

Stimulating Growth and Improving the Delivery of Housing Microfinance Interventions: An Analysis of Critical Demand Factors

Francis K. Bondinuba¹, Alex Opoku², De-Graft Owusu-Manu³ and Kenneth A. Donkor-Hyiaman

^{1,3}*Department: Department of Building Technology, Kumasi Technical University, Kumasi-Ghana*

²*UCL Bartlett School of Construction & Project Management, University College London, London-UK*

⁴*Department: School of Real Estate and Planning, Henley Business School, University of Reading, Reading-UK*

Abstract

Research Approach - The emergence of Housing Microfinance (HMF) as a response to the low-income groups' inability to access traditional housing finance is an innovative strategy by creative Microfinance Institutions (MFIs). Yet, low-income groups' still face barriers in accessing these innovative products, particularly in Ghana. This paper examines the critical demand barriers and how to develop and improve the design and delivery of HMF interventions in the low-income housing market in Ghana.

Design/methodology/approach – The paper achieves its aim by adopting a focus-group discussion strategy to examine the constraints to the demand for HMF among low-income groups' in Ghana.

Findings – Nine factors constrained the design, delivery and demand for HMF – affordability issues, risk, land tenure insecurity, high interest rate, collateralization and insurance challenges, unfavourable HMF loan conditions, lack of social capital, high cost of land and building materials, and ineffective consumer protection.

Research limitations/implications – Although limited to low income groups, strategies to stimulate demand for HMF should focus on three broad problems – affordability, macroeconomic management, and institutional development and government intervention.

Social and Practical Implications – The paper makes significant contributions to the body of knowledge, regarding understanding the low-income housing market and its financing in the context of a developing country.

Originality/value – The novelty of the paper is founded on the premise of the research methodology adopted to unearth the barriers to the demand of HMF in Ghana. Future research effort should be directed at exploring the motivations behind low-income groups decision to demand HMF and the risk associated with the use of HMF in the context of Ghana.

Key Words: Barriers, Developing countries, Ghana, Housing Finance, Microfinance, Low income.

1.0 Introduction

The priority accorded the issue of housing in emerging markets is immense; to most governments, the availability of sufficient, but basic housing for all is often stated as a priority for enhancing the social needs of society. According to Tibaijuka, (2013), habitable housing contributes to the health, efficiency, social behaviour and general welfare of the populace. Apart from providing man with shelter and security, housing plays a significant role in serving as an asset (Poole, 2003; Alhashimi and Dwyer, 2004). However, inadequate sanitation and housing are threatening the lives and health of many individual low-income groups within the developing world.

The lack of access to affordable finance *inter alia* has been advanced to justify this phenomenon (Afrane *et al.*, 2014; Ndikumagenge, 2014). The CHF (2004, p17) estimates that at least “35% of all Ghanaian households will not qualify for any kind of housing finance”. Therefore, the emergence of HMF as a response to the access problems facing low-income groups in relation to traditional housing finance has been applauded as an innovative strategy (Bondinuba *et al.*, 2016). In a narrow sense, it involves a two-way approach in which low-income groups or individuals can either access cash loans for home improvement or obtain first-hand skills on how to build their houses with loaned construction materials (Kono and Takahashi, 2010). Comprehensively, Kihato (2014, p. 13) suggest that HMF is any “*financial mechanism or tool used to support investment in any component of housing that includes land acquisition, access and provision of housing service improvement, renovations, maintenance and the incremental building process of low-income groups*”.

It has also been observed by many that HMF is a more appropriate lending methodology than traditional mortgage lending in serving the housing finance needs of individual low-income groups’ (*cf.* Ferguson and Haider, 2000; Schumman, 2004; Cain, 2007). It is due to the flexibility in access and repayment terms offered by MFIs to individuals and low-income groups. This is because of the small nature of the amount that is usually given out for the incremental building. Collateralization issues many believe until recently is also not much of a problem in HMF design and delivery (*cf.* Cacnio, 2001; Derban *et al.*, 2002). HMF

programs also have the potential of being integrated into any MFI's existing microenterprise finance operations without any adverse effects on the quality or growth of the existing portfolio (Daphnis and Ferguson, 2004). Additionally, Daphnis and Ferguson, (2004) suggests that it's easy for any MFI's existing loan or credit officers to be trained to offer HMF loans without any difficulties or negatively affecting their productivity. Therefore, it could be argued that MFIs that adopt, design and developed HMF and enter the low-income housing market would be contributing to the innovation and entrepreneurship efforts in both housing and microfinance sectors.

Despite the importance of both HMF and low-income housing markets, not much is known in the extant literature in terms of how to improve demand for HMF by low-income households. The few studies concerning HMF often concentrate on the supply side of HMF. For instance, while (Biitir, 2008) limits his study on the impact of HMF on housing improvement in Accra, (Derban *et al.*, 2002) examined the importance of HMF in housing delivery in Ghana. A focus-group discussion strategy, aimed at examining how to stimulate demand and improve the design and delivery of HMF interventions in the low- income housing market in Ghana was adopted. The paper identifies nine constraints to the HMF demand development and improvement of HMF. Overcoming affordability challenges, macroeconomic instability and institutional development remain as the broad issues that must be pursued.

The rest of the paper is divided into five sections. Section two describes the low-income housing market and it's financing constraints. Section three presents the research methodology while section four examines the findings. Section five evaluated the implications of the study for theory, practice and policy. The study is concluded in section six.

2.0 The Low-income Housing Market Financing Constraints in Ghana

Low-income households in many parts of the developing world face housing affordability challenges often due to high land prices, high cost of building materials, and low incomes among others. To overcome some of these difficulties, many low-income households often

resort to the process of incremental building whereby they build and expand their homes over time as funds become available. Another feature about the low-income housing market is the lack of data to determine the precise market size; its challenges and what will attract or motivate potential financiers such as MFIs into financing the sector. It is therefore difficult to estimate accurately the housing financing gap and the specific needs of this sector.

Besides, traditional financial institutions perceive low-income households as high risk characterised by high default rates. The issue about default is however different in the microfinance industry (Quaye *et al.*, 2014). There is some evidence to the effect that microfinance has assisted some low-income households to progressively achieve financial independence (Swope, 2007). It has been made possible through the strong competencies of most MFIs in the utilisation of scarce resources to effectively and efficiently serves the informal sector (Firpo, 2005; Appiah, 2008). Many MFIs have also acknowledged in (Bondinuba *et al.*, 2017) that, the housing market in Ghana is large enough to accommodate both traditional or universal banks as well as MFIs. However, many of these institutions are unwilling to enter the market in Ghana, especially with HMF products due to a lack of capital, stiffer competition, high interest rates, risks and the inefficient land and housing markets in the country (Bondinuba, 2016).

Furthermore, it is also a known fact that in every supply and demand market, there are inherent and potential barriers hampering the demand and supply of goods and services (Azevedo and Leshno, 2016). In this regard, specific types of barriers have been shown to have an impact on the demand of HMF among individual low-income groups'. These barriers might include low-income groups income level, stringent eligibility requirements and lack of social capital among others. These variables are considered as significant variables in both supply and demand of HMF in developing countries.

Case and Fair (2007, p. 54) suggest that “*income is the sum of all the wages, salaries, profits, interest payments, rents, and other forms of earnings*” over a stipulated period. Income is one of the most important determinants of housing. The low-income group segment income could

be described as a vital factor of their housing because income determined the type and condition of housing a household can afford. Low incomes affect the demand of HMF negatively as the repayment period is often extended (Smets, 2006). Individual low-income groups are sometimes unable to pay and often than not the loan loses its value (Daphnis and Ferguson, 2004).

Sander and Lowney, (2006) define social capital as a mechanism that focuses on the social networks that exist between individual, community and nations. It means “who knows whom” and the character of those networks, the strength and the extent to which those networks can nurture trust and reciprocity among MFIs and individual low-income groups in the delivery of HMF. The lack of such an important collateral substitute mechanism in HMF delivery affects both individual low-income groups personal and MFIs business networks as resources. These resources in the case of MFIs include ideas, human capital, power and influence of product, financial capital, goodwill, trust and cooperation (Baker and Faulkner, 2004). In the case of individual low-income groups, their social capital resources may include trust, social, political, cultural and religious affiliations among others.

Another possible barrier to the demand of HMF among individual low-income groups is a lack of security of land tenure, particularly in the low-income housing market. Security of land tenure is the legal protection often accorded to individual low-income groups on the land they build their dwellings against any arbitrary increases in the ground rent, arbitrary eviction or repossession by the land owners. There are many factors in Ghana that affects individual low-income groups security of land tenure. These include the rapid rate of urbanisation which often leads to re-zoning of some of the areas occupied by individual low-income groups and their incomes.

Besides the social capital and lack of security of tenure arguments, from MFIs perspectives, ineffective supplier and consumer protection laws and regulations can also serve as a barrier to the demand of HMF by individual low-income groups. For instance, in both Bondinuba (2016) and Bondinuba *et al.*, (2017) they identified ineffective supplier and consumer

protection laws and regulations in the HMF sub-sector as a significant barrier to the demand and supply of HMF in Ghana. The lack of efficient supplier and consumer protection legislation and regulations in the HMF sub-sector has also heightened the fear of risk among both suppliers and consumers of HMF. Risk is the likelihood of the actual returns on investment being lower than the expected returns (Acharya *et al.*, 2013; Kerner and Lawrence, 2014). Goldberg and Palladini (2010) identified and categorised risks into three main groups as financial, operational and strategic risks. Risk can occur in HMF delivery because of political, capital, default, economic and construction risks.

Ascertaining these barriers and their mitigation measures would help both MFIs and individual low-income groups to provide and access HMF on a win-win and sustainable basis. The primary objective of this qualitative focus-group study is therefore to determine the barriers that influence the demand for HMF among HMF-Users and Non-HMF-Users. A better understanding of these factors would help in developing more effective HMF intervention strategies for the low-income segment of the population in the housing market and, eventually, increases the demand for HMF facilities among individual low-income groups' in Ghana.

3.0 Research Method

The study adopts focus group discussions (FGDs), which is one of the strategies considered as an effective means for generating a rich understanding of individual beliefs and attitudes on a topic (Krueger and Casey, 2014). Many definitions of FGD abound in the literature, but features like organized discussion (Kitzinger, 1994), interaction (Kitzinger, 1995), collective activity (Powell *et al.*, 1996), social events (Goss and Leinbach, 1996). According to Powell *et al* (1996: 499), a focus group is a collection of individuals assembled by researchers to share their personal experiences on a topic under research. Although like group interviewing, which involves interviewing many people at the same time, the emphasis in focus group discussion is on the interactions on a topic within the group (Morgan 1997: 12). Therefore, the data produced from the interactions facilitate insights that form a distinguishing characteristic of a focus group. The development of the focus groups was guided by Merton and Kendall (1946). An explicit interview guide was used after ensuring that participants possessed the needed experiences. The subjective experiences of

participants were explored in relation to the predetermined research question.

Sampling

Participants were recruited using both key informant and spur-of-the-moment recruitment approaches of participant selection. This is consistent with Peek and Fothergill (2009) who suggest that in both key informant and spur-of-the-moment recruitment approaches, stakeholder organisations assist in the recruitment while other participants voluntarily participate having heard about it from others. Whereas many of the participants 58% (N=21) were recruited through Housing Microfinance Institutions assistance, the rest 42% (n=15) was recruited through their friends who by word of mouth voluntarily decided to participate.

Six FGDs were conducted with six members each; thus, bringing the total sample participants to thirty-six. There were three FGDs each in the Greater Accra region and the Ashanti region in Ghana. The six almost homogeneous groups were formed from 15 HMF-users and 21 non-HMF-Users. Most participants were men - 86% (N = 31) - and women were 14% (N=5). The ages of group members ranged from 29 to 61 years. Almost 58% (N=21) of the participants were in full-time employment in the public sector while 42% (N=15) were self-employed in the informal sector. All the focus group sessions lasted for nearly an hour and twenty minutes. The main researcher using a pre-prepared discussion guide led all discussion sessions. The FGDs were audiotape and was accompanied by a field notebook in which notes were taken. The composition of the FGDs participants is shown in Table 1 below.

[Insert Table 1 Here]

Data Preparation and Analysis

The coding and analysis of the focus group data were in line with the procedures recommended by (Elo *et al.*, 2014). Identifiers were recognised and removed after all the audio tapes of the FGDs were transcribed to protect the confidentiality of participants. All the transcripts were studied and common themes identified with their various frequencies of occurrences noted as shown in Table 2. Themes having their frequency of ten and above across the groupings are considered significant. Convergence in responses was also observed

and categorised into distinct themes and descriptive headings. The key concepts were compared between the two groups to determine common patterns. The most common themes identified were then sorted and linked together.

4.0 Findings

Overall, nine major themes, constituting constraints to demand HMF in Ghana emerged from the analysis of the data from the focus group. They range from macroeconomic bottlenecks to institutional constraints. Detailed discussions of these constraints are presented below.

Affordability Issues

Low-income, which is characterised by having “little and limited sources of finance to meet the repayment obligations of an HMF facility on time and in full” was the most frequently mentioned barrier among the groups. The results are consistent with some previous findings, which have shown that the income of the lowest socioeconomic groups deprived them of access to both social and economic opportunities including low income housing finance (De Soto, 2001). As many as 67% (N=24) of the participants cited low income as a barrier to demand. The daily minimum wage at the time of the study was Gh¢ 7.00 per 8 hours a day with an exchange rate of Gh¢3.50 to the US dollar (BOG, 2014). It shows that the daily minimum wage was about 2.00 US dollars which are an indication that many of those within the lowest socioeconomic segment of the population live on a small income. One participant suggests that:

“The cost of owning a house is far higher than my salary, and I believe the same with those in the formal sector” (Non-HMF user, K₂, 2014).

Income levels affect HMF affordability among low-income households and consequently their demand for HMF.

Risk

The fear of risk among individual low-income households also surfaced as a barrier to the access of HMF in the country. Three broad themes emerged under risks during the

discussions: economic, socio-cultural, and construction and technical risks. Most of these participants felt that there is a risk of falling prey to predacious MFI lenders. The possible contributing variables to risk in the demand of HMF include macroeconomic variables such as high-interest rates on borrowing by MFIs, low per capita income of individual low-income groups, the sketchy land tenure and ownership systems, increasing rate of urbanisation and lack of adequate regulations and legislations on low-income housing development. In recent times, many depositors have had challenges in accessing their deposits because of the failure of some MFIs in the country to honour such payments. Accordingly, participants were of the view that, with the absence of an effective consumer law governing HMF loans, they risk losing even their mandatory savings, pension and provident funds, which are sometimes used as guarantees for HMF loans. Moreover, due to illiteracy, people from low-income groups sometimes fall prey to HMF loan officers charging unofficial “fees” on housing loans. Participants also reported that sometimes HMF loan officers still collect payments on HMF loans that might have already been officially paid and written off.

The findings from the discussions point to the fact that one may also lose his/her identity, in the case of a group lending situation, because the group characteristics overshadow the individual borrower’s unique character. Although Woolcock (2001) for instance, suggests that such a situation rather serves as a risk mitigation mechanism, in fact, it favours the lender and not the low-income borrower. In the opinion of one participant:

It is sometimes very embarrassing when you are not able to pay or missed a particular payment schedule, especially when you are in a group (Non-HMF user, A₂, 2014).

Security of Land Tenure

It also emerged that some individuals in low-income groups do not want to deal with HMF institutions owing to some differing socio-cultural ideologies. Some argue that the loan recovery methods such as using peer pressure mechanisms to ensure that borrowers repay adopted by some HMF institutions seem too abusive and embarrassing, and therefore they would not want to associate themselves with credit for housing. For instance, other socio-cultural means of collateralization by HMF institutions, such as the insistence on co-signers

and peer pressure arrangements attached to HMF loans pose a risk of being ridiculed by peers. Besides, land tenure insecurity gives many individual low-income groups cause to worry because they can easily lose their land or structure after building on it to the upper class that can pay a higher price. Many more HMF users mentioned insecurity of land tenure as a barrier than non-users.

High Interest Rate

Furthermore, it came to light that unfavourable or higher interest rates on HMF facilities demotivate many low-income groups and individuals from using them to meet their housing needs. About 50% (N=18) of the participants indicate that higher interest rate was a barrier to the access of HMF in the country. It makes the use of HMF facilities unattractive to low-income groups. In the opinion of a participant:

“The different repayment periods of between 1 to 5 years’, conditions and high-interest rates of close to 42% on HMF loans, means that the monthly repayments will inevitably be very high” (HMF user, A₁, 2014).

Collateralisation and Insurance in HMF Loan Facilities

Collateral and insurance were another significant factors that emerged. MFIs often demand collateral and insurance as one of the risk mitigation mechanisms. About 39% (N=14) mentioned collateral and insurance as a major hindrance towards their quest to access HMF in the country. From the MFIs’ perspectives, such a strategy tends to remove credit limitations, as insurance companies are responsible for any default. The practice seems to be successful regarding the rate of repayment among borrowers. However, participants were of the view that the methodology of assessment of collaterals by MFIs is very detrimental to the demand for HMF. For instance, the cost of obtaining the insurance is usually incorporated into the loan repayment and interest rate components of the loan facility. Participants were very much concerned that they were sometimes not even aware of those charges and treat them as “*3ka a ahinta*” (hidden charges) levied on the loan facility. Although individual low-income groups do have diverse forms of collateral, some of these collaterals lack formal documentations. Its support De Soto’s (2001) argument that low-income groups normally

have equity in their properties but lack ‘formalisation’. It has been shown; however, that until recently collateralisation in HMF was not an issue but due to high risks, internal urban migration among individual low-income groups.

HMF Loan Conditions

MFI's do sometimes also feel reluctant to lend to new clients. Such behaviour could be attributed to the newness of HMF in the Ghanaian low-income housing market. As a result, many of these institutions are very careful and operate within the safest sectors of the economy. They consider the microenterprise sector to more profitable and more secure than the housing market. HMF-users feel eligibility requirements as a critical variable in the loan conditions as it restricts many from getting access to HMF facilities. Such conditions include setting aside a minimum amount of their savings as a guarantee on HMF loans. It also emerged that MFI's sometimes require precise documentations which low-income groups considered difficult to meet.

These documents include: maintaining a savings account for a minimum of six months, demand for specific minimum income earning per month, and an assurance and demonstration of being economically stable through steady employment or regular savings among others. As many as 39% (N=14) of the participants believed restrictive HMF credit requirements is a barrier. More HMF users described such conditions as detrimental to their willingness to access than the non-HMF users. Although individuals mentioned their own preferred or expected requirements, two focus-group participants made some direct reference to their experiences concerning HMF loan conditions. The finding supports Ferguson (2003), who argue that eligibility criteria in the delivery of HMF hamper its scalability in some jurisdictions.

The use of borrower savings by MFI's as the basis of assessing the qualification of low-income individuals for HMF facilities is also not attractive to many of such groups. Participants expect MFI's to do more by considering other collateral alternatives instead of using their hard-earned savings as guarantees. For some of the HMF-users, the use of their savings as collateral could be enough to meet some aspects of their housing needs, if they

were to use these sums of money. The above sentiments were captured in a statement by one of them as:

“Although I prefer to save and build, to use what I have already kept as collateral or security will amount to cheating. I could do some work on the building with that money instead of saving them for a microfinance company” (HMF user, A3, 2014).

The above finding supports Durban *et al.*, (2002), claim that unfavourable loan conditions and terms of repayment considerably affect access to housing finance which includes HMF in other jurisdictions.

Lack of Social Capital

The accumulation of social capital, particularly in Ghana is very essential for the success of HMF. Participants were unanimous on the role and importance of social capital in the demand of HMF in the country. It emerged that MFIs used individual low-income groups social networks and relationships to generate rich knowledge about their behaviour, local suppliers, employees and other stakeholders within their community of operations. For instance, trust will help MFIs to grow through word of mouth (WOM). Most MFIs especially those in a rural area often tend to rely on WOM, referrals and peer recommendations for building trust and confidence in their clients. Trust which is an essential ingredient in the social networks of individual low-income groups is the willingness of the individual low-income group's client to depend on an exchange partner (MFIs) with whom he/she has confidence in. Trust in this context refers to the belief that MFIs (the supplier) is motivated to act in borrower's interest and would not act opportunistically if given a chance to do so.

Lack of social capital was expressed in this way: *“I don't trust most of these MFIs because of their hidden charges on HMF loans”* as the seventh most significant barriers mentioned by some participants in the groups. Trust becomes a by-product of relationship efficiency in supplying HMF to low income clients. It will, in turn, fosters individual low-income groups commitment, satisfaction and effective communication within and among actors in the HMF delivery value chain. However, rapid urbanisation resulting in internal migration among individual low-income groups has made most the social networks frail and unreliable.

Other related factors discussed relate to some cultural values and beliefs held by low-income groups regarding debt, which can also serve as barriers to the demand for HMF among participants. A participant said:

“I have heard of this housing microfinance idea, but I just don’t want to buy into it. I mean... how do you think people will take me for when they get to know that I took a loan to put up my house?” (Non-HMF user K₃, 2014)

During the discussions, some participants stated they were simply not happy with the entire concept of using loans advanced in stages to build their houses. According to the participants, their peers would see such an idea as a lazy way of building.

High Cost of Land and Building Materials

The cost and price of land and materials have also been observed as factors affecting individual low-income groups land and housing tenure in Ghana. Building materials are costly. Almost 25% (N=9) of the participants cited high cost of building inputs in the country as a barrier to the demand of HMF. Moreover, land acquisition and security of tenure became major issues discussed during the FGDs. Some participants suggest that their ability to purchase a piece of land serves as motivation to start their building process. In the view of one participant:

“I was able to secure my land documentation through the help of the project manager of one of the housing microfinance institutions. So, in my opinion, housing microfinance intervention is a very flexible way of meeting some aspects of my housing needs” (HMF user, K₁, 2014).

According to another participant, land acquisition is also important because HMF institutions often insist on proper land documentation before lending to them. These two constraints are central to the incremental building process of low-income groups and combine to usually delay the construction process of low-income groups.

Ineffective Consumer Protection

Although a consumer reporting office, under the auspices of the Bank of Ghana has been set up and mandated to promote and educate consumers on their rights and responsibilities, many of the participants seemed not to be aware of such an opportunity. In all 17% (N=6) participants mentioned ineffective consumer protection laws as a barrier to access of HMF in the country. Given the recent collapse of some microfinance companies such as Diamond Microfinance Limited in Sunyani, most people have become cautious of the activities of micro financing.

[Insert Table 2 Here]

[Insert Table 3 Here]

6.0 The Implications for Theory, Practice and Policy

The expanded knowledge and information provided by these focus groups can be useful in the development of HMF intervention programs for developing countries context. Based on the results of this study, it would be beneficial for stakeholders particularly HMF institutions and government to pay attention to the sector by lowering risk, high interest rates, collateralisation and security of land tenure to attract individual low-income groups to use HMF to meet their housing needs. Three main implications emerged from the discussion on the constraints to the demand for HMF in Ghana. First, existing HMF models provide a weak solution to the housing affordability problem, although housing affordability is the basis for their establishment. Perhaps, this could be the reason for the limited impact of HMF on housing deficits in most places where they have been introduced. The target of HMF is usually low-income earners, whose incomes may be irregular because of the instability in their occupations. Consequently, for instance, in most agrarian communities where farming is unsophisticated and mostly rely on rain for farming, incomes of the farmers are seasonal, following the pattern of the rainy season.

Therefore, the traditional microfinance concepts are designed to account for these two features – low income and irregular income – to create opportunities beyond standard lending criteria for some of these people to afford a home. This is however not the case with the

current HMF offerings. Besides, the current HMF offerings are based on a corporate finance basis and thus require collateral which most low-income earners are unlikely to possess, contrary to most traditional microfinance concepts. Therefore, once the model of loan repayment does not match the income generating capacity of potential targets, they shun the product.

In effect, strategies for overcoming risk and collateralisation would be important for all. Such strategies should include measure to strengthen social capital formation, which could serve as a substitute for physical capital – collateral. As confirmed in this study, access to an HMF loan linked to both monetary and non-monetary inputs, such as social capital, has the potential to leverage low-income groups' resources. The synergy of HMF loans and low-income groups' social capital can speed up the incremental building process of individual low-income groups in a more sustainable way. Furthermore, individual low-income groups ability to organise themselves through the network of friends, in the form of labour and local building knowledge, serves as a motivation to demand HMF.

Secondly, the study emphasizes the importance of macroeconomic management and governance to housing affordability. Good management and governance engender positive externalities that inure benefits that culminate in low-interest rates which subsequently improves the ability of individuals and households, particularly low-income earners to afford a house. Unfortunately, macroeconomic instability characterised by high and volatile inflation, exchange rates and interest rates, which subsequently worsen affordability. Inflation, for instance, does not only affect interest rates but also the cost of building materials and labour. Since the 1970s, Ghana has battled with macroeconomic instability, which has jeopardized some of the housing finance schemes established in the country. An example is Home Finance Company mortgage finance development project in the early 1990s. Most of the targeted primary lenders pulled out of the market because of excessive market risk. Macroeconomic mismanagement and its associated negative externalities on housing affordability, particularly for the low-income earners present a formidable argument for state support for these groups of people through HMF interventions.

The third implication is closely linked with the role of the state in housing. Institutional constraints in the form of land tenure insecurity and weak property rights are well established in the literature. These institutional bottlenecks have systematic effects on the economy but a disproportionate impact on its constituents including the different income groups. Land tenure insecurity and weak property rights affect poorer households and individuals more. Therefore, state intervention in the form of sites and services which will normally come with secured land rights could tremendously improve demand for HMF because it removes a basic constraint.

Furthermore, the immediate social and physical settings of low-income groups in most developing countries urban centres share similarities regarding their social and poverty networks, culture, income and employment. Therefore, the social context of transferability of the study findings is also possible, because the evidence generated is from two urban centres in Ghana where lack of appropriate housing is usually felt among the low-income groups, similarly to other developing countries. Although, the data analysed are likely to help provide valuable insight into the specific barriers that individual low-income groups face on accessing HMF, there are some limitations that deserve attention. The small sample size might be viewed as a limitation. The absence of additional demographic information about low-income groups and their specific housing needs might also be considered as limitations.

6.0 Conclusion

Housing microfinance is an innovative mechanism design to improve low-income groups access to housing. Despite the introduction of HMF instruments, demand among low-income households and individuals is low. This study examines how to develop and improve the design and delivery of HMF interventions in the low-income housing market in Ghana. Nine main barriers have been identified as limitations to demand among low-income groups. They are: (1) Affordability issues, (2) risk, (3) insecurity of land tenure, (4) high interest rate, (5) collateralization and insurance challenges, (6) unfavourable HMF loan conditions, (7) lack of social capital, (8) high cost of land and building materials, and (9) ineffective consumer

protection. Strategies to stimulate demand for HMF should focus on three broad issues – affordability, macroeconomic management, and institutional development and government intervention. It would be beneficial to include individuals from various socioeconomic, ethnic and religious backgrounds in future research in addition to exploring various barriers and differences among them. It is because the above socioeconomic, and cultural perspectives play a dominant role in the lives of Ghanaians. Specific barriers to women should also be examined because women constitute much of MFIs clients. Finally, considering HMF users frequency and the impact on differences regarding barriers to the demand of HMF is recommended.

References

- Acharya, V.V., Amihud, Y. and Bharath, S.T., (2013), “Liquidity Risk of Corporate Bond Returns: Conditional Approach”. *Journal of Financial Economics*, 110(2), pp.358-386.
- Afrane, S. K., Owusu-Manu, D., Donkor-Hyiaman, K. A. and Bondinuba, F. K., (2014), “Towards Innovative Housing Financing in Ghana: An Evidence-Based from South Africa’s Pension Housing Financing System”. *Public Policy and Administration Research*, 4(4), pp.
- Alhashimi, H. and Dwyer, W., (2004), January. Is there such an entity as a housing market. In *10th Annual Pacific Rim Real Estate Conference (press)*, Bangkok.
- Appiah, M., (2008), *Microfinance Development in Ghana: Achievements, Challenges and Issues for the Way Forward*, The Microfinance News.
- Azevedo, E.M. and Leshno, J.D., (2016), “A Supply and Demand Framework for Two-Sided Matching Markets”. *Journal of Political Economy*, 124(5), pp.1235-1268.
- Biitir, S. B., (2008), *Beacon of Hope: The Impact of HMF on Housing Improvement and Construction for Low-Income Groups in Accra, Ghana: The Case of Boafo Microfinance Services Ltd*, Erasmus University.
- Boamah, N.A., (2010), “Housing Affordability in Ghana: A Focus on Kumasi and Tamale”. *Ethiopian Journal of Environmental Studies and Management*, 3(3).

- BOG, (2007), *The Housing Industry in Ghana: Prospects and Challenges*, Bank of Ghana Policy Briefing Paper. Bank of Ghana: Accra.
- BOG, (2014) Daily Interbank FX Rates. [Available Online] at: https://www.bog.gov.gh/index.php?option=com_wrapper&view=wrapper&Itemid=8 [Accessed on 22.11.2014].
- Bondinuba F. K., (2016), *The Role of Microfinance as an Innovative Strategy for Low-income Housing Delivery in Developing Countries* (PhD. Dissertation Heriot-Watt University, UK).
- Bondinuba F. K., Karley N. K., Biitir S. B. and Adjei-Twum A., (2016), “Assessing the Role of Housing Microfinance in the Low-income Housing Market in Ghana”, *Journal of Poverty, Investment and Development* 28, pp.44-54.
- Bondinuba F.K., Hedidor, D., Opoku, A., Teye, A. L, (2017), “De/Motivations on Housing Microfinance Delivery in Ghana”, (*Forthcoming*) *Property Management*, 35
- Cain, A. (2007), “Housing Microfinance in Post-Conflict Angola. Overcoming Socioeconomic Exclusion through Land Tenure and Access to Credit”. *Environment and Urbanisation*, 19 (2), pp. 361-390.
- Case, K., and Fair, R., (2007), *Principles of Economics*, Upper Saddle River, NJ: Pearson Education. 54.
- Daphnis, F., and Ferguson, B. (Eds.). (2004), *Housing Microfinance: A Guide to Practice* Kumarian Press.
- De Soto, H. (2001), *The Mystery of Capital*. London, Black Swan.
- Derban, W. K., Derban, D. K., Ibrahim, G., and Rufasha, K. (2002), Microfinance for Housing for Low/Moderate-income Households in Ghana. In *Conference on Housing and Urban Development for Low Income Groups in Sub-Saharan Africa*, Accra pp. 22-26.
- Elo, S., Kääriäinen, M., Kanste, O., Pölkki, T., Utriainen, K. and Kyngäs, H., (2014), “Qualitative Content Analysis: A Focus on Trustworthiness”. *Sage Open*, 4(1), pp.2158-2440.
- Ferguson, B., and Haider, E. (2000), “Mainstreaming Microfinance of Housing”. *Housing Finance International*, 15 (1), pp. 3-17.

- Ferguson, B., and Navarrete, J. (2003), “New Approaches to Progressive Housing in Latin America: A Key to Habitat Programs and Policy”. *Habitat International*, 27 (2), pp. 309-323.
- Firpo, J., (2005), *Banking the Unbanked: Technology's Role*. Micro Capital.
- GhaMFIN, (2012), Performance Monitoring and Benchmarking of Microfinance Institutions in Ghana, Trends in the Industry During the 2000s.
- Ghana Statistical Service, (2012), 2010 Population and Housing Census, Summary Report of Final Results.
- Goldberg, M. and Palladini, E., (2010), *Managing Risk and Creating Value with Microfinance*. World Bank Publications.
- Goss, J.D. and Leinbach T.R. (1996). ‘Focus Groups as Alternative Research Practice’, *Area*, 28 (2), pp. 115-23.
- Hes, T., and Polednáková, A. (2013), “Correction of the Claim for Microfinance Market of 1.5 Billion Clients”. *International Letters of Social and Humanistic Sciences*, (02), pp. 18-31.
- Jones, G. A., and Datta, K., (2000), “Enabling Markets to Work? Housing Policy in the New South Africa”, *International Planning Studies*, 5(3), pp. 393-416.
- Kerner, A. and Lawrence, J., (2014), “What's the Risk? Bilateral Investment Treaties, Political Risk and Fixed Capital Accumulation”. *British Journal of Political Science*, 44(01), pp.107-121.
- Kihato, M., (2014), *Housing Microfinance in South Africa: An Update*, Centre for Affordable Housing Finance in Africa with the Support of Finmark Trust and the National Housing Finance Corporation.
- Kitzinger, J. (1994), ‘The Methodology of Focus Groups: The Importance of Interaction between Research Participants’, *Sociology of Health*, 16 (1), pp. 103-21.
- Kitzinger, J. (1995), ‘Introducing Focus Groups’, *British Medical Journal*, 311 (1), pp. 299-302.
- Kono, H., and Takahashi, K., (2010), “Microfinance Revolution: Its Effects, Innovations, and Challenges”. *The Developing Economies*, 48 (1), pp. 15-73.

- Krueger, R.A. and Casey, M.A., (2014), *Focus Groups: A Practical Guide for Applied Research*. Sage Publications.
- Laws, R., and Finance, R., (2011), Back to Basics: What Are Financial Services: How Consumers and Businesses Acquire Financial Goods Such as Loans and Insurance. *Finance and Development*.
- Morgan, D.L. (1997). Focus groups as qualitative research. 2nd Edition. London: Sage.
- Ndikumagenge, C. (2014), *Factors Influencing Financial Access to Housing Microfinance by Low-income Earners in Kenya* (Doctoral dissertation, University of Nairobi).
- Nima, A., (2004), Strategic Assessment of the Affordable Housing Sector in Ghana.
- Peek, L., and Fothergill, A., (2009) ‘Using Focus Groups: Lessons from Studying Daycare Centres, 9/11, and Hurricane Katrina’, *Qualitative Research*, 9(1), 31-59.
- Poole, W., (2003), “Housing in the Macroeconomy”. *Review-Federal Reserve Bank of Saint Louis*, 85(3), pp.1-8.
- Powell, R.A. and Single, H.M. (1996). ‘Focus Groups’, *International Journal of Quality in Health Care*, 8 (5), pp. 499-504.
- Quaye, I., Abrokwah, E., Sarbah, A. and Osei, J.Y., (2014), “Bridging the SME Financing Gap in Ghana: The Role of Microfinance Institutions”. *Open Journal of Business and Management*, 2, pp. 339-353. <http://dx.doi.org/10.4236/ojbm.2014.24040>
- Research, and Policy”, *Journal of Socio-Economics* 30, pp. 193-198.
- Sander, T., and Lowney, K., (2006), *Social Capital Building Toolkit (Version 1.2)*. Cambridge, MA: John F Kennedy School of Government, Harvard University.
- Schumman, R., (2004) “Developing Housing Microfinance Products in Central America”. *Accion’s InSight Series*, (12).
- Smets, P., (2006), “Small is Beautiful, but Big is often the Practice: Housing Microfinance in Discussion”, *Habitat International*, 30(3) pp. 595-613.
- Swope, T., (2007), “Microfinance and Poverty Alleviation”, *Rollins Undergraduate Research Journal*, 2(1), pp.9.
- Tibaijuka, A., (2013), *Building Prosperity: Housing and Economic Development*. Routledge.
- Woolcock, M., (2001), “Microenterprise and Social Capital: A Framework for Theory

Table 1: The composition of the focus groups

Group Nr	Location	Group Code	Gender		Group Size	HMF Users and Non- HMF Users	Ages	Employment Status
			Males	Females				
1	Kumasi	K1	6	0	6	All Users	29,48,49,52,54,58	6=Full time employed
2	Kumasi	K2	6	0	6	1= User, 5= Non-Users	29,31,37,50,55,61	3= Full time employed 2= Self employed 1= Retired educationist
3	Kumasi	K3	4	2	6	All Non-Users	30,34,42, 45,46,42	2= Full time employed 4= Self employed
4	Accra	A1	6	1	6	All Users	29,33,37,38,42,52	6= Self employed
5	Accra	A2	5	1	6	2= Users, 4= Non-Users	31,37,45,47,47, 49	4= Full time employed 2= Self employed
6	Accra	A3	4	1	6	All Non-Users	33,39,39,40,44, 49	5= Full time employed 1= Self employed
Total		6	31	5	36	15=HMF Users, 21= Non-HMF Users	36	20= Full time employed 15= Self employed 1= Retired educationist

Table 2: Frequency of Responses on Barriers for both HMF-Users and Non-HMF-Users

	Barrier	HMF- Users	Non-HMF Users	Both Groups 1–6
1	Affordability issues	10	14	24
2	Fear of Risk	10	10	20
3	Security of tenure	12	8	20
4	High interest rate	9	9	18
5	Collateralization and insurance	7	7	14
6	HMF loan conditions	10	4	14
7	Lack of social capital	5	5	10
8	High cost of building materials	5	4	9
9	Ineffective consumer protection laws	3	3	6

Table 3: Barriers and their descriptions

	Barriers identified	Definition
1	Affordability issues	Little and limited sources of finance to meet the repayment obligations on time and in full.”
2	Risk	The likelihood of the actual returns on investment being lower than the expected returns.
3	Security of tenure	The legal protection often accorded to individual low-income groups on the land they build their dwellings against any arbitrary increases in the ground rent, arbitrary eviction or repossession by the land owners.
4	HMF loan conditions	Eligibility requirements such as maintaining savings account for a minimum period, regular savings and the demand for a particular minimum income earning per month and other loan conditions such as setting aside a minimum amount of their savings as a guarantee on HMF loans.
5	High interest rate	An amount charged proportionally on loan to a borrower to pay for using money as a loan.
6	Collateralization and insurance	A form of an asset typically pledged by a borrower to a lender pending the repayment of a loan and in the event of a default the lender has the right to seize and either sell or use it to defray the loan.
7	Lack of social capital	A mechanism that focuses on the social networks that exist between individual, community and nations.
8	High cost of building materials	the perceived or real cost of building materials beyond the means and expectations of the various low-income groups.
9	Ineffective consumer protection laws and regulations	Laws established to promote and educate consumers on their rights and responsibilities and spearhead issues of both supplier and consumer protections.