HOUSEHOLD FINANCE FOR SANITATION: LESSONS FROM INDIA*

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Affordability and lack of money are frequently reported as the most common reason why households do not have toilets.

Safe toilets require a significant outlay:
- Government recommended low-cost toilet in India cost around 20% of annual household income of rural microfinance clients.

Financing tools: subsidies and microfinance.

Research objectives:
1. Is microfinance effective in increasing toilet uptake and use?
2. Can microfinance make subsidy programs more effective?
Cluster randomized controlled trial of sanitation microfinance program in rural Maharashtra, India (81 communities)

- Loan of INR 15,000 (US$225) offered to existing clients of large microfinance institution, with lower interest rate than other business loans
- Loan labelled for sanitation

Around the same time (late 2014), Government of India introduced Swachh Bharat Mission

- One-off behaviour change activities
- One-off toilet construction subsidies of INR 12,000 for vulnerable households: 50% on digging pit, 50% on finishing construction
- Post-construction access to subsidies: need for bridge financing

Toilets constructed by households cost on average INR 26,000, so loan and subsidy covered part of cost
Close to 20% of clients took a sanitation loan; almost all repaid on time
FINDINGS – IMPACTS ON TOILET TAKE-UP

- Increase in any toilet take-up of 9 percentage points
- Few loans used for toilet repairs or upgrades
- Up to 50% of loans were not used for sanitation investments
FINDINGS – OPEN DEFECATION

![Chart showing findings on open defecation]

- OD - some HH members
- OD - all HH members

- Control
- Treatment

(N = 1586) (N = 1253)

Significance: ***
FINDINGS – HETEROGENEITY BY SUBSIDY ELIGIBILITY

- 22% of subsidy ineligible took a sanitation loan → 20ppt increase in toilet adoption (over control)
- 17.6% of subsidy eligible took a sanitation loan → 8 ppt increase in toilet adoption
  - Low conversion possibly due to delays in subsidy receipt, and need for complementary financing
Sanitation loan program increased sanitation investments among clients of leading MFI

Very high repayment rates (>99%) → MFI broke even and probably made a profit

MFI has strict lending criteria and incentives for repayment

Sanitation loan program made Swachh Bharat Mission more effective
THANK YOU

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