Life and Debt
Assessing Indebtedness and Socio-economic Conditions of Conflict Affected Housing Beneficiaries in Jaffna, Kilinochchi and Mullaitivu Districts

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June 2014
Study Series No. 7
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A Publication of the Centre for Poverty Analysis (CEPA)

June 2014

Study Series No 7 – 2014

Study Commissioned by the Swiss Development Cooperation (SDC)
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The **Centre for Poverty Analysis (CEPA)** is an independent, Sri Lankan think-tank promoting a better understanding of poverty-related development issues. CEPA believes that poverty is an injustice that should be overcome and that overcoming poverty involves changing policies and practices nationally and internationally, as well as working with people in poverty. At CEPA our emphasis is on providing independent analysis, capacity building of development actors, and seeking opportunities for policy influence. We are influenced by a strong orientation towards service provision that is grounded in sound empirical evidence while responding to the needs of the market. CEPA maintains this market orientation through client requests, while pursuing a parallel independent research agenda based on five broad thematic areas: post conflict development, vulnerability, migration, infrastructure and the environment. Ultimately, CEPA strives to contribute to influencing poverty-related development policy at national, regional, sectoral, programme and project levels.
Acknowledgements

The Centre for Poverty Analysis (CEPA) would like to thank the Swiss Agency for Development Cooperation (SDC) for supporting the research study that led to this publication. The study was managed by K. Romeshun, with the assistance from Dr. Vagisha Gunasekara and Mohamed Munas.

This study was made possible by the support of local government officials in Jaffna, Mullaitivu and Kilinochchi districts, the staff of SDC Head Office in Colombo and the staff of SDC field offices in the Northern Province of Sri Lanka. Without their dedication, support and advice this study would not have been possible. Acknowledgement is also due to the enumerators that helped the CEPA team carry out the surveys and the interviews. This report also benefitted from insights of many individuals, including bank officials in the three districts, UN Habitat officials - both in Colombo as well as in the North and Mr. Justin Mohan, First Secretary (Development Cooperation), High Commission of India.

Thanks are also due to the reviewers of this report - Jean Michel Jordan, Director of Cooperation (SDC), Lars Buchler, Deputy Director of Cooperation (SDC) and Nimmi Ariyaratne, National Programme Officer (SDC) as well as Ms. Priyanthi Fernando, Executive Director (CEPA) and Dr. Geetha Mayadunne, Senior Research Professional (CEPA). Gratitude is also due to the editor of this report and the accompanying online publication, Life and Debt: Assessing the Indebtedness and Socio-economic Conditions of Conflict Affected Housing Beneficiaries in Jaffna, Kilinochchi and Mullaitivu Districts – Roshni Alles (Editor, CEPA).

CEPA wishes to also thank the enumerators, M Amalarani, A Anuraj, G Gopiraj, S Karthika, N Lakshanneethirajah, Luthepa Namasivayam, R Nigash, U Prashanthini, S Sasigowry, Sivaranjini Sanmugam, N Sivaruban, M Suganthakumar and S Vigitharan. Their long hours both in the field and then in data entry and their management by CEPA’s Basith Inadeen enabled us to complete data collection within the planned time.

Most importantly, CEPA would like to thank all members of the 347 beneficiary households that provided information about rebuilding their homes and their lives after the war in Sri Lanka. This report is dedicated to these families and others that are recovering from the wounds of war. It is hoped that the findings of this study will be effectively utilised by relevant officials – in government and in donor organisations – to improve development interventions and create an enabling environment for individuals and communities to build a prosperous future together.
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List of Abbreviations

DCS - Department of Census and Statistics
DS - Divisional Secretary
GND - Grama Niladhari Division
HIES - Household Income and Expenditure Survey
ODHA - Owner Driven Housing Assistance
SDC - Swiss Agency for Development and Cooperation
CEPA - Centre for Poverty Analysis
Executive Summary

A number of donors as well as government authorities are assisting the construction of permanent shelter for people returning to their area of permanent residence in the North of Sri Lanka\(^1\). While this is a commendable initiative that lays the foundation for rebuilding a safe and secure environment for their lives after war, an evaluation of housing programmes as well as recent reviews and news articles highlight a worrying observation - increasing debt amongst returning families in general and the housing beneficiaries in particular, and the inability of the returnees to manage their lives after resettlement. These are unsettling observations that must be closely examined so that measures to avoid such unfavourable situations can be taken in the future by development practitioners and policymakers.

The purpose of this study is to understand whether the owner driven housing support scheme increases indebtedness of beneficiary households and whether such high levels of indebtedness increases the vulnerability of the beneficiary households. The study method consists of a quantitative survey of 347 households in the Districts of Jaffna, Kilinochchi and Mullaitivu, followed by a qualitative study to further understand and triangulate the information gathered from the quantitative survey.

This study reveals that 86% of all surveyed households are currently indebted. The average amount of debt per household was LKR 152,489. A comparison of the three districts that were subjected to this research indicates that Jaffna has the highest level of average household debt (LKR 255,294 per household - almost 80% higher than per household debt in Kilinochchi and approximately 57% higher than per household debt in Mullaitivu). Households borrowed for a variety of purposes, but borrowing for livelihoods and housing construction emerged as the top two reasons.

The findings of this research indicate that owner-driven housing is not guilty as charged as the driver of household debt; it is more of a catalyst rather than a cause of indebtedness in the households surveyed in this study as indebtedness of households precedes the construction process. Although in theory, the provision of a housing grant (that has been deemed sufficient for the type of house prescribed by the government authorities) should not result in a beneficiary borrowing for construction, the findings of this study disprove this assumption as beneficiaries have in fact borrowed funds to supplement the construction of their houses. Housing construction related debt, however, can be attributed to both avoidable and unavoidable costs (i.e. the impact of inflation on building material, increasing labour costs due to the shortage of construction labour) related to the construction process.

The avoidable costs were due to beneficiaries' aspirations of building bigger houses and structures with features that differed from the prescribed. Housing beneficiaries preferred bigger houses based on cultural factors such as vaasthu and to fulfill the desire to elevate the family's social status by owning a larger and a beautiful home. The analysis of completed houses reveals that households that adhered (comparatively speaking) to the standard design spent (on average) an additional LKR 210,000, whereas those that did not conform to the standards spent an additional LKR 352,000. The maximum additional cost spent on completed houses was LKR 1,000,000. Given the finding that even those households that

\(^1\) According to the Ministry of Resettlement, Sri Lanka, a total of 505,082 internally displaced families have been resettled by March 31\(^{st}\), 2014, out of which 358,033 families have been resettled in the Jaffna, Kilinochchi and Mullaitivu districts.
conformed to the prescribed sizes made changes in the house features that cost more, a majority of the above averages can be attributed to costs that belong to the ‘avoidable’ category, though the exact percentages of avoidable and unavoidable costs were not calculated by this study.

Another factor that correlates with indebtedness is the lack of financial literacy and the poor management of grant money (and income in general) by the surveyed households. This issue invariably worsens the households’ debt situation as most households are not aware of loan interest rates or principal payments. In this sense, debt servicing is a pressing issue that demands the attention of the relevant authorities.

The findings of this study indicate a high level of vulnerability to poverty of the surveyed households due to the consequences owing to the three-decade war in Sri Lanka. The existence of a younger, unskilled, and relatively uneducated population poses serious challenges to individual and household earning potential that is clearly visible in the comparison of household expenditure and consumption between surveyed households and the general population of Sri Lanka\textsuperscript{2}. The most common form of income generation - engagement in casual labour, which does not guarantee a consistent income stream, is indicative of typical post-war conditions such as the lack of livelihood opportunities and individual capacity to rebuild a sustainable method of income generation. Livelihoods have not yet become stable in the post-war areas where the research was conducted. There is clear evidence to the lack of a sustainable income for families to contribute to savings.

According to this study the main reason for debtors failing to pay back their loans is insufficient income. 50% of all indebted households indicated inability to pay back their loans and 70% of them reported that the household income is insufficient to make any payments towards loans. Furthermore, households have reported borrowing for food-related expenses that indicate dire financial difficulty, where basic needs of families are not met with the existing income. Although not explored in this research, numerous anecdotal accounts of individual suicides due to extreme indebtedness (and the inability to repay loans) are indicative of a serious social problem to which the only solution remains the restoration of sustainable livelihoods and the creation of viable employment options for people of the Northern Province. As such, the lack of opportunities to engage in the productive economy (formal or informal) emerges as the main culprit of indebtedness.

The added costs of the housing construction process leave households no other option but to borrow funds from a wide array of banks that are eager to lend money. While the debate about whether restoring sustainable livelihoods should precede housing assistance is a “chicken and egg” situation, the self-perpetuating vicious cycle of indebtedness in the presence of an unstable income stream cannot be discounted. The recommendation stemming from this discussion is not necessarily that donors of owner-driven housing attend to the restoration of livelihoods simultaneously with the construction process. Rather, the primacy that this study assigns to the creation of sustainable livelihoods should be taken up by the government (both national and local) and the private sector, with the help of donor organisations.

Additionally, it must be noted that some households are more vulnerable than others. For example, households that are female headed, or have one or more disabled members cannot be expected to

\textsuperscript{2} The average household income per month for Sri Lanka is LKR 46,207, but this statistic is LKR 19,707 for the surveyed households. Similarly, the average household expenditure per month for Sri Lanka is LKR 40,887, but this statistic is LKR 17,785 for the surveyed sample.
participate in owner-driven housing in a manner that is equal to those that are not as vulnerable. This study finds that female-headed households in particular struggle to contribute their labour to the housing process, a uniform expectation of implementers. As such, instead of using a “one-size-fits-all” method, housing assistance should tailor measures to address specific challenges of such vulnerable groups.

While the findings of this study indicate increased indebtedness that coincides with housing construction, it is important to note the gain in capital (owning a house), that occurs alongside the accumulation of debt. Although not explored by this study, it is important to understand how beneficiaries view their final ‘balance sheet’ – would they prefer debt with a house, or debt without an asset? It would be fair to assume that any ordinary citizen (regardless of conflict-affectedness) falls into debt when building a house. However, this assumption is tied to another assumption that the borrower will eventually repay the debt. The inability to pay back loans compromises not only the wellbeing of the family, but may eventually take away the capital gain itself (foreclosure homes). It is the latter that is the main matter of concern and one that is highlighted by the findings of this study. Having said that, it should be emphasised that this is a ‘cross-sectional’ study, where data was collected only during one period of time. The cross sectional nature allows us to get a snapshot of the ground reality only at the time of data collection. As such it is difficult to predict whether the respondents’ inability to repay the debt would change over time. However, the alleviation of housing beneficiaries’ debt burden is highly contingent upon the establishment of sustainable livelihoods that guarantee a steady income stream that would allow these families to fulfill basic needs as well as repay their debt.

The recommendations (for government authorities and donors) that are stemming from this study include technical approaches to solving issues related to the indebtedness of housing beneficiaries, context-specific approaches in addressing most vulnerable groups and a prescriptive policy measure that goes beyond housing reconstruction and applies to post-war development in general:

**Technical Recommendations**
- Encourage implementing agencies to discuss with beneficiaries ways in which additional costs of housing construction could be reduced;
- Advocate the construction of houses with room for expansion at a later time period;
- Allow the option of “joint-housing”.

**Context-specific Recommendations**
- Launch mandatory financial literacy and grant management programmes (in partnership with local banks) throughout the process of housing construction as prerequisites for receiving the grant installments;
- Tailor owner-driven housing assistance to households that are deemed ‘more vulnerable’ in comparison to others (i.e. female-headed households and households with one or more disabled members);
- Revisit the definition of “female-headed households” for the purpose of efficiency in the owner-driven housing process.

**Over-arching Recommendation for Post-war Stability**
- Consult government (both national and local), private sector and other development organisations about creating sustainable livelihoods, an initiative that should move in parallel to the construction process.
At a conceptual level, this study contributes to the discourse on participatory development interventions in post-war settings. This study implicates the importance of understanding the interconnectedness of post-war contextual challenges that demand holistic solutions which facilitate a sustainable post-war rehabilitation environment for the affected. While participatory development interventions (‘people’s processes’) such as Owner Driven Housing Assistance (ODHA) are undoubtedly a preferred alternative to strictly donor-driven, top-down decision making, balancing human aspirations (and resultant negative externalities - i.e. debt) and ensuring economic, political and social security for those recuperating from the wounds of war is a difficult tightrope walk for governments, donors, and other authorities that are assisting post-war reconstruction efforts. This study, while acknowledging that creating a stable and enabling environment for resettled families is a herculean task in a post-war setting, concludes by emphasising the importance of sustainable economic growth in the affected areas. The failure to create consistent income generation opportunities in post-war areas may leave an already vulnerable population in dire circumstances under which their health and wellbeing are under tremendous strain.
කාර්යීකරණය කළ මොකදම් අක්ෂය අංශය ඇතින් ඇතින් කළ අදාලය අද හෝ දැක්වා කළ අදාලය මෙහෙයි. මෙහෙයට නොයෙදි විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදාලයක් එකක් නොමැතිය හේතුවෙන් මෙම විශේෂ අදා Lahore, where the Teer event was held. The Teer event took place on 210,000, 310,000, and 300,000 rupees, out of which 210,000, 310,000, and 300,000 rupees were withdrawn from the accounts.
(ODHA)
கேரள மாநில தொல்பொருள் ஆய்வு அயல்ஸ், புனே என்ற நிறுவனத்தின் நிறுவனம் சேர்த்து புதுச்சூழல் மாநிலத்தினருக்கு என்னும் வித்தியாசத்திழையும் தொடர்பான ஒன்றுக்கொன்றின் தொடர்புகள் பற்றி அறிவித்தது. இக்கேரள மாநிலத் தொல்பொருள் ஆய்வு அயல்ஸ் புனே என்ற நிறுவனத்தின் நிறுவனம் சேர்த்து புதுச்சூழல் மாநிலத்தினருக்கு என்னும் வித்தியாசத்திழையும் தொடர்பான ஒன்றுக்கொன்றின் தொடர்புகள் பற்றி அறிவித்தது. இக்கேரள மாநிலத் தொல்பொருள் ஆய்வு அயல்ஸ் புனே என்ற நிறுவனத்தின் நிறுவனம் சேர்த்து புதுச்சூழல் மாநிலத்தினருக்கு என்னும் வித்தியாசத்திழையும் தொடர்பான ஒன்றுக்கொன்றின் தொடர்புகள் பற்றி அறிவித்தது.

கேரள மாநிலத்தின் புதுச்சூழல் மாநிலங்களின் விளையாட்டிற்கு முன்பாக கேரள மாநிலத் தொல்பொருள் ஆய்வு அயல்ஸ் புனே என்ற நிறுவனத்தின் நிறுவனம் சேர்த்து புதுச்சூழல் மாநிலத்தினருக்கு என்னும் வித்தியாசத்திழையும் தொடர்பான ஒன்றுக்கொன்றின் தொடர்புகள் பற்றி அறிவித்தது. இக்கேரள மாநிலத் தொல்பொருள் ஆய்வு அயல்ஸ் புனே என்ற நிறுவனத்தின் நிறுவனம் சேர்த்து புதுச்சூழல் மாநிலத்தினருக்கு என்னும் வித்தியாசத்திழையும் தொடர்பான ஒன்றுக்கொன்றின் தொடர்புகள் பற்றி அறிவித்தது.

1 இயல் 2014 ஆம் ஆண்டு மார்ச் மாதம் 31 ஏப்ரல் கோலோரியம் 505,082 என்று அகழ்விளையாட்டு நிறுவனக் கொள்கலன் புனே என்ற நிறுவனத்தின் நிறுவனம் சேர்த்து புதுச்சூழல் மாநில விளையாட்டிற்கு என்னும் வித்தியாசத்திழையும் தொடர்பான ஒன்றுக்கொன்றின் தொடர்புகள் பற்றி அறிவித்தது.

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நூற்றாண்டுக்கு பின் இரண்டாம் காலம் சுமார் ஆண்டுகளுக்கு முடியும் தொடர்பு கட்டுரை அதிகமாக வழங்கப்படும். இது என்று குறிப்பிட்டு இயற்கையியல் அகாலாசியாவின் நூற்றாண்டு சிற்றோட்டங்களின் மதிப்பை அறியும் ஆணையில் தொலைபற்றிய விளக்கம்கள் உள்ளன. அது முதலில் ஒன்றுக்கொன்று பெருக்கும் போது நல்ல ஒப்பிட்டு தொடர்பு கட்டுரை ஆனது. பாதிக்கும் செய்யலை முற்போக்க உயிரியல் விளக்குமுறையின் வல்ல கட்டுரை ஆகியவை கருதப்படுகின்றன. 2

2 வித்யாசாலயத்தில் தளத்தில் பாதுகாப்பு நேரத்தில் 46,207ஆண்டு. அதைவெளிப்படுத்தி முடியும் விளக்குமுறையினுள் பாதுகாப்பு நேரத்தில் ஊராட்சி முடியும் 19,707ஆண்டு. இரு விளக்குமுறையின் வித்யாசாலயத்தில் தளத்தில் பாதுகாப்பு நேரத்தில் 40,887ஆண்டு முடியும் பாதுகாப்பு நேரத்தில் ஊராட்சி முடியும் 17,785ஆண்டு. 
குறிப்பிட்டு முடிகிறது. பின்னர் ஆர்விகல்கள் பதிப்பிடுவதற்கு முன் நிருவகிகள் மெல்லிய தொடர்களை முடிக்கவும் பல்கலைக்கழகத்தின் கல்வியுருவானது எண்ணிக்கட்டு விளக்கம்.
நாமானவர் அண்முகத்திற்குள் உலகில் வாழ்ந்து விளங்குவதற்கு, அவர்களை எந்த பட்டியல்களை என்பது பாதையேக் கூறுவதன் பின்னர் பெண்களின் போட்டை நோக்கிய சமயில் தொடர்ந்து அதிகாரிகள் மீது எதிராராக ஒரு குறுக்கிய நோக்கில் விளங்கும் நோக்கில் விளங்கும்.
1. Introduction

The conflict in Sri Lanka ended in 2009. In addition to the damages to physical capital much damage also happened to housing stock. It is estimated that 143,268 houses were damaged, either partially or completely, in the Northern Province of Sri Lanka. A number of donors are assisting the Sri Lankan government by providing financial and technical support to rebuild these damaged houses. These are UN Organisations, bilateral donor organisations and foreign and local non-governmental organisations. These organisations together have committed to rebuild 46,047 households or 38 percent of the damaged houses. The largest commitment has been made by the Indian Housing Programme followed by the completed North and East Housing Reconstruction Programme funded by the World bank and the AusAid/ European Commission/ Swiss Agency for Development and Cooperation co-financed Support to Conflict-Affected Persons through Housing in Sri Lanka project. By 30th June 2013, 61 percent of the committed houses were completed.

A 2012 study on food security in the North and East of Sri Lanka finds that ongoing post-conflict resettlement and rehabilitation process is a factor of stress for many recent returnee families in the North. They report that the households are unable to generate sufficient income to cover the cost of reconstruction of their houses while simultaneously trying to secure livelihoods and generate a stable income. The lack of a consistent income stream poses insurmountable challenges to manage basic daily living expenses, resulting in high levels of borrowing and indebtedness among households. Recent evaluations of the housing programmes indicate that houses are built on time and to a high standard using an owner driven approach (ODA) and the beneficiary satisfaction was quite high. However, the indebtedness of the beneficiaries during the course of the housing programme is highlighted as a grave matter of concern. The evaluations report that families are struggling to repay the loans that they have taken due to low levels of household income. The effects of this have been curtailment of additional educational support to children, reduced intake of food and reduced participation of women in social gatherings due to mortgaging of jewellery. The evaluation recommends an assessment of the debt

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8 33 percent of the total committed
9 26 percent of the total committed
10 18 percent of the total committed
14 Ibid.
issue in combination with food security and income in late 2013\textsuperscript{15}, as findings from such an exercise will help development practitioners understand long-term impacts on the beneficiary families.

1.1. Rationale for the Study
The families living in the conflict affected Northern Province\textsuperscript{16} report the lowest levels of household and individual income\textsuperscript{17}. The Northern Districts also report lowest levels of income earners per household, but the largest household size. These make the population in the North a vulnerable population in relation to the rest of the country. In choosing beneficiaries for housing support, vulnerability is one of the selection criteria. Such vulnerable groups include families with three or more children; female-headed households, households without parents; household members with disabilities; having a family member in a detention camp; and low income levels\textsuperscript{18}.

The evaluation reports point to possibilities of the support for housing construction causing indebtedness amongst the supported households. The reported coping strategies adopted by the beneficiaries are, reduction of food diversity and curtailment of additional support to the children in education. Furthermore, insufficient disposable income and obligation to repay the loans, is likely to make the already vulnerable households even more vulnerable, which may, under extreme circumstances, lead to beneficiaries losing the supported house.

Hence, it is important to better understand the prevalence of debt amongst the beneficiaries and the impact of indebtedness on their socio-economic wellbeing. Learning that will be generated by this study can be productively utilised to advice on design of the housing programmes in general and Owner-Driven Housing Assistance in particular. The findings of this study will contribute to the body of evidence and the discourse on the effectiveness of “participatory” models of housing construction/reconstruction (in this case - ODHA) in a post-conflict situation.

1.2. Study Objective
The Owner Driven Housing Assistance (ODHA) requires each beneficiary family to contribute funds and labour towards the reconstruction of their house. There is limited knowledge on,

- How families are financing this co-contribution, what finance options they are using;
- Whether this additional expenditure for housing reconstruction has put beneficiary families of ODHA under a greater debt burden; and if so,
- How this will impact their socio-economic situation in the short and long term.

\textsuperscript{15} The evaluation assumes that by then grace periods for repayment of loans on borrowings would have passed.
\textsuperscript{16} The survey covered only Jaffna and Vavuniya Districts that were relatively less affected by the recent (2009) conflict in the Northern Province. Thus, it is likely that on inclusion of Mannar, Killinochchi and Mullaitivu Districts that bore the brunt of destruction during the final conflict period, the average incomes in the Northern Province will be even lower.
\textsuperscript{18} AETS and CARDNO (2012). Mid-term Evaluation of the Programme - Support to Conflict-Affected People through Housing in Sri Lanka.
Hence, the purpose of this study is to understand whether the contribution of ODHA households increase their vulnerability (by way of indebtedness).

The specific questions that the study attempts to answer are:

1. What is the socio-economic context of returnees in the three districts selected for this study?
2. In this context, what are the socio-economic conditions faced by ODHA beneficiaries?
   a. Among ODHA beneficiaries in the North, is there a relationship between 1) the type of livelihood and proportion of household indebtedness; 2) geographic location and proportion of household indebtedness; and 3) social vulnerability (especially in relation to single headed households and households with disabled members) and proportion of household indebtedness?
   b. What are the proportions and levels of indebtedness among ODA housing beneficiaries in comparison with the proportions and levels of indebtedness among recent returnees to the North from a similar socio-economic background?
   c. What are the major sources of income and expenditure, and causes of indebtedness among the two groups?
3. How are ODHA housing beneficiaries financing the portion of permanent shelter reconstruction costs that they must self-finance?
4. What are the financing options available to ODHA housing beneficiaries, and what are the most commonly used ones?
5. If a high debt burden is placed on beneficiaries of ODHA due to housing reconstruction expenses, which has negative repercussions on their socio-economic well being in the short and/or long term, what actions could donors and implementers of ODA in the North of Sri Lanka take to alleviate this situation?
2. Review of Literature

ODHA is considered the most empowering and dignified approach for constructing houses amongst reconstruction approaches (Jha, Barenstein, Phelps, & Sena, 2010). Caution however is expressed on the degree of assistance that more vulnerable sections of the community need for engaging in reconstruction and also that livelihood activities may reduce the spare time available to participate and supervise construction work (Barenstein, 2006a, Barenstein, 2006b). These factors are likely to have an impact on the financial situation of the household members either in the form of lost income due to engagement in construction work or increased cost due to insufficient management of the construction.

The countrywide Household Income and Expenditure Survey of the Department of Census and Statistics indicate that 62 percent of the surveyed households\textsuperscript{19} had borrowed from at least one source. The Centre for Poverty Analysis’s (CEPA) own survey based on a sample of 1,377 household in the Jaffna, Mannar and Trincomalee\textsuperscript{20} found that 69 percent of the surveyed households were in debt indicating that indebtedness is relatively higher in the conflict affected areas. Indebtedness by itself is not an issue, if the repayment of the capital and the interest can be made by the households on time. Delays or non-payment of installments (capital and interest) or payment of only the interest are indications that the household has borrowed beyond its capacity. As such, this study refers to a “debt problem” as a situation in which households are unable to repay borrowed funds.

2.1. Financial Behavior in post-2009 Northern Province

Society in the North of Sri Lanka, especially in the Jaffna Peninsula is known for its thrifty nature. Early documentation of the peninsula reports that the community seldom fails to save money regardless of their income (in comparison to the rest of the country) (Kairesu, 1905). However, a GTZ survey in 2009 indicates that the North and East are displaying a lower savings rate of 65 percent against the country average of 75 percent households which the report attributes to the experience of conflict (GTZ, 2010). There appears to be a widespread proliferation of financial services in the Northern Province since 2009 with branches of commercial and licensed specialised banks increasing by 25 percent between 2010 and 2011\textsuperscript{21}. In parallel, finance, pawning and leasing institutions have increased their network in the North creating competition in the provision of financial services. Whilst competition brings positive benefits to consumers on the basis of lower interest rates, studies which have been done in the microfinance industry indicate that it is also seen to result in issues ranging from deteriorating performance to customer over-indebtedness (Bauer & Meier, 2012).

\textsuperscript{19} Survey based on 19,958 households, with 34% pawning; 25% borrowing from banks; 16% retail shops; 9% from money lenders; 8% from Employer; 4% from Finance/leasing companies; 4% on non-consumer items on installment and 3% from others.


The default rate in the Northern Province for loans is assessed to be low or zero\textsuperscript{22} by banks. But narratives from individuals indicate that debt is an issue especially among those building houses and they are increasingly finding it difficult to make pay back loans that they have taken and may forgo their mortgaged items\textsuperscript{23}. Given this conflicting information it becomes necessary to understand the level of financial management capacity of the beneficiaries and whether psychological factors of procrastination, regret, risk aversion, compulsiveness, generosity, altruism and peer pressure also have an impact people financial decision.

Literature indicates that there are number of factors that need to be taken into consideration in understanding household debt. This include transaction costs, maturity period of the loans, liquidity constraints of the borrower, interest costs and from a risk perspective whether the interest costs are fixed/ variable, enforceability of repayment obligations by the lender and collateral requirements (Bertola & Hochguertel, 2007). An indication of financial stress on lower income households is the lower savings ratios and less collateral or financial reserves resulting in unfavourable borrowing terms (Boarini, R. and d’Ercole, M. M. 2006). In terms of financial management, this study would use the model that has been developed by (Hilgert & Hogarth, 2003) that looks at the connection between knowledge and behaviour in relation to the financial management activities of cash-flow management, credit management, savings and investment. Work by Funfgeld & Wang ( 2009) provides a basis for understanding the behavioural traits of people in dealing with financial decisions and hence the support that needs to be provided.

### 2.2. Impact of Indebtedness

Both short-term and the long-term vulnerabilities due to possible indebtedness also need to be understood for the purpose of developing solutions. For instance, women are found to be more stressed from their debt than men; and debt has an impact on health, family life and job performance indicating that debt also has to be studied from a social angle (Dunn & Mizaie, 2012). People who are coping with difficulties are observed to go through three stages. In the first instance, people try to preserve their assets, in the second stage asset depletion takes place, and the final stage leads to destitution (Corbett, 1988). For example, reducing the number of meals, postponing health-related procedures or doctor visits, borrowing from different sources to pay off loans and employing members of the household who previously did not contribute to household income (i.e. children) may occur during the first phase of coping with indebtedness (Young, 1992; Curtis, 1993; Kabeer, 1990). In the second stage, households have a tendency to sell productive and non-productive assets and some members of the households may even turn to committing crimes (i.e. theft) as a way of gaining access to money (ibid.). When households have exhausted ways to pay off their debts and secure livelihoods in their current location, they may be compelled to migrate to cities to engage in some form of income generation activity. Previous research suggest that migration to different locations, in desperation of earning an income and the overall stress that is created by indebtedness may end up in family breakups in the long term (ibid.). As such


indebtedness is a serious issue that has both short and long-term repercussions that harm the wellbeing of individuals, families and communities.

Although the existing body of literature has examined both the prevalence of indebtedness and its impact, the issue of debt and its impact in post-war contexts remain under-studied and under-theorised. This study aims to fill that gap in the knowledge by focusing on both the prevalence of indebtedness and its impact with a focus on post-war housing beneficiaries in the North of Sri Lanka. Post-war reconstruction involves a plethora of actors, both state and non-state, national and international that initiates and implements various reconstruction efforts. Findings of this study and related recommendations will provide valuable insights for post-war development policy and practice.
3. Methodology

Based on the review of literature, this research intends to pose four interrelated research questions:

1. What is the nature of the relationship between ODHA and indebtedness?
2. What is the socio-economic impact of increased debt among housing beneficiaries?
3. What are the reasons that drive beneficiary households to borrow funds for housing?
4. How and why do some beneficiary households experience vulnerability due to indebtedness?

Given this study's research questions it is appropriate for the methodology to include three components: a quantitative survey, triangulated by qualitative field research, and key person interviews. The quantitative survey will be designed to answer all four research questions, and the qualitative component will allow for in-depth exploration that is required by research questions 3 and 4. It is important to note that this is a 'cross-sectional' study, where data was collected only during one period of time. The cross-sectional nature allows us to get a snapshot of the ground reality at the time of data collection. However, we are unable to draw conclusions about the ways in which 'time' will play a role in alleviating the debt burdens and the vulnerability of households surveyed by CEPA. As such there is hesitation in making substantial claims about causality about what is driving household debt due to the cross-sectional nature of the study. This does not, however, mean we cannot examine causality in a loose sense. The implication of the cross-sectional nature of this study is that the findings are mainly correlational.

3.1 Quantitative Instrument

The initial quantitative instrument (Annex 1) was developed by reviewing literature and a two step pre-testing. While the literature review formed the basis of the quantitative survey instrument, post-war context specific questions (that were not covered by the literature) were also added in order to maintain relevance. The quantitative survey captured the following areas related to ODHA and debt:

- **Households' contribution (labour or funds) to housing construction**: As ODHA may impinge on time spent on livelihood activities, the survey posed questions about the labour contribution of beneficiary households. These factors are likely to have an impact on the financial situation of the householders either in the form of lost income due to engagement in construction work or increased cost due to insufficient management of the construction.

- **Indebtedness of households and their repayment behaviour**: as discussed earlier in Section 2, indebtedness by itself is not an issue, if the repayment of the capital and the interest can be made by the households on time. Delays/ non-payment of installments (capital and interest) or payment of only the interest are indications that the household has borrowed beyond its capacity.

- **Financial knowledge and literacy among beneficiary households**: given conflicting information about the loan default ratio in the Northern Province, it becomes necessary to understand the level of financial management capacity of the beneficiaries and whether psychological factors also have an impact on people financial decision. In terms of financial management, it is important to understand the knowledge and behaviour on financial management activities of cash-flow management, credit management, savings and investment (Hilgert & Hogarth, 2003).
• **Loan specifications**: Characteristics of loans such as transaction costs, maturity period of the loans, liquidity constraints of the borrower, interest costs and whether the interest costs are fixed/variable, enforceability of repayment obligations by the lender and collateral requirements (Bertola & Hochguertel, 2007) may have an effect on indebtedness.

• **Coping strategies of households**: People who are coping with difficulties are observed to go through three stages. In the first instance people try to preserve their assets, in the second stage asset depletion takes place, and the final stage leads to destitution (Corbett, 1988). As this is a cross-sectional study, the data collection instruments can only capture peoples’ vulnerabilities in the short-term.

The instrument was field tested by CEPA staff in Poonaharay in three (3) households on 31st October 2013, for sequencing, appropriateness and clarity. It was then pilot tested in Poonaharay in ten (10) households to test the questionnaire for clarity and time taken to administer the questionnaire; and the sampling method for its appropriateness. Input by the field employees of Swiss Agency for Development and Cooperation (SDC), the funder for this study; relevant government officials; and the respondents, also helped improve the field instrument.

### 3.2. Sampling process

To calculate the number of households to be surveyed, the total houses committed to be supported in the three study Districts of Kilinochchi, Mullaithivu and Jaffna were taken as the population (Table 1). The number of households to be sampled to provide results at 95 percent confidence level was determined to be 342 houses using the Australian National Statistical Service statistical calculator.

#### Table 1. Calculation of Houses to be Surveyed

<table>
<thead>
<tr>
<th>District</th>
<th>Total Damage</th>
<th>Total Committed</th>
<th>District Commitment as % of total (A)</th>
<th>Household to be surveyed in each District (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kilinochchi</td>
<td>34,445</td>
<td>16,517</td>
<td>41%</td>
<td>141</td>
</tr>
<tr>
<td>Mullaithivu</td>
<td>29,804</td>
<td>13,578</td>
<td>34%</td>
<td>116</td>
</tr>
<tr>
<td>Jaffna</td>
<td>39,308</td>
<td>10,031</td>
<td>25%</td>
<td>85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>103,557</strong></td>
<td><strong>40,126</strong></td>
<td><strong>100%</strong></td>
<td><strong>342</strong></td>
</tr>
</tbody>
</table>

Source: UNHABITAT, Progress Report 30th June 2013

To understand whether the housing programme was driving debt amongst the supported households, it is imperative to compare this group with a reference group that is similar in most other characteristics, but differ in housing construction. The ideal empirical method would be to randomly assign individuals to the housing scheme and then measure their level of debt. In the absence of such an experiment, we have to rely on other methods. As such, households that have fulfilled the selection criteria for ODHA and have been approved funding for housing assistance were chosen to be part of this quasi social experiment. The selection criteria for ODHA are:

- Whether or not the household is conflict affected

- Whether the family returned and permanently resettled in the village
- Whether the household has a formal right to the land
- Whether the household is *not* supported by similar actions by other housing agencies
- Whether members of the household are *not* employed by the government
- Whether the family is in possession of a house in another area

Households with one or more of following characteristics were chosen for “treatment group” and two-thirds of the households surveyed fell in to this category (Table 2). The characteristics of the “treatment group” are listed below (a household was classified as a treatment household if one or more of the criteria below was applicable to it):

- Started the construction of house and obtained external financial support for construction
- Received at least one (or more) installment(s) from the donor
- Completed the housing construction supported by a donor

Households with the following characteristics were chosen as the “control group” and one-third of the households surveyed fell in to this category

- Received notification/confirmation of donor support for construction or reconstruction of a house
- Have not started any construction related to household. In the event of commencement of construction, households should not have received any external financial support for construction (in the form of borrowing)

<table>
<thead>
<tr>
<th>Table 2. Surveyed Households</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>District</strong></td>
</tr>
<tr>
<td>Kilinochchi</td>
</tr>
<tr>
<td>Jaffna</td>
</tr>
<tr>
<td>Mullaitivu</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

At the Division level (DV), different areas within each district were selected to capture the variety of issues related to housing construction and implementation. The DS divisions were purposively selected by the study team based on the number of houses committed. Based on the statistics we received from the respective Districts, DS divisions were sorted for the number of new housings committed. DS divisions that had a high number of committed houses were chosen to pick treatment households and the DS divisions with high presence of 'not started' were chosen to pick control group households. As stated above, as a result of the dynamic nature of housing construction, it was not possible to classify a DS division as 'control' and 'treatment' but each DS division had a mix of control and treatment households. Grama Niladhari Divisions (GNDs) were also selected purposively. At least two GNDs were selected from each DS division based on the progress of the construction. As a strong effort was made to implement a random sampling method, houses constructed by donors other than SDC (that followed the same selection criteria for ODHA) also fell into the study sample.
A stratified random sampling method was used to select the treatment households. Stratified random sampling is a technique that groups members of the population into relatively homogenous subgroups before sampling. The strata should be mutually exclusive: every element in the population must be assigned to only one stratum. Households were stratified to capture variation in terms of stages of construction and the level of vulnerability (i.e. female headed households, households with at least one disabled member, households with elderly individuals that cannot contribute to income generation or ODHA). Households within these groups were randomly selected from the list provided by the implementing agencies and GNs. In the event that such a list could not be obtained from the implementers, houses were selected randomly to capture different types of donors and different stages of construction.

The field team encountered numerous challenges in locating the control household during the fieldwork. The lists provided by the implementing agencies became obsolete because of fast progress in the field. The study team came across several instances where households identified as control group in the list turned out to be a treatment household. In other areas the field team had to generate a list with the help of GN in order to identify the households. In certain occasions, the GN was unable to identify the households as s/he had very limited knowledge on the progress of construction work. Hence, a snowballing technique was adopted in order to identify control households; prior to the interview, a short conversation with every household on the progress of the construction process was initiated, on the basis of which the category (stage of construction) was determined.

3.3. The Qualitative Component

The qualitative component seeks to understand the underlying factors of household vulnerabilities in relation to their indebtedness.

The specific objectives of the qualitative study are:

- To understand why and how some households have become vulnerable due to debt repayment issues
- To understand why households borrow in order to supplement owner driven housing grants
- To understand the beneficiaries’ knowledge about borrowing

The study team felt that the study objectives and the particularly vulnerable and sensitive nature of the context and the people in the study sample warranted an approach which would enable prolonged interaction with the respondent households. However, given the time and resource constraints a mainstream ethnographic approach (the most appropriate method of data collection for this type of investigation) was not adopted; rather certain elements of emersion and participant observation that are integral to the ethnographic approach were integrated into the data collection process. The qualitative tools were:

- In-depth household interviews;
- Key Person Interviews; and
- Focus Group Discussions.

Among the three data collection techniques, in-depth household level interviews was the most commonly employed tool as it allowed to gain deep insights about certain issues that were flagged by the
quantitative survey. A majority of household in-depth interviews were carried out in the Mullaitivu district. Mullaitivu was purposively selected because of the complexity in terms of issues compared to other sites such as land issues, conflict affectedness, poverty and vulnerability. A considerable amount of information on the above issues was also gathered in Kilinochchi district as the pilot study was conducted in Poonahary DS division in Kilinochchi district. The field team’s experience during the quantitative data collection phase was that the interference of military personnel in the data collection process was lesser in Mullaitivu in comparison to Kilinochchi and Jaffna districts. In order to test whether the selected households in Mullaitivu were outliers or ‘special cases’, the research team took the following steps: 1) triangulated the information with beneficiaries in Kilinochchi in a Focus Group Discussion (FGD); and 2) carried out three in-depth household level interviews in Maruthankeni (Jaffna).

In Mullaitivu district, a sub-sample of 10 households was selected from the quantitative study sample in order to explore key issues flagged by the quantitative study. Limiting the number of households to 10, allowed the research team to spend sufficient time with each household which was crucial in gaining rapport, which in turn, helped with the genuineness of responses. Building rapport with respondents is crucial as the nature of issues explored were sensitive and personal. These households were purposively selected based on criteria that were necessary to obtain information required to achieve the objectives of this study. A household was selected using one or a combination of these criteria.

- Household vulnerability - Female headed households, households with disability, borrowing for food, number of dependents
- Severe coping strategies adopted during a food shortage
- Borrowing for construction
- Deviation from building standard house (prescribed by the implementing authorities)
4. Analysis

4.1 The General Socio-economic Context of Mullaitivu, Kilinochchi and Jaffna

Population

The average size of the surveyed household is 4.14. The female population is 49.1 percent in the sampled households differs slightly from the national average of 52% in Sri Lankan households\(^\text{25}\) and surveys in the North\(^\text{26}\).

Only 15 percent of the households reported that they were women-led which is lower than the reported women-headed households in national surveys (23%)\(^\text{27}\). This study found that the lower percentage of women-headed households in the sample was due to the surveyed households' identifying themselves as “women-headed” only in the absence of males in the family. Even the presence of a disabled male in the household that is not willing or able to take households decisions resulted in the family identifying itself as a “male-headed” household. This is in contrast with surveys in the rest of the country where women are identified as heads of households based on factors such as property ownership and contribution to the household income.

It is noteworthy that the surveyed sample is younger than the general population (Table 3 and Figure 1). The observation of this study is that the head of households are also younger than the national average and this contextual factor combined with lower levels of educational attainment (Table 6) is likely to have a negative effect on the household's income generation potential\(^\text{28}\) which in turn may increase the propensity of a household to borrow funds for consumption and other purposes.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Survey</th>
<th>Sri Lanka</th>
<th>Jaffna</th>
<th>Mannar</th>
<th>Vavuniya</th>
<th>Mullaitivu</th>
<th>Kilinochchi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 15 years</td>
<td>33%</td>
<td>26%</td>
<td>25%</td>
<td>29%</td>
<td>28%</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>15 - 59 Years</td>
<td>60%</td>
<td>62%</td>
<td>61%</td>
<td>63%</td>
<td>63%</td>
<td>61%</td>
<td>58%</td>
</tr>
<tr>
<td>60 years and over</td>
<td>7%</td>
<td>12%</td>
<td>14%</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Survey and Census of Population and Housing – 2012


Table 4. Population by Age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Male</th>
<th>Female</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 25</td>
<td>5.4%</td>
<td>5.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>25-39</td>
<td>41.4%</td>
<td>36.5%</td>
<td>22.0%</td>
</tr>
<tr>
<td>40-59</td>
<td>37.6%</td>
<td>44.2%</td>
<td>48.6%</td>
</tr>
<tr>
<td>60</td>
<td>15.6%</td>
<td>13.5%</td>
<td>28.0%</td>
</tr>
</tbody>
</table>

Source: Survey and Census of Population and Housing – 2012

Figure 1. Population Pyramid – Surveyed Households vs. DCS Survey

Education

In the sample, only 18 (4.4 percent) children that are of school-going age are not attending school and this observation is comparable to national average (Table 5). Disabilities (both physical and mental), poor academic progress, the proximity between schools and residence, are financial issues are contributing factors to this situation. School attendance of children seem to be intercepted by financial hardship, in which instance even the younger members of the households are left with no other option by to engage in income generation for the purpose of mere survival.
Congruent with conventional wisdom, conflict has had a negative impact on educational attainment of the surveyed population, especially at higher levels of education (Table 6). The average educational attainment amongst the surveyed population is similar to the Sri Lankan population. However, as Table 6 indicates, the level of educational attainment is low at higher levels of education amongst the head of household in comparison to the Sri Lankan population. Furthermore, women appear to have significantly lower levels of educational attainment particularly beyond Advanced Level. The results are in line with earlier studies that indicate the educational attainment to be lower in the Northern (and Eastern Province)29.

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>5 years and above</th>
<th>18 Years and above</th>
<th>Head of Household (HH)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Survey</td>
<td>HI ES</td>
<td></td>
</tr>
<tr>
<td>No schooling</td>
<td>2.1%</td>
<td>4.00%</td>
<td>1.60%</td>
</tr>
<tr>
<td>1-10 years</td>
<td>65.6%</td>
<td>67.60%</td>
<td>58.10%</td>
</tr>
<tr>
<td>Ordinary Level (10 years) Qualified</td>
<td>20.7%</td>
<td>16.30%</td>
<td>24.00%</td>
</tr>
<tr>
<td>Advanced Level (13 years) (A/L)</td>
<td>8.0%</td>
<td>10.10%</td>
<td>10.90%</td>
</tr>
<tr>
<td>Advanced Level (13 years) Qualified</td>
<td>1.8%</td>
<td>12.00%</td>
<td>2.80%</td>
</tr>
<tr>
<td>University</td>
<td>1.4%</td>
<td>3.00%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Vocational and Professional</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.90%</td>
</tr>
</tbody>
</table>

Source: Survey

**Employment, Income and Expenditure**

Poverty can be viewed in absolute and relative terms. Absolute poverty refers to subsistence below minimum, socially acceptable living conditions, usually established based on nutritional requirements and other essential goods (i.e. per capita income under a certain arbitrarily fixed poverty line in LKR per unit of time, or Human Development Index). Relative poverty compares the lower segments of the population with upper segments, usually measured in income deciles. Poverty manifested in the form of physiological deprivation (income and consumption related poverty) is often used to compare groups in a population to gain an understanding about relative poverty. Understanding relative poverty also becomes important in assessing the level of vulnerability in a given sub-population, as the “risks-centric view” of vulnerability – variability in the living standard caused by consumption or income shocks – tells us that the two phenomena are closely interrelated (Yodmani 2001; Moser 1998; Chambers 1989).

This section provides a synopsis of the way in which the households in the sample compare to the rest of the Sri Lankan population with regard to income and expenditure. By comparing the average income of the households in the study to the rest of the population, we assess whether the former are more (or less) vulnerable to income poverty, which is one dimension of vulnerability. We examine the average income of two additional sub-groups in the sample that are theoretically considered more vulnerable – female headed households and households with at least one member that is disabled. Table 8 presents the average income per households per month against the corresponding figure obtained from the Household Income and Expenditure Survey (HIES) of Sri Lanka conducted in 2012.

Engagement in employment amongst women is low at 13 percent in comparison to 46 percent amongst men. Men predominantly report working as casual labour in agriculture and fisheries sectors. The lower levels of educational attainment is one of the factors contributing to the reported higher levels of casual labour. Working women however report a much more diversified work engagements and also higher levels of employment in private, public and non-governmental sectors (Table 7).

**Table 7. Work Engagement**

<table>
<thead>
<tr>
<th>Agriculture/ Fisheries/ Business/ Trade</th>
<th>Own</th>
<th>Casual Labour</th>
<th>Private Sector</th>
<th>Public sector</th>
<th>Non-government Organisatio</th>
<th>Unpaid and other</th>
<th>% of gender of respective population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>28%</td>
<td>61%</td>
<td>6%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>46%</td>
</tr>
<tr>
<td>Female</td>
<td>13%</td>
<td>38%</td>
<td>24%</td>
<td>14%</td>
<td>3%</td>
<td>7%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Survey

As Table 8 indicates, the average income of the households in the sample is significantly lower than that of the national average. A one sample t-test reveals that this difference in average income is statistically significant at the 0.001 level. Another revealing fact is that the average income of a female-headed household is less than one-third of the national average. All the sample sub-group averages are also lower when compared to the average household income in the Northern Province – LKR 23,712 (HIES 2012). The sample average seems to be only half of the Northern Province’s average income per households.

---

30 One sample t-test is a statistical procedure often performed for testing the mean value of a distribution. It can be used under the assumption that sampled distribution is normal.
Table 8. Reported Income: Comparison of Income - HIES and the Study Sample

<table>
<thead>
<tr>
<th>Average household income per month - Sri Lanka (LKR)</th>
<th>36,451&lt;sup&gt;31&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average income per month of the sample sub-group (LKR)</td>
<td></td>
</tr>
<tr>
<td>Full sample</td>
<td>19,707</td>
</tr>
<tr>
<td>Households participating in owner-driven housing programmes</td>
<td>19,062</td>
</tr>
<tr>
<td>Female-headed households</td>
<td>13,168</td>
</tr>
<tr>
<td>Households with at least one disabled member</td>
<td>17,531</td>
</tr>
</tbody>
</table>

Source: Survey

Next, the average income of household was classified by their main income generating activity. Table 9 presents the average income for households participating in each income generating category; the average income is further broken down by households that are considered more vulnerable to income poverty. Households with casual labour as the primary source of income are reporting lower levels of income. The vulnerability of the female headed households is apparent from the comparatively lower levels of income reported by them.

Table 9. Average Income for Different Income Generating Category

<table>
<thead>
<tr>
<th>Main Income Generating Activity of the Household</th>
<th>Average Household Income Per Month - Full sample</th>
<th>Female-headed households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own agriculture</td>
<td>19,572</td>
<td>9,600</td>
</tr>
<tr>
<td>Own Fishing</td>
<td>22,621</td>
<td></td>
</tr>
<tr>
<td>Own business/trade</td>
<td>19,500</td>
<td>11,250</td>
</tr>
<tr>
<td>Casual labour - agriculture</td>
<td>18,048</td>
<td>11,072</td>
</tr>
<tr>
<td>Casual labour - fishing</td>
<td>15,577</td>
<td>16,266*</td>
</tr>
<tr>
<td>Casual labour - non agriculture/ fisheries</td>
<td>18,902</td>
<td>8,311</td>
</tr>
<tr>
<td>Private sector - non agriculture/fisheries</td>
<td>22,343</td>
<td>18,500</td>
</tr>
<tr>
<td>Public sector</td>
<td>27,666</td>
<td>-</td>
</tr>
<tr>
<td>Non-governmental Organisations</td>
<td>22,500</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Survey

* skewed due to remittances received by one of the houses

Economists have long used household consumption expenditure as a proxy for material wellbeing. Considerable detail on the construction of consumption aggregates is found in Christiansen (1999). Consumption consists of food expenditures and non-food expenditures. In this study, consumption was estimated by recording household expenditure on food, rent, health, education, electricity, water, communication, transport, fuel (petrol), household fuel (LP gas or firewood), interest payments on loans, capital payments on loans, and other miscellaneous expenses. Table 10 presents the average expenditure per household per month against the figure obtained from the Household Income and Expenditure Survey (HIES) of Sri Lanka conducted in 2012.

---

Table 10. Comparison of Expenditure - HIES and Survey Sample

<table>
<thead>
<tr>
<th>Average household expenditure per month - Sri Lanka (LKR)</th>
<th>31,331&lt;sup&gt;32&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average expenditure per month of the sample sub-group (LKR)</td>
<td></td>
</tr>
<tr>
<td>Full sample</td>
<td>17,785</td>
</tr>
<tr>
<td>Households participating in owner-driven housing programmes</td>
<td>16,759</td>
</tr>
<tr>
<td>Female-headed households</td>
<td>14,210</td>
</tr>
<tr>
<td>Households with at least one disabled member</td>
<td>14,589</td>
</tr>
</tbody>
</table>

Source: Survey

As indicated in Table 10, average consumption per household is less than 50% of the national average. The average consumption of the households is significantly lower than the corresponding figure for the Northern Province – LKR 25,656. With regard to consumption, female-headed households appear to be at the bottom, recording an average expenditure of LKR 14,210, which is roughly one-third of the national average, and only 40% of the province average. Female headed households also show an average expenditure per month that is higher than their monthly income (approximately LKR 1,000) that is problematic and a possible reason for indebtedness.

Next, we examined the average consumption of a household classified by their main income generating activity. Table 11 presents the average expenditure for households participating in each income generating category; the average consumption is further broken down by households that are considered more vulnerable to income poverty. Most female-headed households have monthly expenditure levels lower than the sample average, and quite below the national average.

Table 11. Average Expenditure for Different Income Categories

<table>
<thead>
<tr>
<th>Income Generating Activity</th>
<th>Average Household Consumption Per Month - Full sample</th>
<th>Female-headed households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own agriculture</td>
<td>17,477</td>
<td>12,321</td>
</tr>
<tr>
<td>Own Fishing</td>
<td>21,216</td>
<td>-</td>
</tr>
<tr>
<td>Own business/trade</td>
<td>19,371</td>
<td>15,550</td>
</tr>
<tr>
<td>Casual labour - agriculture</td>
<td>16,528</td>
<td>11,350</td>
</tr>
<tr>
<td>Casual labour - fishing</td>
<td>14,041</td>
<td>16,086</td>
</tr>
<tr>
<td>Casual labour - non agriculture</td>
<td>17,090</td>
<td>9,548</td>
</tr>
<tr>
<td>Private sector - non agriculture</td>
<td>19,831</td>
<td>22,800</td>
</tr>
<tr>
<td>Public sector</td>
<td>32,050</td>
<td>-</td>
</tr>
<tr>
<td>Non-governmental Organisations</td>
<td>27,550</td>
<td>-</td>
</tr>
</tbody>
</table>

Social Protection

Around 50 percent of the households report receiving social protection and/or economic support from government, donors and non-governmental organisations (Table 12). The surveyed population reports a diversified social protection support from the government that includes pensions, disability allowances, Samurdhi and livelihood support. The support from other organisations is specifically towards livelihood activities and is an essential support area as demonstrated by the low levels of income indicated in (Section 4.2.)

<sup>32</sup> Source: Household Income and Expenditure Survey 2012, Department of Census and Statistics - Ministry of Finance and Planning, Sri Lanka
Table 12. Households Reporting Social Protection/ Economic Support

<table>
<thead>
<tr>
<th>Type of Social Protection/ Economic Support</th>
<th>Provider</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Government</td>
<td>National NGO</td>
</tr>
<tr>
<td>Livelihood Support</td>
<td>30</td>
<td>18</td>
</tr>
<tr>
<td>Samurdhi</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>Old age pension</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Widow Pension</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Disability Allowance</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

**Assets**

One of the reasons for the higher percentage of reported casual labour is that many of the households lack immovable and moveable assets. Only 23 percent of the households report owning other (than the one they are living) land that can be put for productive and other uses. Whilst, the households have improved on the household assets, especially in relation to mobile phones, the same cannot be said about productive assets (livelihood assets). A clear decline is visible in relation to livestock ownership both in terms of households self-reporting their livestock ownership and the number of livestock and farming and fishing equipment (Table 13).

The financial assets of the households largely consist of jewellery and savings accounts. The higher percentage of savings accounts could largely be on account of the need to have such an account to receive funds from donors who are supporting the housing programme. Though higher percentage of households report employment in the private sector, only 2 percent of them report that they contribute to the Employees Provident Fund/ Employees Trust Fund indicating that the formal private sector activities are low in the North.

Higher levels of educational attainment of the Head of the household has a positive bearing on increased savings attempts, whilst households headed by people who are engaged in casual labour are less likely to have financial savings (Annex 2 ).
Table 13. Houses Reporting Availability of Assets

<table>
<thead>
<tr>
<th></th>
<th>Before Displacement</th>
<th>At Present</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Household Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fridge</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Water Filter</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>TV</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Mobile</td>
<td>5%</td>
<td>80%</td>
</tr>
<tr>
<td>Fan</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Computer</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Livestock</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small livestock (e.g: Poultry)</td>
<td>74%</td>
<td>53%</td>
</tr>
<tr>
<td>Medium livestock (e.g: Goats)</td>
<td>31%</td>
<td>8%</td>
</tr>
<tr>
<td>Large livestock (e.g: Cows)</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Farming Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Power Farming</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Powered Farm Vehicle</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Fishing Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boats</td>
<td>16%</td>
<td>8%</td>
</tr>
<tr>
<td>Engines</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Nets</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Vehicles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-motorised (e.g: bicycle)</td>
<td>82%</td>
<td>80%</td>
</tr>
<tr>
<td>Motorised (e.g: motorbikes)</td>
<td>33%</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Account</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td>94.2%</td>
<td></td>
</tr>
<tr>
<td>Fixed Account</td>
<td>9.2%</td>
<td></td>
</tr>
<tr>
<td>Jewellery</td>
<td>74.9%</td>
<td></td>
</tr>
<tr>
<td>EPF/ EPF</td>
<td>2.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey

Summary of the Socio-economic Conditions of Surveyed Households

The preceding analysis indicates a high level of vulnerability to poverty of the surveyed households due to the consequences owing to the three-decade war in Sri Lanka. The existence of a younger, unskilled, and relatively uneducated population poses serious challenges to individual and household earning potential that is clearly visible in the comparison of household expenditure and consumption between surveyed households and the general population of Sri Lanka. As discussed above, engagement in casual labour, which does not guarantee a consistent income stream, is indicative of typical post-war conditions such as the lack of livelihood opportunities and individual capacity to rebuild a sustainable method of income generation. Livelihoods have not yet become stable in the post-war areas where the research was conducted. There is clear evidence to the lack of a sustainable income for families to contribute to
savings. The predominant income sources of the households that participated in the qualitative study are agriculture, fishing and casual labour while there was one own account worker and a public sector volunteer worker. The agriculture sector in the North and East is still recovering from the conflict; arable land is still not cleared of landmines, and is inaccessible due to military occupation and forest growth as farmers let the land lie fallow during times of displacement. Most beneficiaries work as casual labourers in agriculture and some work as labourers in construction work. Agriculture workers are paid Rs. 700 to Rs.800 per day, while construction workers are paid relatively higher, Rs. 800 to Rs. 1000. Even if individuals manage to restore agricultural livelihoods the minimum value paid for agricultural produce (a fact that holds true for the entire country) does not provide sufficient income to maintain daily household affairs. The lack of movable and immovable assets (another classic post-war condition) worsens this situation, arguably driving households to borrow funds for consumption and other purposes.

Relately, the ownership and access to land is a critical issue that has particular implications for the implementation of the owner-driven housing projects. As observed in Mullaitivu, the lack of documentation, boundary issues and irregular land distribution during the conflict period are seen as reasons for land disputes. Returning previous owners are a problem for many housing beneficiaries. These disputes invariably cause delays in the construction process as ownership of land is among the mandatory eligibility criteria for a housing grant. To some extent, these issues are being resolved via negotiations between the current and previous owners. However, housing beneficiaries incur additional expenses for these negotiations, as the previous owners often demand compensation. Such circumstances result in unexpected delays in the construction process.

"I had to pay .... (new owner) Rs. 200,000 to get the assistance from Indian housing scheme. As I couldn't pay the amount at once, I am paying in instalments. I had to pay Rs. 8000 for the lawyer also to sort this documentation" - (Karthika, Mullaitivu, Female, 43)

In the instance where the returnees do not possess ownership to the land, the Divisional Secretariat temporarily allocates a plot of state land to the beneficiary and informs the implementing agency. These temporary documents are provided only to the implementing agency as evidence of possession of land and are not given to the beneficiaries as it is suspected that the beneficiaries may treat this as proof of ownership. The key message stemming from the above analysis is that issues of livelihood and land disputes are part and parcel of the socio-economic reality in the North and that immediate measures be taken to address these challenges through government, private sector, and non-government initiatives.

4.2 Analysis of Indebtedness Among the Surveyed Households

Although the main purpose of this study is to decipher whether a household’s participation in an owner-driven housing programme increases the likelihood of the household falling into debt, it is important to gain a thorough understanding about the general indebtedness of the survey population. A broader picture of indebtedness (which includes, but not limited to, the reasons for borrowing, the type of households that borrow, and repayment patterns) will allow us to gain a holistic and a contextually-relevant understanding of the relationship between owner-driven housing construction and indebtedness.

**General Indebtedness of the Surveyed Households**

Out of the 347 households an overwhelming majority of households – 297 – reported existing debt, 49 households (14.2%) were reported as ‘debt-free’ 33. Of the 297, LKR 2,000 was the lowest reported

33 One household had to be excluded from the analysis due to missing data.
amount of total household debt, whereas LKR 1,800,000 was the highest amount of debt borrowed by a family. The average amount of debt per household was LKR 152,489 (with a standard deviation of LKR 188,098). Figure 2 illustrates the distribution of total debt per household in the entire sample.

**Figure 2. Distribution of Total Debt per Household**

The normal distribution line as shown in Figure 1 is skewed to the left due to two reasons: 1) most household debt amounts seem to range between LKR 2,000 and 900,000; and 2) there is one household reporting LKR 1,800,000 in debt that is isolated in the distribution (see details about this outlier household - #204).

Out of the 347 households in the sample, 73.5% had borrowed money from banks, pawning agencies, private money lenders, communal credit arrangements, or by leasing institutions. These are also the sources of debt that accrue interest payments. 12.4% of households reported to have borrowed from friends, family, *chittu* and other informal sources of lending. These sources do not accrue interest for the borrowed funds. Out of the 297 households with debt, 37.2% indicated that they kept gold as collateral for loans, where as 14.5% of the households had a guarantor signing off on their loan agreement. 13% of the households had no collateral for their debt and 20.2% had a mix of gold and other types of collateral for their loans.
What Are They Borrowing For?

The top two reasons for borrowing funds appear to be for livelihood purposes and for the construction of houses. 48% of the households reported to have borrowed funds solely for the construction of their houses, whereas 19.2% said that they borrowed solely for livelihood purposes. However, many households borrowed for a combination of reasons that are illustrated in Table 14.

The curious case of #204:

As mentioned earlier, #204 is a household in the Maruthankeni DS Division in Jaffna district. The family has reported that they were displaced 10 times during the course of the war, and resettled in the current location in August 2010. After applying 4 times for housing grants, the family was finally approved support in May 2013 to build their home.

The family only started construction after receiving the grant money, in June 2013. The household needed complete construction as they did not have a structure before. When inquired, they mentioned that the estimated cost of construction is LKR 800,000, whereas they were granted LKR 550,000 from the housing scheme. The family reported that they invested an additional LKR 60,000 on construction. These funds came from the family’s savings. #204 contributed to the construction process both in terms of labour and income.

Even though #204 adhered to the housing features prescribed by the donor, the family reported monetary shortfalls amounting to LKR 100,000 so far; the reason for the shortfall is that the actual expenses are higher than the projected amounts.

#204’s did not report borrowing for construction purposes. Instead, the family borrowed funds from family to seek foreign employment.
Table 14. Reasons for Borrowing

<table>
<thead>
<tr>
<th>Reason for Borrowing</th>
<th>% of the surveyed population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing construction</td>
<td>48.8</td>
</tr>
<tr>
<td>Livelihoods</td>
<td>19.2</td>
</tr>
<tr>
<td>Livelihood &amp; house construction</td>
<td>8.1</td>
</tr>
<tr>
<td>House construction &amp; other expenses</td>
<td>5.7</td>
</tr>
<tr>
<td>House construction &amp; food expenses</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3.7</td>
</tr>
<tr>
<td>Repayment of Debt</td>
<td>2.4</td>
</tr>
<tr>
<td>Health expenses</td>
<td>2</td>
</tr>
<tr>
<td>Food</td>
<td>1</td>
</tr>
<tr>
<td>Livelihood &amp; social events</td>
<td>1</td>
</tr>
<tr>
<td>House construction &amp; repayment of debt</td>
<td>1</td>
</tr>
<tr>
<td>Social events</td>
<td>0.7</td>
</tr>
<tr>
<td>House construction &amp; health expenses</td>
<td>0.7</td>
</tr>
<tr>
<td>Emergencies</td>
<td>0.3</td>
</tr>
<tr>
<td>Livelihood &amp; health expenses</td>
<td>0.3</td>
</tr>
<tr>
<td>Livelihood &amp; repayment of debt</td>
<td>0.3</td>
</tr>
<tr>
<td>House construction &amp; emergencies</td>
<td>0.3</td>
</tr>
<tr>
<td>House construction &amp; purchasing of clothes</td>
<td>0.3</td>
</tr>
</tbody>
</table>

As Table 14 indicates, although households seem to borrow for the construction of houses and livelihoods separately, these two reasons are part of many other combinations as well. Therefore, it is fair to state that borrowing for house construction and livelihoods are the two major reasons for household borrowing.

Is There a Relationship Between the Primary Occupation and Indebtedness?

As discussed in section 4.2, a household’s primary means of earning an income appears to have a relationship with its indebtedness. As illustrated in Figure 3, households that primarily engage in casual labour tops the list (55.6%) of occupations that are prone to borrowing funds.
Figure 3. Primary Occupation and Indebtedness

Although Figure 4 indicates that the highest average debt is borne by households that are primarily engaged in public sector jobs, Figure 5 illustrates that these households are likely to make regular payments towards their borrowings. As expected, households that engage in casual labour top the “no repayment” category with regard to the repayment of their debt.

Figures 3, 4 and 5 indicate that the relationship between the type of livelihood and household indebtedness may be strong. Intuitively the above observation carries validity in that a household is more likely to borrow in the absence of a consistent income stream. Although households that primarily engage in public sector employment borrow higher amounts (on average), they are also likely to repay due to the consistent income generation. As such, the observation of public sector households cannot be classified as a “debt problem”. These households may also borrow for reasons different from the rest of the population (i.e. borrowing for investment vs. borrowing for consumption). In contrast, the indebtedness of households engaged in casual labour is noteworthy and a matter of concern as not only do they borrow more often, but also they seem to face difficulties in repaying the loans. The plight of households engaged in casual labour, therefore, can be classified as a “debt problem”.
Figure 4. Average Debt Amount for Each Occupation

![Average Debt Amount by Primary Occupation](image)

Figure 5. Repayment Pattern by Primary Occupation

![Repayment Levels by Primary Occupation](image)

<table>
<thead>
<tr>
<th>Primary Occupation</th>
<th>Regular Payment</th>
<th>Irregular Payment</th>
<th>No Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Agriculture</td>
<td>17.6</td>
<td>20.6</td>
<td>23.5</td>
</tr>
<tr>
<td>Own Fishing</td>
<td>18.4</td>
<td>31.6</td>
<td>29</td>
</tr>
<tr>
<td>Own Business/Trade</td>
<td>19.2</td>
<td>27</td>
<td>23</td>
</tr>
<tr>
<td>Casual Labour</td>
<td>16</td>
<td>21</td>
<td>40</td>
</tr>
<tr>
<td>Private Sector non agr/fish</td>
<td>19</td>
<td>44</td>
<td>12</td>
</tr>
<tr>
<td>Public-sector job</td>
<td>67</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>NGO</td>
<td>50</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>33</td>
<td>33</td>
</tr>
</tbody>
</table>
Similar to the argument that the type of livelihood may have an impact on household indebtedness, it could be argued that a household’s geographic location (and related contextual challenges) and vulnerability (i.e. female-headed households, households with one or more disabled members) may also leave families with no option other than to borrow funds for consumption and investment. Table 15 illustrates the average debt of households based on geographic location and the selected vulnerability indicators – female-headed households and households with at least one disabled member.

**Table 15. Average Debt Based on Geographic Location and Vulnerability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Average amount of Debt (LKR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full sample</strong></td>
<td>152,489</td>
</tr>
<tr>
<td>Kilinochchi District</td>
<td>142,536</td>
</tr>
<tr>
<td>Mullaitivu District</td>
<td>117,250</td>
</tr>
<tr>
<td>Jaffna District</td>
<td>224,700</td>
</tr>
<tr>
<td>Female-headed households</td>
<td>127,863</td>
</tr>
<tr>
<td>Households with at least one disabled member</td>
<td>150,317</td>
</tr>
</tbody>
</table>

One explanation for the higher average debt in Jaffna may be due to the fact that unlike Kilinochchi and Mullaitivu, Jaffna was not the epicenter of violence during the civil war. In fact, financial infrastructure and a relative sense of ‘normalcy’ existed in Jaffna even prior to 2009. Empirical data suggests that there is a large influx of lending institutions in the North which incentivises people to borrow more. Excessive borrowing under these conditions puts them at a high risk of indebtedness as their capacity to save is limited. For instance, the purchase of household durables and electronic equipment on easy payment schemes are becoming commonplace and easily accessible. Many people do not consider such purchases as ‘debt’ (yet it is).

While households with at least one disabled member appear to have similar level of debt in comparison to the sample average, female-headed households seem to have lower (approximately 25,000) levels of debt compared to the rest of the sample. This may be due to the fact that female-headed households do neither have the required collateral to obtain loans, nor a consistent income stream to ensure timely repayment to banks.

**Is House Construction a Driver of Debt?**

The purpose of this study is to decipher whether a household’s participation in an owner-driven housing programme drives the household into debt at the time of the survey. In order to answer this question, it is crucial to compare households that are similar in most other ways, but differ in their participation in the housing programme, as it is the only way that a trend can be observed about the relationship between debt and owner-driven housing. Thus, the entire sample for the survey contains households that have fulfilled the criteria required by the housing grant programme and have been approved a housing grant. From this sample of households that have started construction (herein referred to as the “treatment group”) are compared to households that have qualified for a housing grant, but are awaiting grant money to start the construction process (herein referred to as the “control group”). The purpose of this comparison is to identify specific reasons for household indebtedness in the presence of a housing grant.
According to donor organisations, the grant amount (LKR 550,000) is a reasonably sufficient amount to erect the type of house prescribed to the beneficiaries. Given that assumption, why is it households that have begun or completed construction have high levels of debt?

**General Debt Levels: A Comparison**

The treatment group consisted of 228 households. Out of the 228, 12 households are ‘debt-free’; the rest of the households range in debt from LKR 3,000 to LKR 1,800,000. The average amount of debt per household is LKR 186,737 (with a standard deviation of LKR 197,033). The median amount of debt for the treatment group is LKR 130,875. Figure 3 illustrates the distribution of household debt in the treatment group.

It is important to note that the female-headed households (11) in the treatment group have an average household debt of LKR 127,863, which is slightly below the group average. Households with at least one disabled member reported an average debt amount of LKR 150,316.

The control group consisted of 119 households. Out of the 119, 39 households are ‘debt-free’; the rest of the households range in debt from LKR 2,000 to LKR 900,000. The average amount of debt per household is LKR 86,317 (with a standard deviation of LKR 149,348). The median amount of debt for the control group is LKR 25,000. The control group did not have any female-headed households or households with at least one disabled member.

When a comparison of means was conducted (Levene’s Test for Equality of Variance\(^{34}\)), the test reveals the variability in the amount of debt corresponding to the two groups is about the same. In other words, debt amounts of the treatment group (households participating in owner-driven housing) vary in a similar fashion to those of the control group. The t-test for Equality of Means reveals that there is statistically significant difference (at the 0.01 level) of the average debt amounts between the two groups, such that the average amount of debt in the treatment group is significantly higher (by LKR 100,420) than that of the control group. As the control and treatment groups were chosen in a way that they only differed in housing construction, this finding tells us that construction process (despite the grant money) in fact is a driver of significantly higher household debt in the sample.

---

\(^{34}\) The Levine’s Test for homogeneity of variance is less dependent on the assumption of normality than most tests. For each case, it computes the absolute difference between the value of that case and its cell mean and performs a one-way analysis of variance on those differences.
Table 16. Comparison of Total Debt: Treatment vs. Control Groups

<table>
<thead>
<tr>
<th>Amount of Debt</th>
<th>Equal variance assumed</th>
<th>Unequal variances assumed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levine’s test for equality of variances</td>
<td>F</td>
<td>4.860</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.017</td>
<td></td>
</tr>
<tr>
<td>t-test for equality of means</td>
<td>t</td>
<td>4.860</td>
</tr>
<tr>
<td>df</td>
<td>344</td>
<td>298.06</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Mean difference</td>
<td>100,419.89</td>
<td>100,419.89</td>
</tr>
<tr>
<td>Standard error difference</td>
<td>20,667.65</td>
<td>18,955.18</td>
</tr>
<tr>
<td>95% confidence level of the difference</td>
<td>Lower 59,774.93</td>
<td>63,116.95</td>
</tr>
<tr>
<td></td>
<td>Upper 141,064.86</td>
<td>137,722.84</td>
</tr>
</tbody>
</table>

This study employs Propensity Score Matching (PSM)\(^{35}\) which relies on the “conditional independence assumption”: all factors related to receiving a treatment are observed and measured (Black and Smith, 2004). Such methods address “selection on observables” but do not fully deal with the selection problem because unobserved characteristics are likely to influence both participation in the housing programme and indebtedness. The PSM method creates an appropriate control group for the treatment group. In our case, we compare two groups who are otherwise observably similar, but one group receives a treatment (one that has already started housing construction) and the other group does not (approved for housing grants, hence fulfilled the grant scheme’s criteria, but has not begun construction of houses). All else being equal (or ‘controlled’ for), the difference in the outcomes of the two groups can be attributed solely to the treatment (construction of houses). This is often termed a “selection-on-observables” approach.

Using data from the quantitative survey, an effective counterfactual is created for individuals in the treatment group using individuals from the control group who are most similar in terms of these covariates. Specifically, each observation in the treatment group is matched with one or more observations in the control group. All else being equal (or very similar), the average difference in outcomes can then be attributed to the participation in the housing programme (Rosenbaum & Rubin, 1983). As such, the treatment variable of this study is the construction of a house.

---

\(^{35}\) Propensity score matching (PSM) is often used in observational studies to generate suitable control groups that are similar to treated groups when a randomised experiment is not available (Rubin and Thomas 1996). PSM refers to a multivariate method used to construct control groups that have similar distributions on many covariates compared with treated groups. One significant feature of PSM is that it reduces the dimensionality problem involved in multivariate analysis by reducing the matching to one constructed variable—the propensity score. This reduction is a very important advantage for our purpose because in our context a large number of differently weighted common variables should be considered in the search for nearest neighbour matches.
To illustrate our method, we define the following for housing programme participation treatment:

- $Y_1$: outcome (total debt) of a household that has begun construction in a housing programme (exposed to the treatment)
- $Y_0$: outcome (total debt) of a household that has not yet started housing construction (not exposed to the treatment)
- $D$: participating in the housing construction of owner-driven housing (the treatment)
- $\mathbf{X}$: set of covariates

To estimate the effect of housing construction on debt, we first use propensity score matching, where we contrast households that had begun construction at the time of data collection with observationally similar households who had not started construction (but were approved housing grants). Matching requires the assumption that all relevant differences between the two groups will be captured by the set of covariates (Dehejia and Wahba, 2002). PSM provides a natural method for weighting each of the covariates, thus avoiding the problem of finding an exact match for the treatment group. While finding an exact match would severely limit the number of possible covariates to be matched on, PSM allows matching on a large number of covariates by collapsing the relevant information into a single index, or “propensity score”. The propensity score was operationalised as the predicted probability of starting construction of a house estimated from a logistic regression that included a set of covariates.

Covariates such as conflict affectedness, legal right to land, primary occupation of the household members, vulnerability (female-headed households and/or households with at least one disabled member), average monthly income, years of displacement, whether the households benefits from social protection measures, whether the household has one or more members that is unable to participate in labour, age of the head of the household and time duration since the submission of application to receive housing grant were included in calculating the propensity score. The coefficients from this model, which are presented in Table 17, show the likelihood of starting construction is contingent upon the average monthly household income, number of years that a household has been displaced due to war and whether a household has at least one member that cannot contribute to ODHA by providing labour or funds.
Table 17. Logistic Regression Model for Starting Construction in ODHA

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary occupation of household – own agriculture</td>
<td>21.45</td>
<td>(40195.66)</td>
</tr>
<tr>
<td>Primary occupation of household – own fishing</td>
<td>22.37</td>
<td>(40195.66)</td>
</tr>
<tr>
<td>Primary occupation of household – own business</td>
<td>21.42</td>
<td>(40195.66)</td>
</tr>
<tr>
<td>Primary occupation of household – casual labour</td>
<td>21.88</td>
<td>(40195.66)</td>
</tr>
<tr>
<td>Primary occupation of household – Private sector</td>
<td>21.07</td>
<td>(40195.66)</td>
</tr>
<tr>
<td>Primary occupation of household – Public sector</td>
<td>-.39</td>
<td>(43317.54)</td>
</tr>
<tr>
<td>Primary occupation of household – NGO</td>
<td>42.21</td>
<td>(44706.54)</td>
</tr>
<tr>
<td>Primary occupation of household – unpaid labour</td>
<td>21.11</td>
<td>(40195.66)</td>
</tr>
<tr>
<td>Primary occupation of household – don’t know</td>
<td>21.02</td>
<td>(40195.66)</td>
</tr>
<tr>
<td>Female headed household</td>
<td>-20.88</td>
<td>(11673.11)</td>
</tr>
<tr>
<td>Household with at least one disabled member</td>
<td>-20.95</td>
<td>(23064.32)</td>
</tr>
<tr>
<td>Average monthly household income</td>
<td>.001**</td>
<td>(.001)</td>
</tr>
<tr>
<td>Years of displacement</td>
<td>1.05***</td>
<td>(.355)</td>
</tr>
<tr>
<td>Receiving social protection</td>
<td>-.087</td>
<td>(.258)</td>
</tr>
<tr>
<td>Age of the head of household</td>
<td>.011</td>
<td>(.014)</td>
</tr>
<tr>
<td>Time since application to ODHA</td>
<td>.002</td>
<td>(.005)</td>
</tr>
<tr>
<td>Household has one or more persons that cannot work</td>
<td>.011***</td>
<td>(.479)</td>
</tr>
</tbody>
</table>

N 342

-2 Log Likelihood 370.203

Pseudo R square (Nagelkerke) .253

Propensity scores are used commonly to construct treatment and comparison groups whose members are matched with similar propensity scores or to create sample strata whose propensity scores are within quintiles of the range of scores. In the former case, this creates treatment and control groups whose pre-group differences have been reduced or eliminated. In the latter case, the treatment and comparison groups are compared within the propensity strata, which statistically controls for much of the pre-group difference. These two approaches are referred to as “matching” strategies, in as much as both require finding cases with similar propensity scores. Both of these uses of propensity scores need relatively large samples, either to find enough cases in each group having similar propensity scores or to have an adequate number of cases in each propensity strata. When one does not have a large number of cases in a sample (such as in this study), it can become difficult to find enough matches for the analysis to produce reliable results.

The matching procedure used in this analysis was to match cases in the treatment and comparison group by similarity of propensity score. As there were 228 households in the treatment group and only 119 belonged to the control group, finding exact matches was not a possibility (in any case, finding exact matches is a considerable statistical challenge). A nearest-neighbour matching procedure was used with the restriction that the propensities matched had to be within .1 units of each other (a caliper of .1). This
procedure resulted in a set of 40 matching cases for analysis. The analysis of outcomes reported here examined the differences between the treatment and comparison groups. We use the standardised mean difference between treatment and control samples, i.e.

\[
\text{bias} = \frac{100 \left( \bar{x}_T - \bar{x}_C \right)}{\sqrt{\frac{s^2_T}{n_T} + \frac{s^2_C}{n_C}}}
\]

as a convenient way to quantify the bias between treatment and control samples (Rosenbaum and Rubin 1985; Rubin 1997). The sample mean and variance for the treatment subsample, are the comparable statistics for the control subsample, and essentially provides a measure of the difference in means for each x in standard deviation units. By this measure, the imbalance between treatment and control samples in terms of the propensity score amounts to about 40% in the raw data. This bias is reduced to around 40%.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sample</th>
<th>( \bar{x} ) Treated</th>
<th>( \bar{x} ) Controls</th>
<th>Bias (%)</th>
<th>% reduction in bias</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing construction model (N = 40 matched pairs)</td>
<td>Unmatched</td>
<td>0.696</td>
<td>0.584</td>
<td>73.20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Matched</td>
<td>0.143</td>
<td>0.256</td>
<td>33.90</td>
<td>39.3</td>
</tr>
</tbody>
</table>

Because propensity score matching removes most of the bias attributed to observable covariates, we can use the difference in mean outcomes in the matched samples to obtain an estimate of the average treatment effect on the treated. Table 18 gives the estimates of the unconditional ATT of housing construction based on the propensity score matching and compares this to standard OLS estimates. The first column gives mean debt among treatment cases (households that have begun construction), while the second column gives the mean outcomes among all control cases in the sample. The difference between these two quantities is the “naïve” estimate of the unconditional average treatment effect, uncorrected for the possibly confounding effects of observed covariates. The third column shows the mean debt among the set of matched controls. The average treatment effect of housing construction on those households that have begun/completed construction (the unconditional ATT) is given in column 4, and is simply the difference between column 1 and 3. Finally, column 5 shows the OLS estimate for the effect of housing construction on debt.

<table>
<thead>
<tr>
<th>Variable</th>
<th>YT</th>
<th>Raw YC</th>
<th>Matched YC</th>
<th>( \delta = \Delta Y )</th>
<th>( \beta_{OLS} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pr(debt)</td>
<td>186,736.84</td>
<td>86,316.95</td>
<td>89,956.73</td>
<td>+100,419.89</td>
<td>+106,097.03***</td>
</tr>
<tr>
<td>(N=44 matched pairs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(22146.48)</td>
</tr>
</tbody>
</table>
Table 19 shows that the estimated effect from propensity score matching suggests that households that have begun construction are more likely to have higher levels of debt. Compared to the naïve estimator, propensity score matching resulted in a higher estimated treatment effect for debt (+ 5,677.14)\textsuperscript{36}.

**Are They Borrowing for Construction?**

This study finds that beneficiaries borrow irrespective of their socio economic conditions and the amount borrowed varies depending on their socio-economic conditions. Low income families and families with widows and disabled members tend to borrow less compared to those families with stable income sources. As discussed above, reasons for borrowing can be attributed to construction, livelihoods - agriculture and fishing, purchase of food, special events - weddings, funerals and festival celebrations, education and health. Among these reasons, borrowing for construction is significant. 67% of the households reported to have borrowed funds for the construction of their houses, to varying degrees. The average amount borrowed for construction in the treatment group is LKR 142,603. When the debt-free households and those that did not borrow for housing were excluded from the analysis, 248 households reported to have borrowed for housing purposes. The housing-related debt as a percentage of total debt was calculated for each household. Housing debt ranged from being 0.3% of total household debt to 100% in the treatment group (141 households reported that all of their debt was due to housing); on average, 88% of household debt appears to be for housing construction. Table 20 shows the reasons for borrowing (whether it was for housing or not) for the treatment and control groups.

**Table 20. Borrowing for House Construction**

<table>
<thead>
<tr>
<th></th>
<th>Treatment</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of households that have debt</td>
<td>216</td>
<td>82</td>
</tr>
<tr>
<td>Borrowed for housing</td>
<td>86.8%</td>
<td>0%</td>
</tr>
<tr>
<td>Average percentage of housing-related debt (as a proportion of total household debt)</td>
<td>80.9%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Survey

**What is Causing Housing Beneficiaries to Borrow Funds for Construction?**

In owner-driven housing projects, donors prescribe the minimum standards that a house should comply. The changes the recipients make to these minimum standards are referred to as ‘deviations’ in this report. Owner driven housing projects have in-built flexibility which provides an ‘option’ for the recipients to deviate while keeping to the minimum standards of the design that donors prescribe. It is important to note that the households that have received assistance to build houses are building bigger and better than their houses that they lived prior to displacement. Improvements in having a hall, number of rooms, internal kitchen, toilets and wells are clearly significant (Annex 3).

\textsuperscript{36} Compared to OLS estimates of column 5, the matching estimates tend to be slightly more conservative (i.e. lower) and estimated less precisely (i.e. larger standard errors). There can be two views on this latter aspect: one the one hand, the larger standard errors of matching estimates can be seen as a consequence of the discarding of the non-matched cases in the formation of the matching estimate. One the other hand, because matching is a non-parametric estimator based on sample that exhibit common support, the higher precision of OLS (or parametric methods more generally) can be seen as resulting from untested assumption in terms of functional form, or equivalently, the higher standard errors of the matching estimates relative to OLS convey the level of uncertainty of the estimate that can be achieved when one is unwilling to make the parametric assumption of OLS.
Around 18 percent of the households that had started working reported that they had started construction work even before they received funds. These households include those building as per the required standard and others who are not following the standards. The reported spending ranged from a low of Rs 13,000 to a high of Rs 200,000, with an average of around Rs 71,000. The funds had been used for the foundation stage, for purchasing of building material and paying for workers. A variety of sources has been used to fund construction activity prior to receiving the grant with pawnning being the dominant source of financing work prior to receiving the allocation from donors (Annex 3).

Table 21. Source of Financing to Fund House Construction Activities before Receiving Donor Funding.

<table>
<thead>
<tr>
<th>Source</th>
<th>Source of Financing</th>
<th>No</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pawning</td>
<td></td>
<td>33</td>
<td>41%</td>
</tr>
<tr>
<td>Informal Borrowings</td>
<td></td>
<td>16</td>
<td>20%</td>
</tr>
<tr>
<td>Own Funds earned during the period</td>
<td></td>
<td>14</td>
<td>18%</td>
</tr>
<tr>
<td>Loan - Formal</td>
<td></td>
<td>12</td>
<td>15%</td>
</tr>
<tr>
<td>Own Funds, savings</td>
<td></td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>Selling Movable and Immovable Assets</td>
<td></td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey

The standard set for a house is 23 feet by 21.5 feet. Forty eight (48) percent of the households in the treatment group have conformed to this measurement. Twenty three (23) feet is not considered auspicious in the North of Sri Lanka and the majority of the balance households (34 percent) report a length of either 27 or 29 feet. Around 11 percent of the households report laying foundations that is longer than 30 feet. The longer lengths are not necessarily for the construction of the house, but also serve as drying beds for paddy.

Analysing as to which households are likely to build houses that are larger than the recommended square feet, we find that (Annex 4)

- Male headed households are more likely to build larger houses
- With increasing educational attainment of the head of the household, larger houses tend to be built, with the exception of households whose head of household has had no education
- Where the head of the household is engaged in his/her own agricultural and business/trade tend to build larger houses.
- There is no clear pattern between age and size of the household, but clearly where the head of household is young, there is a clear preference to build the house according to specification
- Remittances and disability do not appear to impact on the size of the houses constructed

Even amongst the households that have kept to the standard length and breadth, very few households have kept to the balance standards of gable roof, two lockable rooms of basic wood and plastering walls. Consequently, the reported costs amongst the houses vary considerably from the estimated cost of around Rs 600,000 (Rs 550,000 provided by the donor and 10 percent contribution from the household in kind and in cash). Tables 22, 23 and 24 illustrate the additional costs associated with house construction.
Table 22. Additional Costs Associated with Standard Measurement House

<table>
<thead>
<tr>
<th></th>
<th>Mean (Rs)</th>
<th>Minimum (Rs)</th>
<th>Maximum (Rs)</th>
<th>Reason for additional cost</th>
</tr>
</thead>
</table>
| Foundation | 41,000    | -            | 65,000       | • Transport costs of material, especially during the rainy season  
                                                    • Households without the ability to contribute labour (e.g.: women headed households)  
                                                    • Foundations raised higher to prevent flooding  
                                                    • Shortage of water, resulting in purchasing of water  
                                                    • Increased costs related to building material and labour |
| Wall      | 27,750    | -            | 60,000       | • Increased costs related to building material and labour |
| Roof      | 52,600    | -            | 75,000       | • Square/ rectangular roof, which is considered aesthetically pleasing, instead of the recommended gable roof  
                                                    • Usage of higher quality wood than recommended for the roof for durability  
                                                            |
| Windows/Doors | 49,200  | -            | 110,000      | • Use of wood for frames instead of cement  
                                                    • Use of expensive wood such as Mahagony, “Pallai” and “Muthirai” as they are much more durable, stronger and aesthetically prettier. These timbers are also considered to afford much more security  
                                                    • Door and windows for the hall and kitchen |
| Floor     | 35,500    | -            | 67,500       | • Floor tiling |
| Completion| 27,000    | -            | 120,000      | • Complete plastering of the walls and exteriors  
                                                    • Painting of the walls |
| Full House| 77,000    | 600,000      | 1,000,000    |                                  |

Source: Survey

Table 23. Additional Costs Incurred by Stage in Completed Households (LKR)

<table>
<thead>
<tr>
<th>Length</th>
<th>Foundation</th>
<th>Wall</th>
<th>Roof</th>
<th>Windows/Doors</th>
<th>Flooring</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 feet</td>
<td>Mean</td>
<td>39,000</td>
<td>26,400</td>
<td>41,00</td>
<td>46,750</td>
<td>33,700</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
<td>65,000</td>
<td>60,000</td>
<td>80,000</td>
<td>110,000</td>
<td>67,500</td>
</tr>
<tr>
<td>More than 23 feet</td>
<td>Mean</td>
<td>52,400</td>
<td>41,00</td>
<td>69,200</td>
<td>91,000</td>
<td>52,000</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
<td>100,000</td>
<td>100,000</td>
<td>250,000</td>
<td>230,000</td>
<td>150,000</td>
</tr>
</tbody>
</table>

Source: Survey

Table 24. Additional Costs for the Construction of the Whole House of Completed Households (Rs)

<table>
<thead>
<tr>
<th>Length</th>
<th>Cost of complete house</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 feet</td>
<td>Mean</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
</tr>
<tr>
<td>More than 23 feet</td>
<td>Mean</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
</tr>
</tbody>
</table>

Source: Survey
One of the distinct features of households that have completed larger houses is the higher level of contribution of household members in the construction process through labour. The reasons for the increased costs (Tables 22, 23 and 24) fall into both categories of avoidable and unavoidable costs. The costs incurred by the housing beneficiaries on increased floor area and beauty related diversion from recommended roof structure, tile on the floor and painting of walls fall within avoidable costs. The story of “Amber” (on the left) is exemplary of families opting for house features that are different from the prescribed ones. However, there are many costs that are unavoidable and they include

- Escalation of costs related to building material and labour (presently a mason charges Rs 1200 per day and the helper Rs 1,000 per day)
- Increased labour costs in households that do not have means of contributing their share through physical participation in the construction activity
- Area specific issues, such as lack of water for construction activity in Poonhary
- Quality of interior roads impeding the material to be delivered to the household itself, with households incurring additional costs and losses due to having to move the material manually from the drop of point.

People are also affected by increasing prices of building materials such as cement, sand and timber. For example, the price of sand is not consistent and the prices vary depending on the supplier. Sand prices are also affected by the weather; sand becomes expensive during the rainy season (ranging from Rs. 3,000 to Rs. 4,200). In Kilinochchi, accessing water for construction is a problem and many beneficiaries end up paying up to Rs. 15,000 for water. These unanticipated costs add to the total cost of construction. Transport costs of building material also leads to high costs. The distance from the main road to the construction site and poor quality of access roads increase the cost of transport. When the houses are located away from the motorable road, building materials are transported manually and the labourers are paid for this.

The households have financed additional costs using a variety of methods, with pawning as the most common means of raising funds. Obtaining housing loans is a difficult process due to the documentation required, whilst bureaucracy involved in pawning is minimal (Table 25).

“Amber’s” Story

After this housing scheme, I have become an indebted person. I borrowed money from my younger brother he is living in Kuchchaveli (Trincomalee) for roof construction. Allocation for roofing is 150,000/= But it was not enough for us because we constructed hip end roof, it is costly. For planks 35,000/= and for the roof tiles it cost 70,000/= His wife (younger brother’s) has migrated abroad. From her earnings he gave 150,000/= as a loan. There is no interest for that. I promised to repay it. But I did not repay it yet. Few days ago he called me and told that his wife is asking about that amount and he asked about the repayment. I promised to pay it back in May. But I cannot pay fully at once, so I have to pay by installment. My younger brother’s wife is not our relative, she is a third person. She cannot bear this debt. If she heard about this debt she may fight with us. So if I do not pay this debt it will affect our relationship. There is no written document for this borrowing between me and my brother for this debt. Some people ask to sign on the stamp if we get a loan. But this is trust based. borrowing. (Amber)
Table 25. Means of Raising Funds to meet Additional Housing Costs

<table>
<thead>
<tr>
<th>Method used for raising additional</th>
<th>% of all households that are involved in Housing Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pawning</td>
<td>68%</td>
</tr>
<tr>
<td>Own Funds earned during the period</td>
<td>28%</td>
</tr>
<tr>
<td>Informal Borrowings</td>
<td>27%</td>
</tr>
<tr>
<td>Loan - Formal</td>
<td>27%</td>
</tr>
<tr>
<td>Family and friends</td>
<td>12%</td>
</tr>
<tr>
<td>Own Funds, savings</td>
<td>10%</td>
</tr>
<tr>
<td>Selling Movable and Immovable Assets</td>
<td>9%</td>
</tr>
<tr>
<td>Microfinance</td>
<td>3%</td>
</tr>
<tr>
<td>Gift</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

About 5 percent of the households reported that construction is delayed or not progressing due to variety of reasons. The reasons included:

- Land issues where cases have been filed after construction of the house had commenced
- Women headed households finding it difficult to manage the construction process
- Family break-ups, with one of the partners leaving
- Use of the funds for other purposes (e.g. travel to other countries)
- Starting on houses that are larger than the prescribed length and realising that it is difficult to continue

**Why are Beneficiaries Deviating from the Prescribed Proportions and Features of the House?**

In exploring why households opt for bigger houses with different features, reasons such as cultural factors - *vaasthu*[^37], the notion that a ‘house is a status symbol’ (a large brick house is an indicator of ‘social mobility’) and that a house is not merely a structure but a life time investment for the next generation emerged as dominant explanations.

*Cultural Factors (“Vaasthu”)*

The beneficiaries reported that a *vaasthu* expert visits the land prior to construction in order to decide the placement of the house on the land, directions (i.e. North/South) of each room and measurement of the house (length and width of the house). This expert also instructs on the length of the rooms, particularly the room that houses the religious shrine. According to astrological calculations, 23 is not deemed a ‘lucky’ number; therefore, the *vaasthu* expert would typically advise the household members to opt for longer houses (at least 27 feet), which undoubtedly has cost implications. During field interviews, the team observed an additional concrete slab in the shrine room, a very common feature (*vaasthu* related) that also drives up the construction cost. Interviews with beneficiaries revealed that there was little concern about additional costs in the instance that decisions were made to extend the floor area.

[^37]: The *Vaasthu Shastra* states that if the length of the house is 23 feet then “all evil events will occur in the house”.

interviews with “Key Persons”, they related that each additional square foot costs Rs. 1,000. As such when the length is increased by an extra foot, an additional Rs. 21,500 was added to the total cost.

**House as a Symbol of Social Mobility**

A large brick house is considered an indicator of social mobility and the beneficiaries associate the structure of the house, especially the roof with elevated social status. The gable roofed house, proposed by the donor, is associated with a household of low social and economic status of. The following excerpts are from the responses of two widows to requests by Technical Officers (of the implementing agency) to construct a gable roof instead of a hip-end roof due to cost concerns. These responses are indicative of the assumptions that the community makes about a family based on the features of a house:

"Do you want others to identify my house as a widow’s house?" (Kalaivani, Mullaitivu, Female, 38)

"This is a stone house; we cannot break it again for the construction. So we planned to build a quality house. Therefore we became an indebted" (Nitya, Mullaitivu, Female, 33)

The most popular reason for not constructing a gable roof is its ‘look’ as illustrated by the following excerpt.

*The gable roof looks like a school. If we put the hip-end roof it looks nice.* (Kosalai, Mullaitivu, Female, 28)

The cost difference between constructing a hip-end roof and gable roof is highly contested. Respondents who constructed the hip-end roof reported a marginal increase in cost to justify their choice while those who chose the gable roof stated that the difference is significant. The cost of constructing a hip-end roof reported by respondents varies from Rs. 200,000 to Rs. 250,000, whereas the cost of a gable roof ranges from Rs. 140,000 to Rs. 170,000. As a result, a hip-end roof will cost an additional Rs. 50,000 to Rs. 80,000 which leads to households borrowing to finance this choice in most cases. Discussions with Key Persons and households revealed that hip-end roofs withstand cyclones compared to gable roofs; however, beneficiaries opted for the former solely for its ‘look’ and the socio-economic assumptions that it entails.

Another reason for opting to build larger houses is the attempt to reconstruct their social status that existed prior to displacement. Families also desired to maintain the social status difference with other families of the community that existed prior to displacement (this was reported by those households that bore a relatively higher social standing in the community). Those who had large brick houses before the displacement, endeavoured to build relatively larger houses. This desire to recreate their previous social status was highly noted during field observations. Expensive timber such as Pala (Iron wood) and Muthira (Satin wood) is used for the doors, door frames, windows and roof as another means of maintaining this social status/difference. Spending Rs. 10,000 for intricate carvings on a door frame (which costs Rs. 8,000) was also a common reason for driving up costs of construction.
Other Reasons for Indebtedness

Settling Previous Debt
Several representatives from implementing agencies suspected that some recipients use the housing grant to settle previous debt. Interviews with grant recipients revealed that there are many who had borrowed to rebuild livelihoods, and for education and food, prior to the housing grant approval. However, there is insufficient evidence to indicate that the beneficiaries used grant money to set off their previous debt. A discussion with the Divisional Secretariat (an attempt to triangulate this suspicion) suggested that there is an informal agreement between the banks and the Divisional Secretariat that ensures the banks will not deduct beneficiaries’ previous borrowings from the grant given for housing. Relatedly, all the beneficiaries are asked to create separate bank accounts to receive money for housing construction. Beneficiaries are allowed to withdraw money only on release of an approval slip authorised by the Technical Officer, which is issued on the basis of progress of construction. Recipients are allowed to withdraw lump sums after a specific stage in construction has passed and cannot withdraw small amounts. These methods are considered as ‘checks’ for ensuring that the money is used only for the construction of houses.

The Lack of Sustainable Livelihoods and Insufficient Income
This study finds strong support for the lack of sustainable livelihoods and an average household expenditure (LKR 17,785) which is lower than the average household income (Rs. 19,700). However, their income is insufficient to supplement the additional expenses of construction, families are left with no other option but to borrow money. As such, borrowing for housing compromises their longer term household financial sustainability.

Poor Financial Literacy among Beneficiaries
This study finds that a reason for the poor management of the debt is the lack of awareness of financial instruments amongst the housing beneficiaries. Over half the households surveyed were not aware of the interest rate of their loans and whether the loan that they had taken was subject to varying interest rates. The treatment households report that money related issues cause anxiety as they do not understand the lingo used by financial experts. Head of households who have passed the Ordinary Level Examination indicate that they are more comfortable in joining conservations related to finance and they read up on financial issues. They also report that they are able to repay more regularly and as they plan their expenditure (Annex 2). As pawning gold is the most common collateral for loans, most borrowers tend to pay only the interest on the loan that is sufficient to retain the gold for another year; the capital of the loan is often unpaid. In the Northern part of Sri Lanka, gold symbolises not only economic but social and cultural value. Thus the people expect to recover the gold from the bank at some point in the future when their economic situation improves; they decide to give up gold only under extremely critical financial distress. The common belief is that income sources will improve and they will be able to settle their debts. Unfortunately, livelihoods recovering are not occurring as quickly as expected, resulting in debt increasing levels and many debtors borrowing more to settle previous loans. For the most vulnerable; such as families with disabled heads of the households, selling the mobile and immobile assets was a coping strategy to deal with the problem of debt.

I will repay the debts before I die. The paddy land is valid for Rs. 400,000/= I will sell it and repay the money if needed. They trusted my wife and gave the money. I want to protect my wife’s dignity. I sold a pipe for Rs. 2000 which is worth Rs. 4000. Likewise, I will sell my lands even for half price in order to settle this deal. (Seetha’s spouse, Mullaitivu, Male, 57)
Is there a “Debt Problem”?  
Financial experts often point out that having debt is not a problem. It is the household’s lack of paying back or delayed payments that create a ‘debt problem’. Following this thought process, this study also gathered information about paying back behaviour of households. The survey asked whether the household paid their loan regularly (every month), whether there were delays in paying back, or whether the household made any payment towards existing loans. 22.4% of all indebted households indicated that they made regular monthly payments towards loans; 39.5% households declared that they did not make any payments.

When asked to share information about how the household financed its debt alleviation, 51.9% of households stated that their earnings from salary and wages are used to pay off debt, whereas 3.4% mentioned that they borrowed money to do so. Two households told the research team that they compromised on food and spending on other necessities such as education and 4.4% households said that they used savings to pay off debt. Compromising on food consumption in order to pay off debt was recorded from the treatment group, and both households have housing related debt (100% and 33% respectively).

49.3% of all indebted households have not paid back any amount of the principal of the loan; from the remaining households, 21% have paid up to 25% of their principal debt, 10.1% have paid up to 50%, 3.2% have paid up to 75%, and only 0.6% have paid their principal in full.

When asked about issues that the households face in paying back debt, an overwhelming majority (70.3%) stated that their current income was insufficient; 27.7% of households mentioned other reasons for their inability to pay back the loans. 39.5% households indicated that they did not make payments towards existing debt (the principal or interest).

The pattern of paying back debt, methods of financing the repayment, actual repayment (of the principal and interest), and the issues related to paying back for control and treatment groups are illustrated in Table 26. These self-reported figures reflect the payments that have been made by households in the month prior to data collection (October 2013).
Table 26. Household Debt Payback Patterns

<table>
<thead>
<tr>
<th>Description</th>
<th>Treatment</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payback pattern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid regularly</td>
<td>21.1%</td>
<td>25%</td>
</tr>
<tr>
<td>Some delays</td>
<td>25.8%</td>
<td>22.9%</td>
</tr>
<tr>
<td>Always delayed</td>
<td>6.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Only interest</td>
<td>2.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Not paying now</td>
<td>3.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>No payment</td>
<td><strong>40.4%</strong></td>
<td><strong>37.5%</strong></td>
</tr>
<tr>
<td>Financing the repayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary or wage</td>
<td>48.6%</td>
<td>58.3%</td>
</tr>
<tr>
<td>Borrow</td>
<td>3.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Compromise on food and other spending</td>
<td>1%</td>
<td>--</td>
</tr>
<tr>
<td>Sell assets</td>
<td>1%</td>
<td>--</td>
</tr>
<tr>
<td>Use savings</td>
<td>5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>No payment</td>
<td>39.8%</td>
<td>35.4%</td>
</tr>
<tr>
<td>Actual repayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zero principal payments</td>
<td>55.5%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Up to 25% of principal paid to date</td>
<td>24.1%</td>
<td>26.2%</td>
</tr>
<tr>
<td>Up to 50% of principal paid to date</td>
<td>14.1%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Up to 75% of principal paid to date</td>
<td>4.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>100% of principal paid to date</td>
<td>0.5%</td>
<td>1%</td>
</tr>
<tr>
<td>Interest paid last month</td>
<td>Yes = 10.8%</td>
<td>Yes = 11.4%</td>
</tr>
<tr>
<td></td>
<td>No = 89.2%</td>
<td>No = 88.6%</td>
</tr>
<tr>
<td>Issues with paying back</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficient income</td>
<td><strong>75.5%</strong></td>
<td><strong>59.4%</strong></td>
</tr>
<tr>
<td>Need to travel long distance to pay</td>
<td>1%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Other reasons</td>
<td>23%</td>
<td>37.5%</td>
</tr>
</tbody>
</table>

There are a number of reasons that can be attributed to the issues relating to repayment, excessive borrowing being the number one reason. Borrowing to settle an existing debt and also multiple borrowings at the same time is problematic. For instance, when a bank sends a notification of pending payment for a pawned article, some borrow to settle the payment or pay the interest to the bank. At times, sudden unexpected expenditure such as a funeral or medical emergency makes it difficult for families to repay the loans. There is a general tendency of not planning for the repayments prior to borrowing due to the lack of financial literacy.

In the case of pawning, dispossession is prevalent among most respondents irrespective of their socio-economic condition. Most respondents attributed the dispossession of pawned items to their inability to repay the interest and the capital due to the lack of income and increased expenditure incurred from housing construction. It is also important to note that the drop in gold prices also played a role in discouraging families to settle their debt and retrieving their gold. The statements below articulate this point:

*We were told to take the gold by the banks, but because the prices had become low we did not take it, and it is probably now sold by the bank.* (Sanmugam, Jaffna, Male, 31)

Those with some level of financial literacy and education planned to recover their jewelry by borrowing less than the maximum amount allowed.
They said that I can borrow up to Rs. 60000 but I said I want only Rs. 53000. I always take the amount I needed, not the full amount that the banks offer...Because I have to recover my jewelries in future. (Manjula, Mullaitivu, Female, 37)

4.3 Analysis of the Impact of Debt on the Socio-economic Wellbeing of Beneficiaries in the Short-term

A house represents physical safety from natural elements and threat of theft, particularly to those who are vulnerable such as female headed households. For those household members who are schooling, the permanent house provides a sense of calmness which enables them to focus on studies. Although seen as contributing to indebtedness, the owners see the permanent house as being less expensive to maintain in comparison to a house with palmyrah leaves for the roof, which needs to be changed every year.

The new house represents independence because the ownership is theirs. For families that have been displaced multiple times and lived in temporary locations, the sense of stability that a permanent house affords (that is owned by them), is of tremendous importance. The process of owner-driven housing also seems to strengthen ties within families. For example, the involvement of children in making decisions with regard to construction activities (i.e. painting the house) is indicative of familial cohesion. During an interview, one household related that they view a house built of cement as a step up in the social ladder; this family changed the gable roof to a hip-end roof, based on suggestions from the children of the house. A respondent that valued the house above gold/jewelry stated that the house is a symbol of social status, a place to provide hospitality of a certain standard to visitors and that there is a sense of pride in being a homeowner.

In general, the communities are satisfied with donor assistance which, in many ways, is a catalyst to constructing a brick house. Irrespective of secondary effects of housing assistance, many reported that constructing a brick house would not have been possible without the donor assistance.

When we got housing we felt happy. But now, we are not happy as much as we were before, because we struggle to complete this house. If I build a house, children will be living a peaceful life and will be happy in future. If they did not give 550,000.00 grant we would never have been able to build a house. It is a big support. Children are saying that they are going to plant flowers and paint the house. We (my neighbour (widow) and I) completed work quickly according their instruction. (Karthika, Mullaitivu, Female, 43)

However as seen in the previous sections, the support for housing construction has increased the debt levels of the beneficiary households. This increased debt is having a number of negative effects on the households.

Impact on Food Consumption

The study shows that the housing construction has impacted significantly on the treatment group’s food consumption patterns. Comparison of the frequencies of consumption of the food eaten before and after households started constructing their houses, shows statistically significant changes. The treatment group reports that after starting the construction of the house, the consumption of fruits and proteins such as dried fish, fish, meat, eggs and milk has declined considerably (Annex 5).
This is confirmed in the coping strategies adopted by the households that have commenced construction of the house. In comparison to the control group (those who are yet to commence construction of their house), the household in the treatment group do confirm that they have moved towards much less expensive food items, limit portion size, reduced the number of meals eaten a day and reduced the quantum eaten by elders to provide for the younger members of the family (Annex 5). The statements below indicate that the negative impact on food consumption on beneficiary households due to housing construction (i.e. frequency of meals, portion size, and decline in protein intake).

We reduced the food intake after house construction. Before the house construction, we were eating vegetarian only Friday, other days we were eating non vegetarian. If some time children like it only we cooked vegetarian. (Manjula, Mullaitivu, Female, 37)

Earlier we had rice with 2-3 curries. But now we are having rice with one curry. Earlier we bought eggs and milk, but we stopped it now. Before we bought short eats during the tea time but now we totally avoided it. (Kamani, Mullaitivu, Female, 40)

Earlier we drank milk tea. But after this housing scheme we avoided to drink. Now we are drinking plain tea. (Kosalai, Mullaitivu, Female, 28)

Providing meals to the construction workers made them even more vulnerable, since many had to borrow to feed the workers while struggling to feed their own children.

I am facing some difficulties in providing meals for the masons. What we do? They came from far way and did not know place in here. They worked 20 days. I have spent Rs. 16,000 for labourers’ meals. For foundation took six days and for construct wall took 10 days. (Karthika, Mullaitivu, Female, 43)

Changes in dietary diversity are obvious before and after construction periods for many households. The following table is self explanatory on the change in food consumption of the selected households.
<table>
<thead>
<tr>
<th>Changes in food consumption/dietary habits during and after house construction</th>
<th>Illustration from the field narratives</th>
<th>Household reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplementing the diet with food items from home garden</td>
<td>We do not have problem with curries because we grew vegetables in our home garden. So every day we use that vegetable for our curries</td>
<td>Seetha</td>
</tr>
<tr>
<td>Less diverse and nutritious diet</td>
<td>Earlier we had rice with 2-3 curries. But now we are having rice with one curry. Earlier we bought eggs and milk, but we stopped it now.</td>
<td>Kamani</td>
</tr>
<tr>
<td>Attempts to maintain a nutritious and diverse diet for children</td>
<td>To my son I give fresh milk and breast feeding in the morning. During the lunch I give rice and fish. He does not eat. And for the dinner I give maggi noodles. And I am giving a nutrition juice for him, it is cost Rs. 160/=, it is only enough for a week. Sometimes my husband brings tipi-tip, chocolate, biscuits, Milo drink etc. to son.</td>
<td>Kosalai</td>
</tr>
<tr>
<td>Cutting down quantity of protein enhancing food items</td>
<td>Except Monday and Friday we have fish. ½ Kg fish is Rs. 300 - Rs. 320. Earlier we bought ½ Kg but now we buy ¼ Kg. We fried only for son and we cook curry.</td>
<td>Kosalai</td>
</tr>
<tr>
<td>Saving food for consumption later</td>
<td>Before I cook the rice I take a small portion (pidiyarisi) from it and save it separately. If we do not have income to purchase rice I use that saved rice and make like Kola kendha and have.</td>
<td>Maala</td>
</tr>
<tr>
<td>Eating leftover food</td>
<td>Sometimes the previous day rice and curry will be there, at that time I manage breakfast and lunch with that.</td>
<td>Kosalai</td>
</tr>
<tr>
<td>Cutting down number of meals of female adult</td>
<td>If I do not have previous day cooked rice in the morning I do not cook again in the morning. Because my husband goes to work, I cannot cook for myself only. It is waste. If I save it I can use it for another time. Therefore I avoid cooking; I will have a tea and remain with that. If I have curry without rice I will buy ¼ loaf of bread and give to husband and I will remain with hunger.</td>
<td>Kosalai</td>
</tr>
<tr>
<td>Increased dependence on official hand-outs for food purchase</td>
<td>Husband: I am getting Rs. 3000 disable allowance monthly from Mahinda Chinthana Rs. 400 PMA (Monthly Allowance for Elderly). Once I get it I purchase 10-20 Kg rice for a month.</td>
<td>Seetha</td>
</tr>
<tr>
<td>Increased dependence on ‘informal’ food hand-outs</td>
<td>If my mother knows that I am remaining with hunger she will give me something to eat... I have curry but no rice in that situation I will get rice from my sister and have breakfast and lunch.</td>
<td>Kosalai</td>
</tr>
<tr>
<td>Using money allocated for house construction for food</td>
<td>...at that time there were 4 labourers working on roof construction. Therefore I took money from allocated fund and gave the meal for labourers. If two labourers work I have to be at home. Therefore I lost my income. So in such time we also used the allocated money for fulfil our meals.</td>
<td>Nitya</td>
</tr>
<tr>
<td>Increased purchasing of food on credit</td>
<td>We borrow food items from grocery shop.</td>
<td>Nitya</td>
</tr>
<tr>
<td>Sacrificing food in order to afford labour for house construction</td>
<td>If we have a labourer we have to save money to pay them. So if we buy flour it will cost Rs. 150/= So we avoid buying it and saving that money to pay for labour.</td>
<td>Maala</td>
</tr>
<tr>
<td>Sale of assets for food purchasing</td>
<td>Without food one day we ate peanuts. Next day I sold Rs. 4000 worth pipe for to Rs. 2000 provided by a handicap organisation.</td>
<td>Seetha</td>
</tr>
</tbody>
</table>
Reduction in protein/meat consumption in terms of quantity and frequency is adopted as a coping strategy. Households which used to be vegetarian on Fridays only (for Hindu religious reasons) are now becoming vegetarian on most days of the week to cut down on additional expenses. In addition, meat is being substituted by relatively less expensive protein sources such as dry fish. Reduction in the consumption of milk, substituting foods with low quality foods (i.e. consuming wheat flour as opposed to the more expensive alternative - rice flour), eating less expensive food such as bread, consuming less tasty foods and reducing the number of curries eaten are reported as food related coping strategies. They have also been constrained to prioritise certain foods (i.e. rice over milk powder) because the aim is to appease hunger, not the intake of nutritious and tasty food.

During food shortages, some households adopt severe coping strategies such as skipping meals, combining meals - lunch and dinner, consuming leftovers from dinner for breakfast and prioritising the children and elderly. Most vulnerable households borrow food items from their neighbours and retailers.

We borrow food items from the shops, we have around 10000/= debt from grocery shop. If debt increases without repay they do not give things for debt. At such time we reduce our meal times.
(Priya, Mullaitivu, Female, 37)

Under extreme circumstances, the beneficiaries borrow money to purchase food. The above evidence notwithstanding, it would be unfair to attribute the changes in the beneficiaries’ food insecurity purely to housing construction. Though housing construction could be understood as a catalyst, the lack of livelihood opportunities invariably affects households’ vulnerability, driving them into a downward spiral of the debt issue. The marked decrease in donor assistance (possibly due to Sri Lanka’s elevation to a Middle-Income Country), particularly the cessation of the World Food Programme’s (WFP) dry rations programme, seems to have impacted families struggling to revive their livelihoods. The ‘timing’ of the housing programme also seems to play a role in beneficiaries’ wellbeing. The housing programme commenced soon after the termination of WFP initiative of distributing dry goods to families. As such, a counterfactual may be that the observed food insecurity may not have existed had the WFP programme operated in parallel with the housing programme. Households that are dependent on agricultural livelihoods are still at a premature stage and cannot be considered as completely independent of external support. Hence, they too face food shortages and adopt a combination of coping strategies discussed above. The field team did not come across any households with subsistence farming activities. Discussions with KPIs also indicated that as a result of donor dependency individuals expect things to be handed out to them free of charge.

There is a marked decline in food-related expenditure in the comparison of various household expenses of the treatment group, before and after construction. The study shows that there is a significant decline in the average amount spent on food expenditure after the construction commenced. This is on account of the increased expenditure related to repayment of the principal and interest. (Annex 5 and Figure 5). In addition households also report reducing expenditure on education and health (Annex 5) and together with the reduced food intake is likely to have negative consequences in the long-term.
**Figure 6. Household Expenditure Before and during/after Construction Work**

![Pie charts showing household expenditure before and after construction work.]

**Impact on Education and Health**

The reduction in educational expenditure is another coping strategy that households adopt in response to increasing household expenditure. Despite the vulnerability and the impact of conflict affectedness, households prioritise education related expenses.

*Those days men did not get the opportunity to study and our parents told us to look after the paddy fields and livestock, but we are making an effort to educate our children.* (Community level Focus Group Discussion, Kilinochchi, February 2014)

Most parents encourage their children to study until the Ordinary Level examination as the minimum standard. Many households stated that investing in education for the younger generation was a way out of poverty. Parents’ attempts at ensuring a good quality education for the children are by investing in private-tutoring and sending their children to Jaffna for tuition classes in the event that the quality of private tuition is not satisfactory in the area of residence. In other words, most parents are not happy with the quality of education in schools and therefore do not solely depend on free government education. Meeting the expenditure for education is often a challenge for these households. Borrowing money for education, seeking in-kind donations from neighbours, relatives and extended social networks (i.e. friendships formed during displacement) are alternative strategies that are used to meet educational expenses. Meanwhile, all children benefit from the school mid-day meal programme and it is an incentive for many families to send their children school.
Another repercussion of the exposure to severe conflict is that families incur higher health expenditure in relation to other comparable families that have not experienced war first-hand. Physical and mental conditions such as trauma, shrapnel wounds and disability need frequent medical treatment. Households have to borrow funds to meet such expenses. In the event that treatments are lengthy and the recovery too is long, families not only increase their debt burden, but also lose time that could have been allocated to income generation activities.

> During the war my son got injured, he has 32 stitches and he does not have gallbladder. Therefore he cannot engage in any hard work. If he gets sick we have to bear that expenditure as well. Two months ago he got sick, and we admitted to the hospital for 10 days. (Maala, Mullaitivu, Female, 52)

Critical and perhaps more specialised medical treatment require travelling to distant, but well-equipped hospitals which in turn incurs high costs. As stated by many, they forgo some of the crucial and necessary health expenditure as a result of excessive borrowing. However, foregoing necessary health expenditure may not be purely due to the housing construction, but rather to a combination of factors such as impact of the conflict and insufficient income.

**Other Coping Strategies**

In response to increasing financial needs as a result of construction related activities, households indicate that previously non-working members are starting to work in addition to adopting the aforementioned food related coping strategies. Older children of the families are starting to work in the neighbourhood, mainly engaging in unskilled casual labour. School dropouts become unavoidable in severe situations, especially among the women headed households. The migration of young people to places such as Colombo for work is also adopted as strategy, as locally available employment options are neither lucrative nor stable.
5. Discussion and Conclusion and Policy Recommendations

Overall, the beneficiaries reported appreciation at being included in the housing programme. As discussed in the preceding section, a house provides a sense of stability and independence for those affected by three-decades of war and the resultant waves of displacement. However, the main purpose of this research is to examine the impact of housing construction on household indebtedness, as various evaluations have highlighted increased indebtedness in housing beneficiaries.

5.1 Is Owner-driven Housing Programmes Causing Indebtedness? Not Guilty as Charged

The above analysis indicates that owner-driven housing is more of a catalyst rather than a cause of indebtedness in the households surveyed in this study as indebtedness of households precedes the construction process. Though in theory, the provision of a housing grant (that has been deemed sufficient for the type of prescribed house) should not result in a beneficiary borrowing for construction, the findings of this study disprove this assumption as beneficiaries have in fact borrowed funds to supplement the construction of their houses. Housing construction related debt, however, can be attributed to both avoidable and unavoidable costs related to the construction process.

As elaborated in section 4.2, there are certain construction costs that are unavoidable due to contextual conditions such as the escalation of the price of building material and labour (which in fact fluctuate with inflation), location specific issues such as the lack of water for construction, and additional costs incurred for transporting build material in to areas with dilapidated interior roads. Such costs are beyond the control of beneficiaries and were not factored into the cost of completing a house (LKR 550,000) allocated by the donors upon consulting the Government of Sri Lanka.

The avoidable costs were due to beneficiaries’ aspirations of building bigger houses and structures with features that differed from the prescribed. As discussed in section 4.2, beneficiaries preferred bigger houses based on cultural factors such as vaasthu and to fulfill the desire to elevate the family’s social status by owning a larger and a more beautiful home. The households that adhered (comparatively speaking) to the prescribed design spent (on average) an additional LKR 25,000 during various stages of construction, whereas those that deviated from the standard features and sizes spent an additional LKR 100,000 at the various stages. The analysis of completed houses reveals that households that adhered to the standard design spent (on average) an additional LKR 210,000, whereas those that did not conform to the standards spent an additional LKR 352,000. The maximum additional cost spent on completed houses was LKR 1,000,000. Given the finding that even those households that conformed to the prescribed sizes made changes in the house features that cost more, majority of the above averages can be attributed to costs that belong to the ‘avoidable’ category, though the exact percentages of avoidable and unavoidable costs were not calculated by this study.

The finding that housing beneficiaries opt to build larger houses with features different from the prescribed insinuates the following point: while the flexibility (of the house and features) allowed by owner-driven housing programmes is much appreciated and perhaps more ‘democratic’ in nature, the beneficiaries’ desires, ‘wants’ and dreams of a bigger structure may result in negative and unanticipated externalities that in turn have an effect on (sometimes) self-perpetuating indebtedness. Donors too find themselves in difficult situations when allegations of indebtedness as a result of owner-driven housing are often pointed at them. Prior to owner-driven housing initiatives, donors were heavily criticised for dictating terms to future homeowners and making decisions for families that would live in the structures for generations to come (among other criticisms). As such, the solution is not to revert to the previous
approach where homeowners have no say in their future home; but to make subtle improvements on the current model of owner-driven housing. The process of making such subtle improvement is certainly a difficult tightrope for donors to balance as their actions are heavily scrutinised and quickly criticised. However, given the findings of this study and others, it is advisable that implementing agencies maintain a consultative process with housing beneficiaries, continuously flagging them of potential pitfalls of opting for a bigger house (i.e. indebtedness) with different features. A recommendation stemming from this finding is that implementing agencies must discuss with beneficiaries the ways in which additional costs of housing construction could be reduced. This discussion should be initiated at the inception as well during various stages of the construction process. Another potential solution is to advocate the construction of houses with flexibility for expansion at a later time period. Implementing agencies must take steps to dispel the presumption that the structure provided by an owner-driven (or other) housing programme is somehow the ‘full and final’ without room for further expansion or enhancement. Technical officers and other involved personnel must send a clear message to the beneficiaries that houses can be expanded and improved at a later time and provide instructions to build a safe and stable structure with room for future expansion. Another approach would be to recommend “joint-houses”; even though the “one house-one family” concept has become commonplace owing to the neo-liberal and globally accepted principle of individualism, some families may prefer to live together in a relatively large compound. Making the option available for a house that has the capacity to accommodate several families may not only help keeping construction costs low, but also nurture a sense of unity in extended families that prefer living under one roof.

Another related matter of concern is the lack of financial literacy and the poor management of grant money (and income in general) by the surveyed households. This issue invariably worsens the households’ debt situation as most households are not aware of interest rates or principal payments. As a remedy to this malpractice, aggressive financial literacy and management components should become part and parcel of owner-driven housing programmes. The government, donors and implementers may partner with local banks and launch financial management campaigns in the form of prerequisite mandatory workshops before each grant installment is released. An initiative that remains continuous throughout the construction process, rather than a one-time workshop may increase the awareness of housing beneficiaries on how to manage loans and grants in effective ways.

5.2 The Lack of Sustainable Livelihoods Emerges as the Main ‘Culprit’ of Indebtedness

Sections 4.1 and 4.2 elaborate in detail on the high propensity of vulnerability to poverty of the surveyed households due to the consequences of the three-decade war in Sri Lanka. The engagement in casual labour, owing to the lack of livelihood opportunities and individual capacity to rebuild a sustainable method of income generation emerges as a grave socio-economic issue that is directly related to indebtedness of households. Livelihoods have not yet become stable in the post-war areas where the research was conducted. The lack of movable and immovable assets (another classic post-war condition) worsens this situation, arguably driving households to borrow funds for consumption and other purposes. As Section 4 clearly indicates, the main reason for debtors failing to pay back their loans is insufficient income. Furthermore, households have reported borrowing for food-related expenses that indicate dire financial difficulty, where basic needs of families are not met with the existing income. Although not explored in this research, numerous anecdotal accounts of individual suicides due to extreme indebtedness (and the inability to repay loans) are indicative of a serious social problem to which the only solution remains the restoration of sustainable livelihoods and the creation of viable employment options for people of the Northern Province. Heavy militarisation of the Northern areas and the military takeover
of farming and other income-generation ventures that is typically operated by private entrepreneurs potentially hinders the creation of new employment opportunities for civilians.

The added costs of the housing construction process leave households no other option but to borrow funds from a wide array of banks that are eager to lend money. This situation is tied to the point about ‘timing’ of owner-driven housing that is discussed in 5.3. While the debate about whether restoring sustainable livelihoods should precede housing assistance is a “chicken and egg” situation, the self-perpetuating vicious cycle of indebtedness in the presence of an unstable income stream cannot be discounted. The recommendation stemming from this discussion is not necessarily that donors of owner-driven housing attend to the restoration of livelihoods simultaneously with the construction process. Rather, the primacy that this study assigns to the creation of sustainable livelihoods should be taken up by the government (both national and local) and the private sector with the help of donor organisations. A sustainable livelihood creation initiative that moves in parallel to the construction process would be highly beneficial to the people of the North that are trying to rebuild their lives after war.

Additionally, it must be noted that some households are more vulnerable than others. For example, households that are female headed, or have one or more disabled members cannot be expected to participate in owner-driven housing in a manner that is equal to those that are not as vulnerable. For example, female-headed households in particular struggle to contribute their labour to the housing process, a uniform expectation of implementers. As such, instead of using a “one-size-fits-all” method, housing assistance should tailor measures to address specific challenges of such vulnerable groups. On a related note, the definition of “female-headed households” should also be revisited by donor organisations. As discussed in Section 5, the surveyed households' identified themselves as “women-headed” only in the absence of males in the family. Even the presence of a disabled male in the household that is not willing or able to take households decisions resulted in the family identifying itself as a “male-headed” household. Such attitudes cause practical difficulties; for example, as reported by one interviewed household, the disabled “male-head” of the household had to be transported to various locations to sign documents (as he would be required to present himself as the “owner” of the house) which in turn incurred additional costs. Therefore, inquiries about ‘who manages the household’ should be made during the application process in order to keep inconveniences to the minimum.

In summary, the lack of livelihood opportunities perpetuates indebtedness among housing beneficiaries. The added costs of the housing construction process leave no other option but to borrow funds from a wide array of banks that are alluring customers to borrow. The implication of this finding is that building sustainable livelihoods must precede ODA housing projects as the absence of a stable income during the housing construction process may result in increased and continuous indebtedness among beneficiary households.
References


Annex 1: Questionnaire
Hello,

The Centre for Poverty Analysis is conducting a study on possible indebtedness amongst housing beneficiaries in the Districts of Jaffna, Killinochchi, and Mullaitivu.

We are mainly interested in learning about the effects of possible indebtedness due to house construction in your lives, your modes of coping with it and any suggestions that you have for the funders who are assisting with housing reconstruction. Would you be able to talk to us? It would take between 45 minutes.

Everything you share with us will be strictly confidential- we will not share who said what with anyone else. Your participation in this study is strictly voluntary, you can ask us to stop the discussion at any point.

You can stop me and ask questions at any point of the discussion. There are no right or wrong answers, we only interested in learning about your experiences and what you think about the issues that we raise.

If a respondent does not know the response, record code 999

If a question does not apply, record code 888

Start time
End time

Data cleaned by
Data checked by
Data entered by
Data entry date
### A. Basic Pre-Interview Data

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.1</strong></td>
<td>Enumerator name</td>
</tr>
<tr>
<td><strong>A.2</strong></td>
<td>Field work supervisor name</td>
</tr>
</tbody>
</table>
| **A.3** | Date  
   Dd/mm/yy |
| **A.4** | Household I.D. |
| **A.5** | Address  
   District  
   Divisional Secretariat  
   Grama Niladari Division  
   Village / Town / Ward  
   Street |
| **A.6** | Location  
   Please write in observations which will help tracking (e.g. landmarks) |
| **A.7** | Result of the interview  
   Completed=1  
   Incomplete=2  
   Refused to participate=3 (go to A.8) |
| **A.8** | Reason for refusal  
   No time=1  
   Not interested=2  
   Other=3 (Specify) |
| **A.9** | Respondent name |
| **A.10** | Respondent’s ethnicity  
   Tamil = 1  
   Muslim = 2  
   Sinhala = 3  
   Other = 4 |
| **A.11** | Type of household  
   Treatment = 1  
   Control = 2 |
| **A.12** | GPS reference  
   **Longitude**  
   **Latitude** |
### B. Basic individual information
Please complete the table for all household members. Household members includes those persons that live together and have common arrangements for provision and partaking of food, for at least three months in the past year.

#### Head of the Household’s Name:

<table>
<thead>
<tr>
<th>PID No</th>
<th>B.1 Relationship to H of Household?</th>
<th>B.2 Gender</th>
<th>B.3 Age (Put 00 if &lt; 1 year)</th>
<th>B.4 Marital status</th>
<th>B.5 Years of schooling</th>
<th>B.6 If less than 18 years and not in school, reason</th>
<th>B.7 Household member living outside the home?</th>
<th>B.8 Main economic activity in the past six months?</th>
<th>B.9 Primary occupation during past six months? (Multiple answer possible)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H of Household = 1</td>
<td>Male = 1</td>
<td>No schooling</td>
<td>Married (registered) = 1</td>
<td>No schooling = 0</td>
<td>Too young to go to school = 1</td>
<td>Overseas</td>
<td>Employed = 1</td>
<td>Own agriculture activity = 1</td>
</tr>
<tr>
<td></td>
<td>Spouse = 2</td>
<td>Female = 2</td>
<td>Between 1-10 years indicating years</td>
<td>Unmarried = 2</td>
<td>Between 1-10 years</td>
<td>Disabilities = 2</td>
<td>Same district</td>
<td>Unemployed (seeking work) = 2</td>
<td>Own fishing activity = 2</td>
</tr>
<tr>
<td></td>
<td>Son/Daughter = 3</td>
<td></td>
<td></td>
<td>Cohabiting = 3</td>
<td>indicate years</td>
<td>Not willing to attend = 6</td>
<td>Other district</td>
<td>Household work = 3</td>
<td>Own Business / Trade = 3</td>
</tr>
<tr>
<td></td>
<td>Grandchild = 4</td>
<td></td>
<td></td>
<td>Separated = 4</td>
<td></td>
<td></td>
<td>4 Living at home</td>
<td>too old for work = 4</td>
<td>Casual labour agriculture = 4</td>
</tr>
<tr>
<td></td>
<td>Father/mother = 6</td>
<td></td>
<td></td>
<td>Divorced = 5</td>
<td></td>
<td>School far way = 8</td>
<td></td>
<td>Disabled / sick = 5</td>
<td>Casual labour fishing = 5</td>
</tr>
<tr>
<td></td>
<td>Brother/sister = 7</td>
<td></td>
<td></td>
<td>Widow/widower = 6</td>
<td></td>
<td>Other = 8 (specify)</td>
<td></td>
<td>Unpaid activity = 6</td>
<td>Private sector job - agriculture = 7</td>
</tr>
<tr>
<td></td>
<td>Nephew/niece = 8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Other = 7 (Specify)</td>
<td>Private sector job - fishery = 8</td>
</tr>
<tr>
<td></td>
<td>Father/mother-in-law = 9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Studying = 8</td>
<td>Private sector job (non-agriculture/fishery) = 9</td>
</tr>
<tr>
<td></td>
<td>Brother/sister-in-law = 10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Retired = 9</td>
<td>Public sector job = 10</td>
</tr>
<tr>
<td></td>
<td>Other relative = 11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>NGO = 11</td>
</tr>
<tr>
<td></td>
<td>Non relative = 12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Unpaid work = 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Other = 13 (specify)</td>
</tr>
</tbody>
</table>
### C. Questions on the Status of Housing Construction

<table>
<thead>
<tr>
<th>Application for Construction (Default year 1900; month 0)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>C.1</strong> How many times were you displaced? Number of times:</td>
</tr>
<tr>
<td><strong>C.2</strong> When were you displaced last?  Month: ________ Year: ________</td>
</tr>
<tr>
<td><strong>C.3</strong> When did you come back to this location (where the house is built/ being built/ going to be built)?  Month: ________ Year: ________</td>
</tr>
<tr>
<td><strong>C.4</strong> How many times did you apply for housing support</td>
</tr>
<tr>
<td><strong>C.5</strong> For the house that you received assistance/ receiving/ going to receive When did you make the application?  Month: ________ Year: ________</td>
</tr>
<tr>
<td><strong>C.6</strong> When did you receive notification of acceptance?  Month: ________ Year: ________</td>
</tr>
<tr>
<td><strong>C.7</strong> Received support from: \ UN Habitat = ;  1 SDC = 2;  Red Cross = 3;  Indian Housing scheme = 4  Other (specify) = 5</td>
</tr>
<tr>
<td><strong>C.8</strong> Did you receive any support for housing from another agency?  Yes = 1 No = 2</td>
</tr>
<tr>
<td><strong>C.9</strong> When did you start construction?  Month: ________ Year: ________  Not applicable- 888</td>
</tr>
<tr>
<td><strong>C.10</strong> Before receiving the grant did you do any work on the house yourself (If no, go to C13)?  Yes = 1 No = 2</td>
</tr>
<tr>
<td><strong>C.11</strong> How much did you spend on it?  Rs -</td>
</tr>
<tr>
<td><strong>C.12</strong> Financing investment  No balance = 1  Own funds, earned during the period = 2  Own funds, savings = 3  Loan (formal borrowing) = 4  Microfinance = 5  Informal Borrowings = 6  Pawnning = 7  Selling movable or immovable assets = 8  Able to cut on costs using own labor = 9</td>
</tr>
</tbody>
</table>

---

**We are now going to ask you some questions about the housing construction**

| C.13 | Were you part of the construction of this house or was it given to you built?  Owner Driven Housing Construction = 1  Donor Driven Housing Construction = 2;  Other = 3, specify |
| C.14 | Floor area of this house? (ask about new house)  In square feet/ Length, width /don't know |
| C.15 | Stage at which the housing construction is Complete = 1  C15a Month: ________ Year: ________  Under construction = 2; Waiting for Grant = 3  Not supported = 4;  Stopped = 5  C15b: Reason: .................. |
| C.16 | Construction/ reconstruction needed for the house  Complete construction = 1; Repairs = 2 |
| C.17 | Estimate Cost of Construction of the House  Less than Rs 300,000 = 1  Between Rs 300,000 - 550,000 = 2  Between Rs 550,001 - 700,000 = 3  Between Rs 700,001 - 800,000 = 4  Between Rs 800,001 - 900,000 = 5  Between Rs 900,001 - 1,000,000 = 6  Above Rs 1,000,001 = 7 |
| C.18 | How much was the housing grant you received or what was the agreed amount by the donor?  Less than Rs. 500,000 = 1; Rs. 500,000 = 2  Rs. 550,000 = 3; More than Rs. 550,000 = 4  No answer = 5 |
| C.19 | Amount of money invested on your own Rs |
| C.20 | Financing investment  No balance = 1  Own funds, earned during the period = 2  Own funds, savings = 3  Loan (formal borrowing) = 4  Microfinance = 5  Informal Borrowings = 6  Pawnning = 7  Selling movable or immovable assets = 8  Able to cut on costs using own labor = 9 |
C.21 I would have liked to have taken a loan, but
Had sufficient own funds = 1
Did not try = 2
Cannot afford = 3
Applied but bank rejected = 4
Other (specify) = 5

C.22 Households Contribution is in the form of
Labour = 1
Finance = 2
Both = 3
No contribution = 4

C.23 Days contributed by income earners

C.24 Average income per day of the income earners Rs

C.25 Cost of hired labour per day Rs

House before and after (are they building better): (Instruction: Ask about the housing condition before the first displacement. If it is a new family, ask about the housing of the respondents house before the first displacement)

C.26 Before
C.27 Now

House Design = 1
Purchase of Items = 2
Construction Workers = 3
Others (specify) = 4

C.28 Source of power (for lighting)?
1. from main grid
2. solar power
3. micro hydro
4. petromax lamps
5. kerosene lamps
6. other (please specify)

C.29 Source of drinking water?
1. private well
2. common well
3. piped from private well
4. private tap
5. common tap
6. river

C.30 Yes 1
No 0
C.31 Description / deviation
C.32 Grant savings/ shortfall (Rs)
C.33 Reason (state)

Reasons for increased costs (Not applicable for the control groups)

Stage Standard

a. Foundation
b. Wall
c. Roof

d. Windows, doors
1. 2 windows
2. 2 doors
3. Frame
4. Wood
e. Plastering/Flooring
f. Completed
e.g. door, peer pressure (no prompting)

Additional support that would have reduced cost of construction

C.34 Type of non-financial support received from donor
(Use flashcard)

House Design = 1
Purchase of Items = 2
Construction Workers = 3
Others (specify) = 4

Adequacy
V. good = 1
Good = 2
Reasonable = 3
Bad = 4
V. Bad = 5

e.g. labour, machinery (no prompting)
### D. Food Consumption

Now we would like to ask you some questions about the eating patterns in your household. We ask these questions to all households in the survey to find out whether you think you consume sufficient food and whether you face any problems in sourcing this food.

<table>
<thead>
<tr>
<th>Food Product</th>
<th>How often eaten during a week</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Never - 0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rarely (once) - 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sometimes (twice or thrice) - 2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Often (4-6 days) - 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Always (every day) - 4</td>
<td></td>
</tr>
</tbody>
</table>

**Source**
- Purchased = 1
- Own production = 2
- Receive as support = 3

<table>
<thead>
<tr>
<th>D.1</th>
<th>Before construction started</th>
<th>D.2 After construction started (Not applicable for control households)</th>
<th>D.3 Before construction started (Not applicable for control households)</th>
<th>D.4 After construction started (Not applicable for control households)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Describe your typical meal (take 4 main codes from table above)

<table>
<thead>
<tr>
<th></th>
<th>D.5 Prior to Construction</th>
<th>D.6 After the construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Breakfast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Lunch</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Dinner</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Coping Strategies Index (Instruction: Use flashcards for this)

In the past 30 days, if there have been times when you did not have enough food or money to buy food, how often has your household had to:

- Rely on less preferred and less expensive foods?
- Borrow food, or rely on help from a friend or relative?
- Limit portion size at mealtimes?
- Restrict consumption by adults in order for small children to eat?
- Reduce number of meals eaten in a day?

**Frequency**
- Never - 0
- Rarely (once or twice in the past 30 days) - 1
- Sometimes (three to ten times in the past 30 days) - 2
- Often (more than ten times in the past 30 days) - 3
- Always (every day) - 4

#### Social protection

**D.8 Type of social protection received**

- A Pension
- B Old age pension
- C Disability Allowance
- D Samurdhi
- E Livelihood Support
- F Widow pension
- G Other (specify)

**D.9 Who provided this transfer?**

- Government = 1
- National NGO = 2
- International NGO = 3
- UN organisation or donor = 4
- Religious institution = 5
- Private sector = 6
- Don't know = 999
## E. Expenditure & Income

<table>
<thead>
<tr>
<th>Expenditure Item</th>
<th>Amount (before Construction started)</th>
<th>Amount (Last Month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.1 Food</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.2 Rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.3 Health</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4 Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.5 Electricity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.6 Water</td>
<td></td>
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<tr>
<td>E.7 Communication</td>
<td></td>
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<tr>
<td>E.8 Transport</td>
<td></td>
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<tr>
<td>E.9 Fuel (Petrol)</td>
<td></td>
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</tr>
<tr>
<td>E.10 Household Fuel (LP Gas/Firewood etc)</td>
<td></td>
<td></td>
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<tr>
<td>E.11 Interest Payment</td>
<td></td>
<td></td>
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<tr>
<td>E.12 Capital payment</td>
<td></td>
<td></td>
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<tr>
<td>E.13 Other expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.14 Total expenses per week</td>
<td></td>
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</tbody>
</table>

### Income sources - (to assess the capacity of hh to borrow)

<table>
<thead>
<tr>
<th>E.15</th>
<th>E.16 How much do you usually take home in a regular period? (Actual amount in rupees)</th>
<th>E.17 Percentage contribution to total household income</th>
<th>E.18 How often do you get paid/receive income? (Use flashcard here)</th>
<th>E.19 Comment of stability of source</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Own agriculture activity</td>
<td></td>
<td>1. Continuous</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Own fishing activity</td>
<td></td>
<td>2. Frequent</td>
<td></td>
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<td></td>
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<td></td>
<td>3. Seasonal</td>
<td></td>
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<td></td>
<td>4. Infrequent / ad hoc</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>5. Monthly</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>6. Others (specify)</td>
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</table>

### E.20 Income per month Household (Rs)

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Code</th>
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<tbody>
<tr>
<td>0-2,500</td>
<td>-1</td>
</tr>
<tr>
<td>2501-5,000</td>
<td>-2</td>
</tr>
<tr>
<td>5001-7,500</td>
<td>-3</td>
</tr>
<tr>
<td>7501-10,000</td>
<td>-4</td>
</tr>
<tr>
<td>10,001-15,000</td>
<td>-5</td>
</tr>
<tr>
<td>15,001-20,000</td>
<td>-6</td>
</tr>
<tr>
<td>20,001-25,000</td>
<td>-7</td>
</tr>
<tr>
<td>25,000 or more</td>
<td>-8</td>
</tr>
</tbody>
</table>

### E.21 What is the average income of your household?

### E.22 What percentage of the monthly household income are you paying as interest

### E.23 What percentage of the monthly household income are you paying as Capital repayment

### E.24 The monthly loan instalment (capital + interest)

- More than 50% of the household’s total monthly budget = 1
- Equal to 50% of the household’s total monthly budget = 2
- Less than 50% of the household’s total monthly budget = 3
F. Assets - Rationale: to capture the socio-economic conditions of the hh, to assess the capacity of hh to borrow

House/ land ownership

F.1 Owner of land in which the house is being built (From PID Number)

F.2 Type of land ownership document for your current residence (go to F3 only if the response is 5)
- Deed = 1
- LDO/other government permit = 2
- DS Letter = 3
- Temple permit = 4
- None = 5
- Other = 6

F.3 If not in possession (=5 for question H1) of land ownership document, reason for non-possession
- Applied and waiting for document = 1
- Landless - squatter on government land = 2
- Landless - squatter on private land = 3
- Land dispute = 4
- Cannot access own land = 4
- Other = 5

F.4 If family cannot access own land (h2 = 4), reason for not accessing own land
- Land is in High Security Zone/Military or Police Occupation = 1
- Land is acquired for Economic Development Zone = 2
- Not cleared of mines and UXOs = 3
- Jungle not cleared by household = 4
- Do not want to go back = 5
- Other = 6

F.5 Do you or another member of your household own another house?
- Yes = 1; No = 2

F.6 Do you or another member of your household own other lands (e.g: cultivation)?
- Yes = 1; No = 2

Household Assets

<table>
<thead>
<tr>
<th></th>
<th>Before the first displacement a.</th>
<th>Now b.</th>
</tr>
</thead>
<tbody>
<tr>
<td>F.7</td>
<td>Fridge</td>
<td></td>
</tr>
<tr>
<td>F.8</td>
<td>Water filter/purifier</td>
<td></td>
</tr>
<tr>
<td>F.9</td>
<td>TV</td>
<td></td>
</tr>
<tr>
<td>F.10</td>
<td>Mobile phone</td>
<td></td>
</tr>
<tr>
<td>F.11</td>
<td>Fan/ air-conditioning unit</td>
<td></td>
</tr>
<tr>
<td>F.12</td>
<td>Computer</td>
<td></td>
</tr>
<tr>
<td>F.13</td>
<td>Livestock</td>
<td></td>
</tr>
<tr>
<td>F.14</td>
<td>Small livestock (e.g: poultry)</td>
<td>Nos</td>
</tr>
<tr>
<td>F.15</td>
<td>Medium sized livestock (e.g: goat)</td>
<td>Nos</td>
</tr>
<tr>
<td>F.16</td>
<td>Large sized livestock (e.g: cattle, buffalo)</td>
<td>Nos</td>
</tr>
<tr>
<td>F.17</td>
<td>Farming-related tools and machinery</td>
<td></td>
</tr>
<tr>
<td>F.18</td>
<td>Non-powered tools/machinery (Eg: Sprayers)</td>
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</tr>
<tr>
<td>F.19</td>
<td>Fuel-powered machinery (Eg: tractor)</td>
<td></td>
</tr>
<tr>
<td>F.20</td>
<td>Fisheries-related craft and equipment</td>
<td></td>
</tr>
<tr>
<td>F.21</td>
<td>Boats</td>
<td></td>
</tr>
<tr>
<td>F.22</td>
<td>Engines</td>
<td></td>
</tr>
<tr>
<td>F.23</td>
<td>Fishing nets</td>
<td></td>
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<tr>
<td>F.24</td>
<td>Transport</td>
<td></td>
</tr>
<tr>
<td>F.25</td>
<td>Man-powered vehicles (e.g: bikes, handcart)</td>
<td></td>
</tr>
<tr>
<td>F.26</td>
<td>Fuel powered vehicles (e.g: motorbike, car, truck)</td>
<td></td>
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</table>

Financial Assets

Yes = 1; No = 2

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<tr>
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</thead>
<tbody>
<tr>
<td>F.27</td>
<td>Have a current Account</td>
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</tr>
<tr>
<td>F.28</td>
<td>Have a credit card/ATM card</td>
<td></td>
</tr>
<tr>
<td>F.29</td>
<td>Have savings account</td>
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</tr>
<tr>
<td>F.30</td>
<td>Fixed Deposit</td>
<td></td>
</tr>
<tr>
<td>F.31</td>
<td>Jewellery</td>
<td></td>
</tr>
<tr>
<td>F.32</td>
<td>Have a retirement plan (fund)</td>
<td></td>
</tr>
<tr>
<td>F.33</td>
<td>Have EPF</td>
<td></td>
</tr>
<tr>
<td>F.34</td>
<td>Have ETF</td>
<td></td>
</tr>
<tr>
<td>F.35</td>
<td>Have shares</td>
<td></td>
</tr>
<tr>
<td>G.1 Source</td>
<td>G.2 Date of borrowing</td>
<td>G.3 Reason</td>
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<tr>
<td>------------</td>
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<td>------------</td>
</tr>
<tr>
<td>Bank = 1</td>
<td>AM YYYY</td>
<td>Livelihood</td>
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<tr>
<td>Pawn = 2</td>
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<td>House</td>
</tr>
<tr>
<td>Family = 3</td>
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<td>Construction</td>
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<tr>
<td>Friends = 4</td>
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<td>Food</td>
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<td>Money lender = 5</td>
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<td>Clothing</td>
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<tr>
<td>Commun al credit = 6</td>
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<td>Health Expenses</td>
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<td>Shopkeeper = 7</td>
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<td>Educational Expenses</td>
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<td>Other = 8</td>
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<td>Social Events</td>
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<tr>
<td>Leasing = 9</td>
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<td>Repay debt</td>
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<td>Installment = 10</td>
<td></td>
<td>Emergency expenses (like funeral)</td>
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<tr>
<td>Chittu = 11</td>
<td></td>
<td>Others = 10</td>
</tr>
<tr>
<td>a.</td>
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<td>b.</td>
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<td>c.</td>
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<td>e.</td>
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<td>f.</td>
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<td>g.</td>
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<tr>
<td>h.</td>
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<tr>
<td>i.</td>
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<tr>
<td>j.</td>
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</tbody>
</table>
H. Managing Finance/ Debt/ Risk

<table>
<thead>
<tr>
<th>H.1</th>
<th>I get unsure by the lingo of financial experts</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.2</td>
<td>I am anxious about financial and money affairs</td>
</tr>
<tr>
<td>H.3</td>
<td>I tend to postpone financial decisions</td>
</tr>
<tr>
<td>H.4</td>
<td>After making a decision, I am anxious whether I was right or wrong</td>
</tr>
<tr>
<td>H.5</td>
<td>I read the business section of the newspaper attentively</td>
</tr>
<tr>
<td>H.6</td>
<td>I like to join conversations about financial matters</td>
</tr>
<tr>
<td>H.7</td>
<td>I compare and calculate risks</td>
</tr>
<tr>
<td>H.8</td>
<td>Even on large purchases, I tend to spend spontaneously</td>
</tr>
<tr>
<td>H.9</td>
<td>Before I buy a product I read or talk to others about it</td>
</tr>
<tr>
<td>H.10</td>
<td>At the end of the day, I decide intuitively in financial affairs</td>
</tr>
<tr>
<td>H.11</td>
<td>I find it hard not to have some money away for a rainy day</td>
</tr>
<tr>
<td>H.12</td>
<td>To care for the future is essential for me</td>
</tr>
<tr>
<td>H.13</td>
<td>I spend money when I am unhappy or frustrated</td>
</tr>
<tr>
<td>H.14</td>
<td>Special offers can entice me into buying</td>
</tr>
<tr>
<td>H.15</td>
<td>I enjoy spending money more than saving</td>
</tr>
<tr>
<td>H.16</td>
<td>I often do things based on how I feel at the moment</td>
</tr>
<tr>
<td>H.17</td>
<td>I like it when people can do whatever they want, without strict rules and regulations</td>
</tr>
</tbody>
</table>

Thank you for taking the time to answer these questions. We would like to reiterate that all your answers will be kept confidential.
<table>
<thead>
<tr>
<th></th>
<th>Treatment</th>
<th>Control</th>
<th>Treatment</th>
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<th>Control</th>
<th>Treatment</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>I get unsure by the lingo of financial experts</td>
<td>Very True 53</td>
<td>Pretty True 78</td>
<td>Some True 28</td>
<td>A little True 22</td>
<td>Not True 47</td>
<td>Value .204</td>
<td>Approx. Sig. .005</td>
<td></td>
<td>Prett</td>
<td>True 98</td>
<td>Some True 36</td>
<td>A little True 16</td>
<td>Not True 23</td>
<td>Value .243</td>
<td>Approx. Sig. .000</td>
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<tr>
<td>I am anxious about financial and money affairs</td>
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<td>Pretty True 28</td>
<td>Some True 31</td>
<td>A little True 23</td>
<td>Not True 38</td>
<td>Value .161</td>
<td>Approx. Sig. .055</td>
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<td>Prett</td>
<td>True 98</td>
<td>Some True 36</td>
<td>A little True 16</td>
<td>Not True 23</td>
<td>Value .060</td>
<td>Approx. Sig. .874</td>
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<td>I tend to postpone financial decisions</td>
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<td>Pretty True 28</td>
<td>Some True 73</td>
<td>A little True 81</td>
<td>Not True 41</td>
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<td>Some True 36</td>
<td>A little True 16</td>
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<tr>
<td>After making a decision, I am anxious whether I was right or wrong</td>
<td>Very True 27</td>
<td>Pretty True 81</td>
<td>Some True 68</td>
<td>A little True 29</td>
<td>Not True 22</td>
<td>Value .161</td>
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<td>True 98</td>
<td>Some True 36</td>
<td>A little True 16</td>
<td>Not True 23</td>
<td>Value .060</td>
<td>Approx. Sig. .874</td>
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<tr>
<td>I read the business section of the newspaper attentively</td>
<td>Very True 6</td>
<td>Pretty True 20</td>
<td>Some True 34</td>
<td>A little True 38</td>
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<tr>
<td>I like to join conversations about financial matters</td>
<td>Very True 15</td>
<td>Pretty True 60</td>
<td>Some True 53</td>
<td>A little True 62</td>
<td>Not True 38</td>
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<tr>
<td>I compare and calculate risks</td>
<td>Very True 27</td>
<td>Pretty True 60</td>
<td>Some True 53</td>
<td>A little True 62</td>
<td>Not True 38</td>
<td>Value .069</td>
<td>Approx. Sig. .802</td>
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<td>Some True 36</td>
<td>A little True 16</td>
<td>Not True 23</td>
<td>Value .060</td>
<td>Approx. Sig. .874</td>
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<td></td>
</tr>
<tr>
<td>Even on large purchases, I tend to spend spontaneously</td>
<td>Very True 3</td>
<td>Pretty True 4</td>
<td>Some True 14</td>
<td>A little True 13</td>
<td>Not True 194</td>
<td>Value .121</td>
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<td>True 98</td>
<td>Some True 36</td>
<td>A little True 16</td>
<td>Not True 23</td>
<td>Value .060</td>
<td>Approx. Sig. .874</td>
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<tr>
<td>Before I buy a product I read or talk to others about it</td>
<td>Very True 22</td>
<td>Pretty True 75</td>
<td>Some True 56</td>
<td>A little True 39</td>
<td>Not True 36</td>
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<td>True 98</td>
<td>Some True 36</td>
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<td>Value .060</td>
<td>Approx. Sig. .874</td>
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<tr>
<td>At the end of the day, I decide intuitively in financial affairs</td>
<td>Very True 12</td>
<td>Pretty True 46</td>
<td>Some True 80</td>
<td>A little True 42</td>
<td>Not True 48</td>
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<td>Approx. Sig. .874</td>
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<tr>
<td>I find it hard not to have some money away for a rainy day</td>
<td>Very True 20</td>
<td>Pretty True 56</td>
<td>Some True 31</td>
<td>A little True 32</td>
<td>Not True 89</td>
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<tr>
<td>To care for the future is essential for me</td>
<td>Very True 48</td>
<td>Pretty True 104</td>
<td>Some True 48</td>
<td>A little True 14</td>
<td>Not True 14</td>
<td>Value .073</td>
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Table 2.1: Classification by Treatment/Control Households
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Table 2.2: Classification by Gender of Head of Household

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<td>Even on large purchases, I tend to spend spontaneously</td>
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Table 2.3: Classification by Educational Attainment of Head of Household

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<th>Pretty True</th>
<th>Somewhat True</th>
<th>A little True</th>
<th>Not True</th>
<th>Value</th>
<th>Approx. Sig.</th>
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<td>I get unsure by the lingo of financial experts</td>
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<td>.028</td>
</tr>
<tr>
<td>Pretty true</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some what true</td>
<td>6</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>True</td>
<td>22</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A little true</td>
<td>95</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not True</td>
<td>95</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I often do things based on how I feel at the moment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very true</td>
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<td>8</td>
<td></td>
<td>.078</td>
<td>.776</td>
</tr>
<tr>
<td>Pretty true</td>
<td>15</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some what true</td>
<td>28</td>
<td>44</td>
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<tr>
<td>True</td>
<td>34</td>
<td>35</td>
<td></td>
<td></td>
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<tr>
<td>A little true</td>
<td>44</td>
<td>61</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Not True</td>
<td>44</td>
<td>61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I like it when people can do whatever they want, without strict rules and regulations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Occup.</td>
<td>Casual labour</td>
<td>Contingency coefficient</td>
<td>Value</td>
<td>Approx. Sig.</td>
</tr>
<tr>
<td>-----------------------------------------------------------------</td>
<td>--------------</td>
<td>---------------</td>
<td>-------------------------</td>
<td>-------</td>
<td>--------------</td>
</tr>
<tr>
<td>I often follow my instincts, without thinking through all the details</td>
<td>3</td>
<td>4</td>
<td>0.032</td>
<td>.990</td>
<td></td>
</tr>
<tr>
<td>We have a family member who likes to bet on horse racing</td>
<td>0</td>
<td>1</td>
<td>0.165</td>
<td>.042</td>
<td></td>
</tr>
<tr>
<td>To manage repayment the household has reduced its expense on food</td>
<td>5</td>
<td>16</td>
<td>0.133</td>
<td>.262</td>
<td></td>
</tr>
<tr>
<td>To manage repayment the household has reduced tuition expenses</td>
<td>0</td>
<td>8</td>
<td>0.169</td>
<td>.071</td>
<td></td>
</tr>
<tr>
<td>To manage repayment the household has reduced expenditure on treating chronic illnesses</td>
<td>0</td>
<td>3</td>
<td>0.100</td>
<td>.567</td>
<td></td>
</tr>
<tr>
<td>Pay all bills on time</td>
<td>2</td>
<td>4</td>
<td>0.148</td>
<td>.162</td>
<td></td>
</tr>
<tr>
<td>I am able to repay loans on a monthly basis regularly</td>
<td>2</td>
<td>6</td>
<td>0.133</td>
<td>.261</td>
<td></td>
</tr>
<tr>
<td>Keep a record of all expenses</td>
<td>8</td>
<td>7</td>
<td>0.088</td>
<td>.680</td>
<td></td>
</tr>
<tr>
<td>Spend based on a budget</td>
<td>18</td>
<td>19</td>
<td>0.048</td>
<td>.952</td>
<td></td>
</tr>
<tr>
<td>Have emergency fund</td>
<td>22</td>
<td>14</td>
<td>0.181</td>
<td>.041</td>
<td></td>
</tr>
<tr>
<td>Save or invest monthly</td>
<td>1</td>
<td>4</td>
<td>0.238</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Save for long term goals – education, dowry</td>
<td>1</td>
<td>2</td>
<td>0.202</td>
<td>.015</td>
<td></td>
</tr>
<tr>
<td>All investments in the same financial institution</td>
<td>9</td>
<td>17</td>
<td>0.122</td>
<td>.345</td>
<td></td>
</tr>
<tr>
<td>Compare offers before deciding on financial institution</td>
<td>7</td>
<td>14</td>
<td>0.165</td>
<td>.084</td>
<td></td>
</tr>
<tr>
<td>Previously non-earning members in the family work now</td>
<td>4</td>
<td>3</td>
<td>0.128</td>
<td>.301</td>
<td></td>
</tr>
<tr>
<td>Debt has caused health issues in the household</td>
<td>3</td>
<td>2</td>
<td>0.139</td>
<td>.216</td>
<td></td>
</tr>
</tbody>
</table>
Annex 3: House Construction
Comparison of houses before displacement and constructed/ constructing/ to be constructed house

<table>
<thead>
<tr>
<th>Household Room</th>
<th>Paired Differences</th>
<th>95% Confidence Interval of the Difference</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std. Deviation</td>
<td>Std. Error Mean</td>
</tr>
<tr>
<td>Hall</td>
<td>.279</td>
<td>.449</td>
<td>.030</td>
</tr>
<tr>
<td>Rooms</td>
<td>-.617</td>
<td>.728</td>
<td>.048</td>
</tr>
<tr>
<td>Internal Kitchen</td>
<td>.606</td>
<td>.490</td>
<td>.033</td>
</tr>
<tr>
<td>External Kitchen</td>
<td>-.611</td>
<td>.489</td>
<td>.033</td>
</tr>
<tr>
<td>Internal toilet</td>
<td>.004</td>
<td>.149</td>
<td>.010</td>
</tr>
<tr>
<td>External Toilet</td>
<td>-.555</td>
<td>.532</td>
<td>.035</td>
</tr>
<tr>
<td>Well</td>
<td>-.070</td>
<td>.465</td>
<td>.031</td>
</tr>
</tbody>
</table>
Annex 4: Size of House and Household Characteristics
### Gender of the Head of Household

<table>
<thead>
<tr>
<th>House Length in Feet</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 feet</td>
<td>47%</td>
<td>66%</td>
</tr>
<tr>
<td>More than 23 feet</td>
<td>53%</td>
<td>34%</td>
</tr>
</tbody>
</table>

### Educational Attainment of the Head of Household

<table>
<thead>
<tr>
<th>House Length in Feet</th>
<th>No Education</th>
<th>10-Jan</th>
<th>O/L Qualified</th>
<th>A/L</th>
<th>A/L Qualified</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 feet</td>
<td>33%</td>
<td>53%</td>
<td>47%</td>
<td>17%</td>
<td>0%</td>
</tr>
<tr>
<td>More than 23 feet</td>
<td>67%</td>
<td>47%</td>
<td>53%</td>
<td>83%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Age of the Head of Household

<table>
<thead>
<tr>
<th>House Length in Feet</th>
<th>18-25</th>
<th>25-40</th>
<th>40-59</th>
<th>60 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 feet</td>
<td>86%</td>
<td>46%</td>
<td>55%</td>
<td>32%</td>
</tr>
<tr>
<td>More than 23 feet</td>
<td>14%</td>
<td>54%</td>
<td>45%</td>
<td>68%</td>
</tr>
</tbody>
</table>

### Economic Activity of Head of Household

<table>
<thead>
<tr>
<th>House Length in Feet</th>
<th>Own Activity</th>
<th>Casual Labour</th>
<th>Privat e sector (non agri/ fisheries)</th>
<th>NGO</th>
<th>Other</th>
<th>Other member of the family engage in income generatin g activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agriculture</td>
<td>Fishing</td>
<td>Business/ Trade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 feet</td>
<td>32%</td>
<td>50%</td>
<td>31%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than 23 feet</td>
<td>68%</td>
<td>50%</td>
<td>69%</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
Annex 5: Food Consumption
Table 5.1: Before and After Comparison of food intake

<table>
<thead>
<tr>
<th>Food</th>
<th>Before</th>
<th>After</th>
<th>Total</th>
<th>Contingency Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td></td>
<td></td>
<td>Value</td>
</tr>
<tr>
<td></td>
<td>Never</td>
<td>Rarely</td>
<td>Sometimes</td>
<td>Often</td>
</tr>
<tr>
<td>Rice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>After</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td>Gram</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>46</td>
<td>88</td>
<td>71</td>
<td>16</td>
</tr>
<tr>
<td>After</td>
<td>109</td>
<td>78</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>Bread</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>10</td>
<td>46</td>
<td>108</td>
<td>53</td>
</tr>
<tr>
<td>After</td>
<td>24</td>
<td>64</td>
<td>94</td>
<td>35</td>
</tr>
<tr>
<td>Flour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>0</td>
<td>9</td>
<td>17</td>
<td>75</td>
</tr>
<tr>
<td>After</td>
<td>2</td>
<td>23</td>
<td>36</td>
<td>75</td>
</tr>
<tr>
<td>Sugar</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>51</td>
</tr>
<tr>
<td>After</td>
<td>2</td>
<td>5</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td>Meat</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>23</td>
<td>90</td>
<td>86</td>
<td>20</td>
</tr>
<tr>
<td>After</td>
<td>60</td>
<td>119</td>
<td>34</td>
<td>6</td>
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<tr>
<td>Vegetable</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Before</td>
<td>3</td>
<td>3</td>
<td>12</td>
<td>54</td>
</tr>
<tr>
<td>After</td>
<td>2</td>
<td>6</td>
<td>18</td>
<td>71</td>
</tr>
<tr>
<td>Milk</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>47</td>
<td>52</td>
<td>49</td>
<td>29</td>
</tr>
<tr>
<td>After</td>
<td>109</td>
<td>78</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>Fruit</td>
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<tr>
<td>Before</td>
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<td>109</td>
<td>44</td>
</tr>
<tr>
<td>After</td>
<td>37</td>
<td>70</td>
<td>88</td>
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<td>Fish</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
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<td>12</td>
<td>48</td>
<td>83</td>
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<tr>
<td>After</td>
<td>5</td>
<td>26</td>
<td>53</td>
<td>75</td>
</tr>
<tr>
<td>Dried Fish</td>
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<td></td>
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</tr>
<tr>
<td>Before</td>
<td>19</td>
<td>46</td>
<td>75</td>
<td>62</td>
</tr>
<tr>
<td>After</td>
<td>35</td>
<td>60</td>
<td>66</td>
<td>46</td>
</tr>
<tr>
<td>Eggs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>9</td>
<td>36</td>
<td>82</td>
<td>79</td>
</tr>
<tr>
<td>After</td>
<td>27</td>
<td>57</td>
<td>80</td>
<td>48</td>
</tr>
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<td>Oil</td>
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</tr>
<tr>
<td>Before</td>
<td>1</td>
<td>9</td>
<td>25</td>
<td>80</td>
</tr>
<tr>
<td>After</td>
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<td>22</td>
<td>46</td>
<td>62</td>
</tr>
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<td>Coffee</td>
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<tr>
<td>Before</td>
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<td>30</td>
</tr>
<tr>
<td>After</td>
<td>0</td>
<td>2</td>
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<td>34</td>
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</table>
## Table 5.2: Coping Strategies adopted - Comparison between Treatment and Control Groups

<table>
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<tr>
<th>Coping strategies</th>
<th>Groups</th>
<th>Frequency</th>
<th>Contingency Coefficient</th>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Never</td>
<td>Rarely</td>
<td>Sometimes</td>
<td>Often</td>
</tr>
<tr>
<td>Eat less preferred and less expensive food</td>
<td>Treatment</td>
<td>53</td>
<td>31</td>
<td>83</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>45</td>
<td>21</td>
<td>39</td>
<td>12</td>
</tr>
<tr>
<td>Borrow or be dependent on others</td>
<td>Treatment</td>
<td>188</td>
<td>11</td>
<td>22</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>101</td>
<td>7</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Limiting food quantity in all meals</td>
<td>Treatment</td>
<td>95</td>
<td>40</td>
<td>61</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>64</td>
<td>12</td>
<td>30</td>
<td>13</td>
</tr>
<tr>
<td>Reduce consumption of elder for the benefit of the younger</td>
<td>Treatment</td>
<td>114</td>
<td>24</td>
<td>60</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>79</td>
<td>10</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Reduce the number of meals</td>
<td>Treatment</td>
<td>99</td>
<td>36</td>
<td>51</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>62</td>
<td>16</td>
<td>26</td>
<td>15</td>
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</table>
Annex 6: Expenditure of the Treatment Group - Before and After Construction
## Paired Samples Statistics/ Test

<table>
<thead>
<tr>
<th>Pair</th>
<th>Variable 1</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>t</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>E1_a_Food</td>
<td>11640.0901</td>
<td>222</td>
<td>4993.63994</td>
<td>335.15117</td>
<td>5.428</td>
<td>221</td>
<td>0.000</td>
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<tr>
<td></td>
<td>E1_b_Food</td>
<td>10482.4324</td>
<td>222</td>
<td>5064.90966</td>
<td>339.94348</td>
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<td></td>
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<tr>
<td>2</td>
<td>E2_a_Rent</td>
<td>.</td>
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<tr>
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<td>E2_b_Rent</td>
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<td>0</td>
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<tr>
<td>3</td>
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<td>1334.0000</td>
<td>150</td>
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</tr>
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<td>E3_b_Health</td>
<td>1256.8333</td>
<td>150</td>
<td>1421.40544</td>
<td>116.05727</td>
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<td></td>
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</tr>
<tr>
<td>4</td>
<td>E4_a_Education</td>
<td>2148.0392</td>
<td>153</td>
<td>2902.76004</td>
<td>234.67424</td>
<td>-.481</td>
<td>152</td>
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</tr>
<tr>
<td></td>
<td>E4_b_Education</td>
<td>2196.0784</td>
<td>153</td>
<td>3051.54474</td>
<td>246.70277</td>
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<td></td>
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</tr>
<tr>
<td>5</td>
<td>E5_a_Electricity</td>
<td>365.3846</td>
<td>13</td>
<td>277.92731</td>
<td>77.08317</td>
<td>-.1000</td>
<td>12</td>
<td>.337</td>
</tr>
<tr>
<td></td>
<td>E5_b_Electricity</td>
<td>388.4615</td>
<td>13</td>
<td>275.49489</td>
<td>76.40854</td>
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<td></td>
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</tr>
<tr>
<td>6</td>
<td>E6_a_Water</td>
<td>.</td>
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<td>.</td>
<td>.</td>
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<td></td>
</tr>
<tr>
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The conflict in Sri Lanka ended in 2009 and in the North and East of Sri Lanka, the government, donors, non-governmental organisations and the people are engaged in reconstructing infrastructure, houses and lives. It is estimated that 143,268 houses need to be reconstructed or repaired and donors have so far committed to assist around 38 percent of such houses.

Most donor organisations adopt the Owner Driven Housing Assistance model (ODHA), also known as the “people’s process”, which requires each beneficiary family to contribute money/ labour towards the reconstruction of their house. Currently, there is limited knowledge on how families are financing this co-contribution and what finance options they are using; whether this additional expenditure for housing reconstruction has put beneficiary families of owner driven housing under a greater debt burden; and if so, how this will impact their socio-economic situation in the short term. Furthermore, recent evaluations of the housing programmes indicate that there is much appreciation for the programme amongst the beneficiaries. The evaluation, however, also points out to growing indebtedness of the beneficiaries of the housing programme and more importantly that families are struggling to repay the loans. This study attempts to understand the socio-economic situation of housing beneficiaries and the extent to which the housing programme drives household debt.