangladesh House Building Finance Corporation (BHBFC), Banks, Non-bank Financial Institutions and Microfinance Institutions.

- Bangladesh House Building Finance Corporation (BHBFC) is the leading purveyor of institutional housing finance for different people. As of June 2017, the outstanding loan of BHBFC was Tk. 2991.14 crore. Compared to the past, there has been an improvement in the operations of BHBFC.
- The credit giving institutions' relative position was measured based on the total loan outstanding as of June 30. The outstanding loans to the housing sector by the banking institutions was estimated at 81.92 percent of the total outstanding loans to housing in 2019 (June), out of which the share of PCBs was 54.50 percent, the same of SCBs was 23.49 percent, and the percentage of share of other banks including micro-credit institutions was 3.92 percent.
- The enactment of the Financial Institutions Act 1993 has had a favorable impact on the development of private housing finance companies in Bangladesh. Non-Bank financial institutions (FIs) refer to institutions regulated by Bangladesh Bank under the Financial Institutions Act 1993. As of January 2021, there are 34 FIs. Two are entirely government-owned, one is the subsidiary of a SOCB, private domestic entrepreneurs established 15, and 15 were joint ventures.
- Microfinance covers a wide variety of financial and non-financial services such as self-reliance and skills development, savings and credit schemes, insurance, enterprise development, self-reliance and skills development, marketing, management capabilities, and social intermediation services such as literacy training and health care. As revealed in a report, 805 licensed microfinance institutions (MFIs) were in Bangladesh in June 2018. As many as 18,196 branches of microcredit institutions were there to serve 31.22 million clients. The amount of loans outstanding in microcredit institutions increased to Tk. 673.90 billion in 2018 (June) from Tk. 282 billion in 2014 (June).
- Cooperative Housing Banks are also formed out of urban poor credit savings. Such a bank's operation is similar to Grameen Bank, where a significant portion of the share capital belongs to cooperatives members. Borrowers for housing are the members of NGOs and CBO's (Community-Based Organizations) who contribute to the cooperative's funding.

- In the recent past, some NGOs came forward to help the poor build their houses by providing housing loans. Structured finance and purpose-built institutions and intermediaries could disburse funds faster, reach beneficiaries better, and improve recovery through small groups.
- Informal credit institutions are the progeny of circumstances created by formal institutions. Three types of credit suppliers are found in the informal credit markets (ICMs), viz. transactional credit suppliers, which include pawnbrokers, money lenders, traders, employers, etc., mutual credit suppliers, which include chit funds, credit unions, credit societies, self-help groups, etc. and the "personal" credit suppliers which include friends, relatives, co-workers, and neighbors.
- The financial sector's weakness in leveraging long-term finance is a significant challenge. Some of the constraints to the functioning of housing finance markets include the lack of long-term funding, absence of a functioning mortgage market, weak second-hand property market, complex transfer process, poor management of resources, lack of access to scarce resources, land price speculation, access to land information, simplifying land transfer system, the cost of building materials, complicated enforcement of mortgage rights, and lack of mortgage market development.
- Dhaka, Bangladesh's capital city, has been an urban area for more than four hundred years. The proportion of the national urban population in Dhaka city is estimated at 33.26 percent in 2019. Inter-city comparison of the population indicates that the population's growth rate was highest in Dhaka city area between 1974 and 2019, which was estimated at 5.22 percent, while the same were 4.25 percent in Rajshahi, 3.69 percent in Chattogram, and 1.73 percent Khulna, respectively. The higher population growth rate in Dhaka city with no urban planning has resulted in several problems like unemployment, housing shortage, sanitation facilities, and slum creation.
- Analysis of the population growth in Dhaka city reveals that the population's annual average growth rate was 3.96 percent compared to the national average growth rate of 1.47

percent during 2001-2011. The population growth in Dhaka city may be attributed to the expansion of economic activities and the concentration of small and medium industries in the city area, shortage of employment opportunities and lack of security and service facilities in rural areas.

- The overall housing condition may be assessed based on the type of dwelling of a given area. Dwelling houses are broadly classified into three categories: separate structure, apartment, and joint/barrack house. In the Dhaka city area, 41.4 percent live in joint or barrack houses, 38.1 percent live in apartments, and only 20.5 percent live in a separate structure. The escalation in the land price, causing the high building cost, is mainly due to a scarcity of urban land, uncontrolled land market, inappropriate taxation policy, land speculation, and unregulated land business. The shortage of land, high construction costs, and the lack of credit facilities have negatively affected housing growth in the urban areas. The existing regulatory/permit system constrains the activities of developers.
- The rapid growth of Dhaka's population has led to an increase demand for housing units, including land for housing. In contrast, housing demand usually reflects the housing stock for which the population backed by purchasing power is willing to buy. Financial capability may play a critical role in transforming housing needs into housing demands. The increase in housing supply becomes meaningless unless they are met with effective demands that can purchase them.
- In assessing the housing need at a given time, three components are considered: replacement of old dwelling units, shortage of existing dwelling units, and the growth of new households. The current backlog of unmet housing needs is the shortage of housing units. As estimated in Dhaka Structure Plan: 2016-2035, other things remaining unchanged, the demand for housing would increase to 0.88 million by 2025.
- Despite the high return on housing investment, housing investment remains inadequate to meet the rising demand for houses. The factors affecting the supply of housing include high population. As estimated in a business review, the yearly requirement of dwelling units to the added population in Dhaka city is more than 120,000 household units. In

comparison, the supply of housing units is about 25000 units in the private sector. Out of the total supply of 25000 units per year, real estate development companies supply about 15,000 units. The rest are provided by individual landowners and independent developers who are not REHAB members.

- Vigorous and diverse public financing schemes need to be devised and made available to improve housing situations. Dhaka has a long history of urban planning exercises. Dhaka's structure plans were prepared since Patrick Geddes first presented his ideas for Dhaka's development in 1917. Historically with no exception, none of the past successive plans were implemented, and no significant endeavors to ensure compliance of urban development with the structure plan were made. Dhaka city ranks near the bottom of the world's worst cities in 2015. The overall Livability index score was 38.7 out of 100, and Dhaka's rank position was 139 out of 140 countries. Dhaka city is considered one of the least livable countries in the world.
- The survey of the literature is divided into six sections. The first section focuses on the literature on population, urbanization, and housing. The second section is devoted to various publications on housing demand and supply. The third section reviews the literature on factors influencing demand and supply. The fourth section addresses the issues relating to house purchase behavior and clientele perception of factors. The fifth section concentrates on the literature on the housing finance system, problems, and policy. The sixth section contains reviews of papers on bank loan purchase behavior and internal market orientation.
- Providing housing to citizens is the area of general public interest in any social system regardless of the degree of development. Inadequate housing situation in a society is almost always the main cause of social dissatisfaction and civil disturbances. Every individual and every family aspires to owning a home and places this wish/need at the top of the priority and needs list (Tepus, 2005). The importance of the housing sector, both in the context of Bangladesh economy and the role it has to play to serve the fundamental human right of

shelter, calls for the generation of awareness as regards various pertinent issues involving the sector.

- Statistics shows that Bangladesh will need to construct approximately 4 million new houses annually to meet the future demand of the next 20 years. Estimates for annual requirements for housing in urban areas vary from 0.3 million to 0.55 million units. In Bangladesh 25 per cent of the population (some 35 million people) now live in urban areas; this proportion will be 34 per cent (75 million) by the year 2015. Dhaka, with a total population of 10 million, is now the 22nd largest city in the world. By the year 2015 Dhaka is projected to rank as the 5th largest city in the world, where 19 million people will have to find their house (CPD, 2003).
- Bangladesh's housing market is characterized by a surplus of upper-echelon housing stock and an acute shortage of affordable housing for the great majority of middle and lower-income population groups. Estimates suggest a shortage of about 5 million houses in Bangladesh in 2009. In urban areas, the annual estimated demand amounts to 300,000–500,000 houses. In rural areas, with an assumed 2 percent new household formation annually, the new demand could be as much as 3.5 million a year. Of the larger cities and towns in Bangladesh, Dhaka is the hardest pressed in terms of unsatisfied housing demand (according to data from the BHBFC).
- In view of the change in the demand pattern of housing accommodation from independent house to apartments, demand for loan to purchase apartment increased manifold. In this regard the role of Bangladesh House Building Finance Corporation (BHBFC) appears to be insignificant. In its place, domestic and international commercial banks and a few new specialized institutions have entered the market, and have a significant potential for growth.
- Government subsidies tend to be insufficient or inappropriate; mortgage markets tend to serve only the richest 10-20 per cent of the population. In spite of its strong value

proposition, housing microfinance is still an emerging industry; and informal systems are not efficient. Only 3 per cent of outstanding credit in low income countries is held in the form of housing loans compared to 27 per cent in high-income countries (de Soto, 2003).

- In view of the rising prices of apartment accommodation and no corresponding rise in the income of potential buyers of housing apartments, the need for housing loan increased manifold. In order to meet the needs of housing loan both banking and non banking financial institutions came forward. In the recent past, a number of nongovernmental (NGO's) and microfinance institutions came forward to provide funds for self construction of houses by lower income groups. They are reported to have an important role for the lower group. But there is hardly a study focusing on the effectiveness of the role played by them in meeting the needs. In meeting the needs of housing loan, BHBFC and other commercial banks provide funds on a limited scale. Bits and pieces of information on financing of the said sector are available but information on to what extent demand could be met by their institutions is yet to be made available. There are reports that potential borrowers of housing loan face a number of constraints in getting loan, although comprehensive research on the constraints and effective use of fund has not yet been done.
- In meeting the needs of the customers, a number of products with varying conditions were offered. They could meet the immediate needs of finance for a special segment of population. It has been observed that repayment rate was found to vary with variations in conditions attached to each product. This was also found to vary one locality to another locality. Effectiveness of loan operations depends to great extent on the matching of the needs of borrowers and nature of products. Effective institutional decision of the product also depends on information on requirements, preferences and capability of borrowers. Until now there has not been any study on factors influencing the choice of institutions, constraints faced by borrowers in meeting the loan and repayment of the same. This is indicative of the need for conducting a study on the role of Banking and Non-Banking Financial Institutions in meeting the credit needs of the borrowers to procure/construct a house, factors influencing choice of institutions for loan, constraints encountered in getting

loan and repaying the same and possible measures to enhance the managerial effectiveness of home loan programs and their recovery rate.

- The main objective of the study was to assess the management and effectiveness of home loan programs in the Dhaka city. To accomplish this objective, the following specific objectives included; to review the demand and supply status of home loan accommodation, to identify the factors influencing demand and supply of home loan accommodation, to review various home loan programs of Banking and Non-Banking financial institutions in terms of target customer and conditions attached to each program and evaluate the effectiveness of home loan program management as perceived by customer in terms of selected indicators, to identify the factors influencing the choice of customers in selecting the loan program, to examine the constraints ensuring repayment of the loans, and to identify the possible measures to enhance the effectiveness of management of home loan programs.
- In the light of the research problem and objective of the study the following variables were included in the framework of the study: customer-related variables, economic factors, organization-related variables, and clientele satisfaction-related variables.
- The sources of data used in the study included both secondary and primary data. The secondary sources of data were collected from annual reports of respective organizations, bulletins/brochures published by them, reports published in the newspapers, research reports/monographs published by individual's, banks and other organizations. Data/information were used for analyzing trends, identifying indicators and possible measures.
- Primary data were collected through a sample survey. The sources of primary data used in the study were Banking and Non-banking Financial Institutions and actual customers of home loans.

- There are as many as seventy-six (76) financial institutions in Bangladesh. The list provided in the latest resume of financial institutions were used as sampling frame for selection of banking institutions. In view of the small population of banking institutions twenty five percent (25%) of the institutions were selected following random sampling technique. Out of several departments of banking institutions, two departments viz, home loan granting and home loan recovery were interviewed. The departmental heads or second officer in charge of loan operations were interviewed to collect relevant information and views. As the population size of Non-Banking Financial Institutions providing home loan is twenty-nine (29), fifty percent (50%) of the population were covered.
- The study area was limited to the Dhaka city area. The Dhaka city area was divided into two, viz, North and South. In view of the stage of development and future potential of further expansion at least two areas from each of the zones was selected from the lists maintained by the City Corporations. Depending on the density of population and intensity of apartment buildings, one ward from each area was selected. The list of holdings of each selected served as sampling frame and the same was collected from the corporation's office.
- In order to collect data on programs as well as beneficiaries of the programs three sets of instruments viz., checklist for programs, interview schedule for institutions and interview schedules for customers were used. In testing the instruments of data collection used, pilot survey on a very small scale was conducted. After having modified the instruments based on the findings of the pilot survey, data collection instruments were administered in the field for data collections.
- Instruments was designed in a manner so is to facilitate quick inputting of data. Prior to inputting of data, coding of selected variables and verification of data through direct checking was done. In order to minimize the systematic error in data collection cross checking of data was done. Both manual and computer checking through specifically designed software were used. In processing of data, database as created using MS Access. Pie charts, bar diagrams and other diagram/charts was prepared by using MS Excel.

Statistical analysis of both qualitative and quantitative data was done. In estimating the reliability and validity of the constructs used in the study, Cronbach's Alpha was used.

- In assessing the relationship between qualitative variables of dichotomous, trichotomous and polychotomous in nature and the variables measured in ratio scale, non-parametric test like chi square test and contingency co-efficient was used. In estimating statistics, relations and dependencies, SPSS was used. Computation of statistics and relations was done using the said statistical package depending on the database built using MS Access. Statistical tools used would include measures of central tendency, standard deviation, variance, range, regression, factor analysis and Cronbach's alpha.
- Institutional set-up is the function of goals and prioritized housing finance centered around loans and target customers. According to Bangladesh Bank, the financial system consists of three broad fragmented sectors: formal, semi-formal, and informal. The institutions regulated by the Bangladesh Bank fall under the formal sector category, while the semi-formal sector consists of regulated organizations but not under the Bangladesh Bank's control.
- Some of the housing finance system components include home loans, target customers, and credit suppliers. Financial institutions' types of home loans include home purchase loans, home improvement loans, home construction loans, balance transfer, home extension loans, land purchase loans, bridge loans, and loans for the non-resident.
- Loan monitoring refers to the process of reviewing the progress of loan sanctioning, loan disbursement, and loan recovery. The method of monitoring different dimensions varies from one level of administration to another. For example, at the head office level, home loan monitoring covers the entire system of the home loan program. In contrast, monitoring home loans at the branch level or functional group is confined to home loan recovery activities.

- Establishing an efficient and effective loan monitoring system helps top management assess the overall quality of loans and trends in business. However, in the process of monitoring, regular generation of over-limit and overdue reports are prepared. Therefore, financial institutions need to have formal procedures and a system to identify potential credit losses and take remedial actions to prevent them. In this regard, Bangladesh Bank provided procedural guidelines relating to loan monitoring. As provided in the monitoring approach, a financial institution's monitoring system consists of a procedure of monitoring and obligation attached to monitoring. Each financial institution monitors the home loan on the relate issues. In addition, the head office assigns specific monitoring responsibilities at the branch level and financial weakness and send the same to head office loan administration.
- The housing sector's finance sources include builders' and buyers' private assets, savings of expatriates, government loans and allocation, support from international donors, commercial banks, other specialized financial institutes, and private organizations' assets. Another type of institution providing housing finance is non-bank financial institutions. They include microcredit lenders, cooperatives, employers, and life insurance policies. The housing cooperatives constitute one of the significant housing finance providers in the third-tier housing finance market. As revealed in a homeowner survey, housing finance's vital source was household savings (more than one-third). Other sources of housing finance included the sale of land and loans from relatives and friends.
- The housing sector comprises a complex network of actors ranging from builders, lenders, manufacturers, suppliers, land developers, real estate agencies, architects, engineers, government agencies, etc. A strong interrelation among all these actors is necessary for an efficient market. However, this interrelationship is very fragile in Bangladesh due to institutional weaknesses.
- Preconditions for home loans include eligibility criteria for each category of loans and supporting documents in favor of the loan application. The amount of home loans offered

depends upon the repayment ability of the customers. In the case of a self-employed person or salaried professional, monthly gross income is considered. In other cases, net assets or yearly income are considered to determine the customers' repayment ability. Home loans are provided to meet various loan requirements.

- The eligibility criteria for home loans vary from one financial institution to another. Preconditions for applying loan include age requirement, occupation, and creditworthiness. In support of the loan giving institutions' specific criteria, the applicant needs to provide some documents. The type of documents varies with variations with the kind of loan sought by the applicant. However, regardless of the type of loan, every customer must provide copies of customer-related documents to apply for a loan for land purchase, home construction, and home improvement.
- The housing loan program's management system consists of policies, rules, procedures, and mechanisms to provide loan assistance and ensure recovery. Every financial institution formulates its policies within the framework of the set of directives issued by the Bangladesh Bank. Policy formulation vests in the board of directors, which is the highest policy-making body of the institutions. Loan giving involves a series of sequential steps set up by the concerned institution.
- In implementing the policies and programs, every institution has its mechanisms with the functional division of work. The operational division of labor, however, varies from one institution to another. The functional division of work in specialized financial institutions is based on specific loan sanctioning, disbursement, and recovery activities. Customers for housing loans are of two types, viz. individual and institution. Accordingly, the housing loan division is again subdivided into two sections: consumer finance and corporate loans.
- The consumer section deals with home loan finance for self-construction, flat purchase, land purchase, and renovation/repair/extension. The corporate house loan division deals

with housing loans for commercial purposes, finance for developer/ contractor, and commercial building loans meant for factory construction, hotel construction, and warehouse construction.

- The essential dimensions of home loan management include the home loan sanctioning process, home loan disbursement process, and home loan recovery process. Out of three aspects of home loan management, customers are directly or indirectly affected by three sub-processes, and corporate governance primarily uses a monitoring sub-process. The assessment of the loan management process involves qualitative judgment of the customers.
- Every financial institution has its Product Program Guideline (PPG) for Consumer Financing prepared based on the prudential regulations provided by Bangladesh Bank. A loan sanctioning starts with reviewing the party's application and ends with a sanction letter or regret letter. Along with the party's application, the financial institution examines the relevant documents. The bank evaluates the application submitted by the applicant based on various parameters and documents. In the letter, the applicant signs a duplicate letter for the bank's records.
- The existing loan sanctioning process was viewed differently by different groups of customers. The study reveals that the majority of the respondents considered the loan sanctioning process as satisfying to varying degrees. The perception level of customers on the efficacy of each dimension of the home loan sanctioning process was assumed to vary with socioeconomic and demographic variables like occupation, education, age, gender, marital status, life cycle stage, family type, and family size. Data analysis was done based on the abovementioned variables to assess the customers' opinions on the sanctioning process.

- After sanctioning the loan, the sanctioning authority sends the decision to the concerned branch or department with relevant documents. Before disbursement, the concerned branch or the department takes some preventive measures. If the preventive measures conform to the set rules, the disbursement unit takes all possible measures to disburse the applicant's agreed amount in favor. In this regard, the officer prepares the vouchers and writes the pay order slip signed and approved by another officer and the manager.
- In assessing the efficacy of the home loan disbursement process of the different financial institutions, the disbursement process was reviewed based on customers' perceptions. As revealed by the study, 51 percent of the respondents viewed that the home loan disbursement process was good and that the proportion of respondents who viewed the home loan disbursement process as very good was 27.8 percent. On the other hand, the proportion of respondents who considered the home loan disbursement process as not good was 21.2 percent. Variations in the customer's perception of the loan disbursement process's efficacy were found to vary with variations in occupation, education, age, gender, marital status, life cycle, family type, and family size.
- Home loans disbursed by financial institutions may broadly be classified into two categories: unclassified loans and overdue loans. Unclassified loans refer to loans characterized by regularly payment of installments due. Overdue loans, as per guidelines of Bangladesh Bank, may be categorized into four types: special mention (SM) account, sub-standard (SS), doubtful (DF), and bad-loss (BL). Loan installment due to the good loans are collected following a routine process of receiving installments through the accounts. In assessing the customers' opinion regarding the home loan recovery process, customers were requested to state the officials' behavior in repayment. As revealed by the study, more than 80% of the customers viewed that the home loan recovery process was up to customer satisfaction. As many as 42.4% of the customers viewed the home loan recovery process as very good, 44.4% considered the recovery process good. Only 13.2% of them reported that the home loan recovery process was not fair. This is indicative of the fact that there were variations in customers' responses on the process of recovery. The

answers on the efficacy of the recovery process varied due to occupation, education, age, gender, marital status, life cycle, family type, and family size.

- Bangladesh's ratio of housing finance to GDP has been abysmal compared to developed and other developing countries. For example, it was less than 3 percent, compared to 7 percent in India.
- In identifying constraints to home loan development in Bangladesh, concerned stakeholders were interviewed. Concerned stakeholders mainly include home loan-seeking customers, real estate companies, and financial institutions. The main problem behind the lack of extensive use of the home loan is a gap between the borrower's demand for loans and the loans provided by the financial institutions. The financial institution wants to offer home loans, and loan seekers wish to take loans. But matching the demand and supply has not been possible in many cases due to problems inherent in the system. Issues of having access to home loan programs of financial institutions vary from one group of customers to another. Before sanctioning a loan, financial institutions want to ensure the customer's financial soundness or capability to repay. In many cases, deserving loan seekers face problems in meeting the conditionality of loan sanctioning of the financial institutions. The major constraints to home loan financing by the concerned stakeholders include lack of adequate collateral, lack of information, lack of effective marketing, absence of effective legal framework, lack of professionalism in apartment dealing, lack of auction market, lack of specialized adjudication process, problems in the loan sanctioning process, lack of policy support and absence of clarity in the terms and conditions.
- The investment in flat or apartment may be rational decision if supporting financial assistance is obtained at affordable costs. Regardless of the financial soundness of an individual, the intending persons make decisions after having analyzed the costs and benefits of such decision. At present there remains a gap in formation between what the customers prefer and what the financial institutions may offer. The selection of the appropriate strategy for popularizing home loan depends upon the use of information

regarding the preferences of customers. Until now there has not been any study to unfold the issues that guide the customers to make decisions. The current literature on financial institutions lacks studies on selection criteria of financial institutions as perceived by customers. This study attempts to bridge this gap.

- Besides, if home loan strategies are formulated based on the preferences of the customers, they may convert potential customers into real customers. The formulation of appropriate strategy may bridge the gap in demand of home loan and investible funds fixed for investment in the home loan.
- Whether a person would go for a bank loan is dependent upon some relevant issues: economic, social and institutional. The decision to take a loan is influenced largely by economic and attitudinal dimensions of customers. Based on the literature survey, factors influencing decision of the customers to take home loan were selected. All policy parameters were assumed to be not equally relevant to all categories of customers. In unfolding the factors influencing the decision-making of the customers, a pilot survey was conducted with the help of open-ended questions keeping in view the issues identified from the literature review. After having analyzed the answers of the customers on the issues influencing home loan decision, as many as twenty different policy parameters were selected. In the survey designed to collect information from the customers, a structured questionnaire was used. The customers were requested to state the relative importance of each of the issues as mentioned above. The customers were asked to state to what extent each of the issues was important in making a decision about house loan. In measuring the relative importance of the issues, the 6-point Likert-type of the scale was used. Not at all considered was assigned zero while the response 'Very much considered' was assigned the value of 5. The minimum score for any items was 0 while the maximum score for any item was 5.
- In reviewing the relative importance of each of the chosen factors, averages of the score along with standard deviations were estimated. Examination of the scores of the 20 items reveals that out of 20 issues influencing the choice of financial institutions, 12 of the items

had the score of more than 3, while 8 of the items had a score of more than 2. The averages of the scores on the importance of the issues are indicative of the phenomenon that all the items were important in making a decision on the selection of financial institutions in varying degrees. There were, however, variations in the response of each of the items.

- Variables that are viewed to be important in selecting a financial institution for taking house loan were of a different variety. All the variables do not appear to be equally important. In unfolding joint variations in response to unobserved latent variables, factor analysis was done. The purpose was to describe variability among observed, correlated variables regarding a potentially lower number of unobserved variables. The variables were modeled as linear combinations of the potential factors, plus error terms and they were used to reduce the set of variables in a dataset. From the analysis, it appears that the first factor has an initial eigenvalue of 4.966 that accounts for 24.82 percent of the variance while the second factor has an initial eigenvalue of 2.407 that explains 12.035 percent of the variances. As usual, each successive factor accounts for less and less variance. The extraction sums of squared loadings were computed to explain the explanatory power of factor by the values based on the common variance, which is smaller than the total variance.
- The variables reflecting the importance of the issues influencing the decision making of the customers have been rearranged by the factors obtained for the purpose of analysis. The variable with the strongest association to the underlying Factor 1 was a sanctioning time of loan with a factor loading of 0.80. Similarly, the variables leading highly onto Factor 1 were processing fees, interest rate of the loan, EMI system of the loan, behavior of the sales personnel, and post-purchase banker's behavior. Factor 1 encapsulating six variables as mentioned above was named as housing loan strategy. In the same way, Factor 2 was renamed as the attractiveness of the financial institution and rest of the factors were also given specific names depending on the nature of the variables encapsulated in each factor.
- After having identified the elements constituting each factor, the internal consistency of the variables constituting each factor was examined with the help of the Cronbach's alpha.

- There were several factors that were considered to be important in making decision about the selection of financial institutions. The factors influencing the customers in selecting a financial institution were attractiveness of financial institutions, credit management, customer services, Home Loan Schemes, and Loan Sanctioning and Disbursement. All the customers, however, did not view the set of variables uniformly. The perception of the customers about the importance of the factors varied from one customer to another. Issues responsible for the variation in the perception of the factors responsible for selection of the financial institution for taking loan.
- Some factors may appear to be attractive to the customers. The variables constituting the term institutional attractiveness include the location of the financial institution, the attractiveness of promotional efforts, terms of the loan agreement, and influence strategy. Based on the interrelated of the variables constituting the term attractiveness of a financial institution and experiences in other countries, a composite index for measuring the attractiveness of a financial institution score was estimated with the four variables as mentioned above. Variations in the attractiveness of a financial institution score were assumed to be the function of age, marital status, family size, education, occupation, income per month and life-cycle. The following paragraphs focus on the relationship between institutional attractiveness score and a set of independent variables influencing perceived score.
- The term home loan management consists of 5 elements, viz. System of the Loan, Loan Agreement Home Loan, Post Purchase Bankers Behavior and Loan Recovery System of FI. The internal consistency of the items constituting the term home loan management measured by Cronbach's Alpha was estimated at 0.691. Given the same environmental factors for all the clients, the score on home loan management varied from one client to another. In identifying the factors responsible for choice of bank, Mittal discussed about the demographic profile of the customers and their choice of a particular type of bank. As observed by him, age, occupation and education significantly influence the customer's choice for a particular type of bank. The score on housing loan strategy reflects the perceived importance of the customers in making selection of a financial institution.

Variables responsible for variations in the score on home loan management were found to be age, education, life cycle.

- The customer expects higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction levels. Borrowers ordinarily compare all the different services provided by different financial institutions and select the best one. The term customer services consists of 3 elements, viz. Behavior of the Promotion Personnel, Customer Care of FI and Behavior of the Sales Personnel. The internal consistency of the items constituting the term customer services measured by Cronbach's Alpha was estimated at 0.779. Given the same environmental factors for all the clients, the score on customer services varied from one client to another. Variables responsible for variations in the score on customer services were assumed to be age, education, life cycle etc. In assessing the strength of association between customer service score and independent variables, the contingency coefficient was used.
- The term home loan scheme consists of 4 elements, viz. products offered, interest rate of the loan, processing fees and procedure of the loan. The internal consistency of the items constituting the term home loan scheme measured by Cronbach's Alpha was estimated at 0.632. Given the same environmental factors for all the clients, the score on home loan scheme varied from one client to another. In identifying the factors responsible for choice of bank, Mittal discussed about the influence of demographic profile of the customers and their choice of a bank. Variables responsible for variations in the score on home loan scheme were assumed to be age, education, life cycle etc. The study revealed that the score on home loan scheme was influenced by demographic variables in varying degrees.
- Some factors may appear to be attractive to the customers. The variables constituting the term loan sanctioning and disbursement system include the Sanctioning Time of Loan, Loan Sanctioning System of FI and Loan Disbursement System of FI. Based on the interrelated of the variables constituting the term loan sanctioning and disbursement system of a financial institution and experiences in other countries, a composite index for

measuring the attractiveness of a financial institution score was estimated with the four variables as mentioned above. Variations in the loan sanctioning and disbursement system of a financial institution score were assumed to be the function of age, marital status, family size, education, occupation, income per month and life-cycle. These factors were found to have influenced the relationship between term loan sanctioning and disbursement system of a financial institution.

- The indicators used include home loan sanctioned, cumulative loan sanctioned, sanctioned housing units, loan disbursed, recoverable loan, loan recovery, default loan, The study reveals that the housing finance has witnessed phenomenal growth during the last ten years. There has been expansion and improvement in the housing finance market by way of various financial reforms; however, the housing loans as a percentage of GDP have remained at around 4.02%, significantly lower than the levels achieved in most of the developed countries. It indicates the extent of opportunity for deeper penetration of such market. With improving demographics and economies of scale, the mortgage to GDP ratio is likely to increase. The analysis of housing finance data clearly shows that the private sector bank had higher growth performance in housing finance than the public-sector banks.
- The overall effectiveness of the home loan program was assessed in terms of some prime indicators. The indicators used in measuring the effectiveness level included growth rate of home loans, annual home loan disbursement, the status of home loan recovery and the status of home loan overdue. The review of the above-mentioned parameters reflecting the performance of home loan programs at the national level indicates that all the selected parameters demonstrated rising trend. The analysis of each of the parameters has been done on the basis of growth rate and average annual rate of increase of each parameter.
- In assessing the sector wise performance of home loan programs, the indicators reflecting the performance were loan outstanding, loan disbursement, loan recovery and loan overdue. Review of the performance of the home loan program indicators reveals that, the share of the private sector institution has been found to increase over the period under

review. The rate of increase of home loan outstanding during the said period was estimated with the help of the regression equation- Comparative Analysis of the rate of increase of home loan outstanding reveals that the rate of increase was higher in the private sector than that of the public sector.

- Both private and public sector demonstrated rising trend of disbursement of home loan during the period under review. The comparative study of the average amount of home loan in the private and public sector indicated that yearly average of home loan disbursement in the private sector was ten times higher than that of the public sector. The average amount of home loan disbursement by the public sector during the said period was Tk.10,256 crore while the same in the private sector Tk.1,05,191 crore.
- The recovery status of a financial institution at a given period of time reflects the effectiveness level of the home loan program. The growth rate of recovery of home loan in the private sector was estimated at 33.83%, while the same was in the public sector was 47.75%.
- Managerial effectiveness of home loan program was assessed by reviewing the status of overdue of home loan. The less the overdue amount the better the management. The average amount of the overdue home loan was in the public sector was estimated at Tk. 37,443 crore, which was 42.70% of the outstanding loan of the said sector during the period 2004/05-2014/15. The same in the private sector was estimated at Tk. 16,408 crore, which constitutes 28.02% of the outstanding loan of the same period. The growth rate of home loan overdue of the private and public sector was 27.11% and 33.75% respectively. The growth rate of the home loan overdue has however, been higher in the private sector than that of the public sector. This situation leads one to suggest that private sector requires to be more careful about the loan management process.
- Various types of financial institutions offer home loan in various degrees. The types of institutions engaged in offering home loans mainly include specialized financial institutions for home loan, commercial banks, Grameen bank and Non-banking financial

institutions (NBFI). The specialized financial institution for offering home loan is Bangladesh House Building Finance Corporation (BHBFC), Delta BRAC housing (DBH) and National housing finance (NHF). The categories of concerned financial institutions offering home loans are State commercial bank (SCBs), Private commercial bank (PCBs) and Foreign commercial bank (FCBs).

- In analysis of performance in home loan programs reveals that performance of each type of institutions varied from time to time. In 2004/05, the highest amount of home loan given by commercial bank (57.95%) followed by specialized home loan provider (39.17%) and others (1.04%). The proportion of home loan provided by commercial banks has been found to increase during the period under review.
- The reason behind declining trend of the relative proportion of home loan provided by specialized financial institution was that they concentrated their activities only in the major cities while the operations of commercial banks and other institutions were extended in all areas of Bangladesh.
- Analysis of the growth rates of outstanding home loan provided by different categories of institutions during the period 2004/05-2014/15 reveals that the highest growth rate of home loan was observed in NBFI (31.54%) followed by PCBs (23.87%), DBH (20.35%), SCBs (13.66%), NHF (5.77%) and FCBs (4.3%). The lowest growth rate was observed in BHBFC was (.096%). The negative rate of growth of home loan was observed in Grameen bank (-24.95%). Both public and private sectors are involved in providing financial assistance to end borrower for constructing or procuring apartments.
- Despite the operation of the organization for more than 6 decades in the area of house building finance, the organization is yet to systematize the records of its performance parameters. Based on the available data the performance of the corporation has been measured using some indicators. The indicators used in the study include: number of loan sanctioned, annual loan disbursement, total number of housing units constructed, recoverable amount, percentage of loan recovery, percentage of classified loan, net profit before tax and the profitability ratio.

- The average amount of loan disbursement per year during the period 2005-06 was estimated at Tk.26047.3 lacs. The year to year variation measured by standard deviation was estimated at Tk.9689.90 lacs. The loan disbursement pattern is indicative of the fact that the organization could not maintain consistency in disbursing sanctioned loan.
- Analysis of the trend in the total housing units which can be constructed in a given year indicates that there was a downward trend. The downward trend in the number of housing units constructed might be due to price hike, scarcity of land, declining demand due to price hike, price hike of construction materials, and lack of adequate funds for house construction. It has also been observed that the effective monitoring and evaluation system of the loan is yet to developed in the organization.
- Loan outstanding reflects the total amount of home loan due by the financial institutions. This is indicative of loan remaining outstanding at a given period of time. The amount of outstanding home loan in the period (2006-07) was estimated at Tk. 251,644 lacs which increased in the period (2015-16) to Tk. 300,550 lacs. The average annual compound rate of growth of the cumulative outstanding home loan was estimated at 2.04%. In assessing the rate of increase of total outstanding home loan in response to time, trend equation was computed.
- Unclassified loans are the proportion of outstanding loans that the bank believe that the borrower repay the loan. The effectiveness level of the home loan program can be assessed by its proportion of unclassified loan. The average amount of unclassified loan by BHBFC during the period 2007/08- 2015/16 was estimated at Tk.237,034lacs. The year to year variations in unclassified loan was estimated at Tk.31,575 lacs. The average annual compound rate of growth of the unclassified home loan was estimated at 3.48%.
- Classified loans are the proportion of outstanding loans that the bank believe that the borrower will not repay the principal amount of loan as well as interest payment. A financial institution estimates or compute classified loan as a safety measure to mitigate a possible loss and to prevent any further risk. The average amount of classified loan per

year during the period 2006-07 to 2015-16 was estimated at Tk.31,361 lacs. The year to year variation measured by standard deviation was estimated at Tk.8,525.7 lacs. The average annual compound rate of growth of the classified home loan was estimated at -6.95%.

- The most important indicator and a key concern in the financial sector is the ratio of non-performing loans (NPLs) to total loans. A high level of non-performing loan, a sign of financial distress of financial institutions. The average of the non performing home loan ratio was estimated at 11.98% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 4.02%. The average annual compound rate of growth of the NPL ratio loan was estimated at -8.55%.
- Bangladesh House Building Finance Corporation (BHBFC) never counted any loss since its inception but there is a steady growth in the amount of Net Profit after Tax. The average amount of profit after tax by BHBFC during the period 2007/08- 2015/16 was estimated at Tk.8,802.7lacs. Inter-year variations in net profit after tax measured by the standard deviation was estimated at Tk.1,888.17 lacs. The average annual compound growth rate of net profit after tax in BHBFC brought under the purview of the study was estimated at 16.30 percent during the same period.
- An organization's profitability in relation to its total assets is measured by its return on assets (ROA). It gives idea to stakeholders how efficiently managers of the company are using their asset to generate income. Return on assets is computed as a percentage and its calculated as: $ROA = \text{Net Income} / \text{Total Assets}$. The average rate of the Return on assets (ROA) of BHBFC was estimated at 2.66% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 0.62%. The average annual compound rate of growth of the ROA shows a downward trend was estimated at -1.37%.
- The capability of a firm to generate profits from its shareholder's contribution computed by ROE. It is a profitability ratio and a measure of financial performance to figure out how many dollars of profit a company generates with each dollar of shareholders' equity. The highest ROE was found during the period 2007/08, (8.32%) and the lowest during the

period 2015/16, (4.06%). The average of ROE was estimated at 5.72% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 1.49%. The average annual compound rate of growth of the ROE was estimated at -5.87% a downward trend.

- Employment generation is viewed to be one of the important indicators reflecting the success status of an organization. Analysis of the employee strength in BHBFC reveals that the employee strength increased to 586 highest in the year 2011/12 as against the base year figure of employee strength of 452 in the year 2006/07. The average number of employees during the period 2006-07 to 2015-16 was estimated at 490. The year to year variation measured by standard deviation was estimated at 71. The average annual compound rate of growth of the number of employee was estimated at 2.93%.
- DBH is the pioneer of private sector housing finance in Bangladesh started its business operation in 1997 with the mission to strengthen the society of the country by continually expanding home ownership. The company has registered commendable growth in creating home ownership among more than 23,000 families in Dhaka and other major cities of the country. The company has been playing an active role in promoting the real estate sector to the large cross sections of prospective clients who had but yet unfulfilled dream of owning a sweet home. DBH has been achieved the highest 'AAA' credit rating for thirteen consecutive years among all Banks and Financial Institutions of Bangladesh. DBH, the specialist in housing finance, has earned the trust of thousands of customers through some salient features of its Home Loan product.
- The performance of DBH has been measured using the following indicators i.e. number of loan sanctioned, annual loan disbursement, total number of housing units constructed, recoverable amount, percentage of loan recovery, percentage of classified loan, net profit before tax and the profitability ratio.
- The final outcome of the loan sanctioning process is the disbursement of the loan sanctioned to the borrower. The amount of home loan disbursed during a given period of time is viewed to be key indicators reflecting the growth of home loans. The growth rate

of the amount of home loan disbursed at DBH was estimated at 18.78% during the period 2006/07 to 2015/16. The average amount of loan disbursement per year during the period 2005/06 to 2015/16 was estimated at Tk.62,935.0 lacs. The year-to-year variation measured by standard deviation was estimated at Tk.23413.5 lacs.

- The amount of outstanding home loan in the period (2006-07) was estimated at Tk. 74,000 lacs which increased in the period (2015-16) to Tk. 3,34,000 lacs. i.e. the amount of outstanding home loan increased by 4.51 times. The increase in the amount of outstanding home loan is indicative of the fact that there is a rising trend in the amount of outstanding home loan, which has been possible due to the increase in the amount of loan disbursement.
- The average amount of unclassified loan by DBH during the period 2008/09- 2015/16 was estimated at Tk.240,143lacs. The year to year variations in unclassified loan was estimated at Tk.62,914.70 lacs. The average annual compound rate of growth of the unclassified home loan was estimated at 13.80%. The rate of increase of unclassified loan was estimated with the help of regression equation, which is statistically significant at 0.001 level.
- The average amount of classified loan per year during the period 2008-09 to 2015-16 was estimated at Tk.4,80 lacs. The year to year variation measured by standard deviation was estimated at Tk.391.52 lacs. The average annual compound rate of growth of the classified home loan was estimated at 57.39%.
- DBH has been successful to restrain the increase to a minimum NPL ratio, the best figure in the financial industry. The average of the non performing home loan ratio was estimated at .20% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 0.08%. The average annual compound rate of growth of the NPL ratio loan was estimated at 12.53%.
- The amount of net profit after tax of DBH during the period (2004-05) was Tk. 1,340 lacs which increased in the period (2015-16) to Tk. 7,860lacs.The average amount of profit after tax by DBH during the period 2007/08- 2015/16 was estimated at Tk.4,363 lacs. Inter-year variations in net profit after tax measured by the standard deviation was

estimated at Tk.2220.70 lacs. The average annual compound growth rate of net profit after tax in DBH brought under the purview of the study was estimated at 23.64 percent during the same period. The explanatory power of the trend equation measured in terms of R^2 was estimated at 0.011.

- The highest ROE was found during the period 2010/11, (34.40%) and the lowest during the period 2007/08, (20.93%). The average of ROE was estimated at 24.32% during the period 2006/07-2015/16 and the year to year variations measured in terms of SD was 4.12%. The average annual compound rate of growth of the ROE was estimated at 2.83% an upward trend. The rate of increase of ROE was estimated with the help of regression equation, which is statistically significant at 0.00 level.
- Analysis of the employee strength in DBH reveals that the employee strength increased over a period of time. During the year 2006/07 number of employee was to 98 and it was increased to 227 in the year 2015/16. The average number of employee during the period 2006-07 to 2015-16 was estimated at 177. The year to year variation measured by standard deviation was estimated at 43.67. The average annual compound rate of growth of the number of employee was estimated at 10.57%. The rate of increase of number of employee in response to change in time the regression of the number of employee on time was estimated, which is statistically significant at 0.001 level.
- One of the important indicators reflecting effectiveness of home loan management is clientele satisfaction. Clientele satisfaction is the end outcome of the entire home loan management. The construct clientele satisfaction consists of 20 elements which includes interest rate of the loan amount, procedure of the home loan, processing fees of the home loan, sanctioning time of loan, location of the financial institution, attractiveness of the promotions/advertisement of the institution, behavior of the promotion personnel, customer care of the financial institution, repayment system of the loan etc. The satisfaction level on each of the elements was measured using 5 point Likert type of scale. In order to assess the internal consistency of elements constituting the construct clientele satisfaction, Cronbach alpha was used. The Cronbach alpha of the construct clientele satisfaction was estimated at 0.789.

- In assessing the relationship between the clientele satisfaction and set of socioeconomic and demographic profiles of respondents, cross tabulation was done. The relationship between clientele satisfaction and each of the independent variables was assessed with the help of nonparametric statistics. The average clientele satisfaction score was estimated at 64.73 and inter respondent variation in clientele satisfaction score measured by standard deviation was 8.89. Clientele Satisfaction score was assumed to vary with variations in age, gender, occupation, marital status, education level, nature of family, family size and life cycle.

7.2 Recommendations

The policy implications that follow from the study include the following:

1. In facilitating the low and middle-income groups, particularly people working in the government or autonomous bodies, the present provision of collateral needs to be modified. The proposed apartment or the status of being employed may be used as collateral or indicator of credit worthiness.
2. Measures for assisting potential borrowers to make purchase decision combined with loan decision both developers and bankers may prepare brochure detailing payment schedule and break-up of interest and principal.
3. In easing the problem of assessing the creditworthiness of a borrower, a standardized and accurate source of credit histories—such as public credit registries or private credit bureaus may be introduced. Specialized agencies may be promoted to build the credit histories of potential customers. One of source of assessing the payment behavior of customers, database of credit cards may be used.
4. Social media marketing may be used to reach the existing network in popularizing the home loan market. The real estate firms may use zip codes, professions, and other demographics to formulate a strategy to reach the target customers.
5. An effective legal framework to regulate various dimensions of real estate business is needed. In this regard, policy framework for a home loan and regulatory guidelines from Bangladesh Bank may help ease the problem of legal issues.
6. In order to overcome the problems of malpractices adopted by brokers, measures may taken to develop a code of conduct as well as professionalism. In this regard, a law may enacted to set up a regulatory body for implementing licensing system. This would facilitate regulating the activities of brokers combined with monitoring and control.

7. An auction market may be developed for buying and selling apartments. The promotion of an auction market may facilitate buyers, sellers and bankers to transact the business of apartments with no hassles.
8. As loan default and loan recovery are interrelated, the lengthy process and the hassles involved in the loan repayment dispute settlement needs to be simplified. The problem could be minimized if a special tribunal for settling home loan repayment disputes were set up. The easing of loan repayment dispute adjudication would encourage the financial institution to enhance the volume of home loans.
9. Some of the incentives that may positively impact home loan promotion include tax concession, reduced registration fees for transfer, reduced interest rate or institutional support, or refinancing by the central bank. For example, the home loan sector may develop if the government encourages apartment acquisition through refinancing by the central bank with a reduced interest rate. In addition, attempts may be made to mobilize funds from abroad at minimal interest to support the financial institutions for financing home loans through a refinancing facility.
10. Legal protection for the buyers regarding the particulars of the project's development, including the construction of buildings and apartments, along with specifications and details of internal and external development combined with compensatory provision for a delay in the handover of the flat may help promote housing market.
11. As the informal housing sector plays a vital role in providing accommodation to low-income people, and there is no specific policy framework, there is the need to formulate specific policy to regulate informal housing sector loan.
12. Both the Government and official private developers need to be engaged in bridging the housing supply and demand gap.

- 13.** In meeting the challenge of ensuring housing for all, the policy directives to develop housing development infrastructures need to be implemented.
- 14.** Government may take measures to provide serviced land at reasonable prices, helping create and promote housing financing institutions, increasing affordability for the disadvantaged and the low-income groups through providing credit, improving the existing housing stock alongside new housing; and preserving cultural heritage in new housing projects as well as ensuring the conservation of the natural environment.
- 15.** As Bangladesh House Building Finance Corporation (BHBFC) is the leading purveyor of institutional housing finance for different people, more fund for housing is needed to enhance the coverage of housing loans.
- 16.** The system of recovering loan may be made effective through strengthening adjudication system.
- 17.** There is the need to simplify the process of transfer of houses including foreclosure and land administration frameworks, registration procedures and costs, land and titling procedures, In this regard, the present system of government's computerization program of the titling and registration of property by computerizing land records management needs further intervention to make it customer friendly..

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APPENDIX

Structured Interview Schedule

MANAGEMENT OF HOME LOAN PROGRAMS IN THE DHAKA CITY AND ITS EFFECTIVENESS- CUSTOMERS' PERCEPTION

A. Demographic

1. Gender: Male/Female
2. Age:
3. Occupation

| | | |
|---------------------------------------|-----------------------------------|--|
| Professional <input type="checkbox"/> | Salaried <input type="checkbox"/> | Self Employed <input type="checkbox"/> |
|---------------------------------------|-----------------------------------|--|
4. Marital Status:

| | | |
|----------------------------------|------------------------------------|--------------------------------|
| Married <input type="checkbox"/> | Unmarried <input type="checkbox"/> | Other <input type="checkbox"/> |
|----------------------------------|------------------------------------|--------------------------------|
5. Life Cycle Stage- Tick in the relevant Stage

| | |
|---|--------------------------|
| Stage-I: Bachelorhood (Single) | <input type="checkbox"/> |
| Stage-II: Honeymooners (newly married couple no children) | <input type="checkbox"/> |
| Stage-III: Parenthood | <input type="checkbox"/> |
| Stage-IV: Post parenthood | <input type="checkbox"/> |
| Stage-V: Dissolution | <input type="checkbox"/> |
6. Education Level:

| | |
|-------------------------------|--------------------------|
| a. No formal education | <input type="checkbox"/> |
| b. Higher secondary education | <input type="checkbox"/> |
| c. Higher education | <input type="checkbox"/> |
| d. Professional | <input type="checkbox"/> |
| e. Others..... | <input type="checkbox"/> |
7. Nature of family:

| | |
|-----------------------------------|-------------------------------------|
| a. Joint <input type="checkbox"/> | b. Nuclear <input type="checkbox"/> |
|-----------------------------------|-------------------------------------|
8. Number of members in the family:.....

B. Economic

9. Family income per month

| | |
|---------------------|----------------|
| a. Personal | TK..... |
| b. Spouse | TK..... |
| c. Others | TK..... |
| Total | TK..... |
| Annual Total | TK..... |
10. Number of persons earning in the family:.....
11. Asset (other than your new apartment):

| | |
|------------------------------|------------|
| Buildings (Value in TK.....) | |
| Land (Value in TK.....) | Total..... |
12. Debts (other than your new apartment):

| | |
|--------------------|-------------------|
| Personal Loan..... | Vehicle Loan..... |
|--------------------|-------------------|

Agricultural Loan..... Private Loan..... Total.....

C. Clientele Perception and Housing Loan Decision

13. Please provide your opinion on the issues given below. Your opinion may be expressed in the following forms:

Scale

- 0 Not Important
- 1 Given Last Preference
- 2 Given minimum Consideration
- 3 Given due Consideration
- 4 Highly Considered
- 5 Very Important

| No | Issues | Scale |
|-----------|---|--------------|
| a. | Products offered by the financial institution | |
| b. | Interest rate of the Loan amount | |
| c. | Procedure of the Home Loan | |
| d. | Processing Fees of the home loan | |
| e. | Sanctioning time of Loan | |
| f. | Location of the financial institution | |
| g. | Attractiveness of the promotions/advertisement of the institution | |
| h. | Behavior of the promotion personnel | |
| i. | Customer care of the financial institution | |
| j. | Repayment system of the loan | |
| k. | Equated monthly installment (EMI) system of your Home loan | |
| l. | Loan agreement of your Home loan | |
| m. | Advertisement of Home loan provided by your financial institution | |
| n. | Behavior of the sales personnel | |
| o. | Post purchase banker's behavior | |
| P. | Influence strategy of the financial institution | |
| q. | Promotion strategy of the financial institution | |
| r. | Loan sanctioning system of the financial institution | |
| s. | Loan disbursement system of the financial institution | |
| t. | Loan recovery system of the financial institution | |

14. Sources of awareness for housing loan-Tick in the following sources

| SL. No | Sources | Please Tick |
|--------|---------------------------------|-------------|
| a. | TV advertisement | |
| b. | Newspaper advertisement | |
| c. | Magazine advertisement | |
| d. | Internet advertisement | |
| e. | Loan Mela | |
| f. | Previous borrower | |
| g. | Employer | |
| h. | Builder/Contractors | |
| i. | Institution officials | |
| j. | Friends and relatives | |
| k. | Agents | |
| l. | Direct contact with institution | |

15. The lender provides the client with written information about the terms of the loan before you sign it. Did you read all the information before you signed the loan contract?

i) Partially read ii) Read iii) Not read

If not read,

16. Why did you not read the information?

| SL. No | Reasons | Please Tick(√) |
|--------|---|----------------|
| a. | No opportunity was given | |
| b. | Did not know the importance of reading at that time | |
| c. | Posthumous fear of rejection, of loan | |
| d. | Large size of the agreement document | |
| e. | Poor in reading | |

17. How did the reading of the agreement affect your decision?

Led to in-depth discussion

Led to product shifting

Led to confirm the purchase decision

D. Post Purchase Behavior***Clientele Satisfaction Level-***

18. Please state your satisfaction level on the issues mentioned below. Your satisfaction level may be expressed in the following scale:

Scale

- 1 Highly Dissatisfied
 2 Dissatisfied
 3 Averagely Satisfied
 4 Satisfied
 5 Highly Satisfied

| No | Issues | Scale |
|----|---|-------|
| a. | Products offered by the financial institution | |
| b. | Interest rate of the Loan amount | |
| c. | Procedure of the Home Loan | |
| d. | Processing Fees of the home loan | |
| e. | Sanctioning time of Loan | |
| f. | Location of the financial institution | |
| g. | Attractiveness of the promotions/advertisement of the institution | |
| h. | Behavior of the promotion personnel | |
| i. | Customer care of the financial institution | |
| j. | Repayment system of the loan | |
| k. | Equated monthly installment (EMI) system of your Home loan | |
| l. | Loan agreement of your Home loan | |
| m. | Advertisement of Home loan provided by your financial institution | |
| n. | Behavior of the sales personnel | |
| o. | Post purchase banker's behavior | |
| P. | Influence strategy of the financial institution | |
| q. | Promotion strategy of the financial institution | |
| r. | Loan sanctioning system of the financial institution | |
| s. | Loan disbursement system of the financial institution | |
| t. | Loan recovery system of the financial institution | |

19. Mention your repayment behavior

a. Regular b. Occasional Defaulter c. Defaulter

20. Please state, how important is regular payment of the installment due-

Very Important Important Somewhat Important
 Not Important

21. Have you ever paid the penalty for defaulting? Yes No

22. Reasons for default-

| SL. No | Reasons | Please Tick(√) |
|--------|---------------------------------------|----------------|
| a. | Unforeseen expenditure | |
| b. | Loss of job | |
| c. | Delay in sanctioning | |
| d. | Lack of customer orientation | |
| e. | Delay in disbursement | |
| f. | Interest rates | |
| g. | Mode of repayment | |
| h. | Lack of customer care | |
| i. | Unsuitable repayment period | |
| j. | High EMI | |
| k. | Higher down payment | |
| l. | Release of installment | |
| m. | Inadequate loan amount | |
| n. | Increase in health care/medical bills | |
| o. | Cumbersome formalities | |

23. Have you ever foreclosed your housing loan?

Yes No

24. What is the reason for foreclosing the loan?

| SL. No | Reasons | Please Tick(√) |
|--------|--|----------------|
| a. | Increase in interest rate | |
| b. | Reduction in debt burden | |
| c. | A sense of discomfort in paying EMIs | |
| d. | Receipt of assets/wealth from the ancestral properties | |
| e. | Dissonance with institutional attitude/behavior | |
| f. | Others | |

26. Specify the stage at which you have encountered more problems:

- a. Application stage b. Screening stage c. Sanctioning stage
d. Disbursement stage e. Repayment stage

27. Give suggestions to get maximum satisfaction from the institutions

.....