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Investigating the Possibilities of Linking Progressive Housing Investment with Bank Housing Finance; The Case of Maseru - Lesotho

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CHAPTER ONE: INTRODUCTION

1.1 Background to the problem

Urban areas in Lesotho like any other developing country are experiencing rapid population growth, worsening the already eminent problem of inadequate shelter which results in precarious housing conditions and exploitation of those who are forced to rent houses due to shortage. One factor attributable to this overcrowding in the urban areas is the increased industrialization meant to address an unemployment problem by creating jobs. This results in people migrating in large numbers from rural to urban areas in the hunt for jobs. Furthermore the incomes earned at the end of the day are hardly sufficient to raise loans with the commercial banks and as such, people with their meagre savings have had to resort to informal means of building their houses progressively.

The available information on housing policy shows that no attention has been given to the progressive form of housing even up to the present time. Yet Ferguson et al, (2003) noted that strengthening and formalizing the progressive housing process holds the key to transforming homeownership into an economic asset in the developing world.

Shortage of shelter in Lesotho has reached acute levels driving up the magnitude of housing needs. The situation became apparent in the 60s' post independence when a chronic housing shortage was noticed with the eminent problem of overcrowding and high rentals (Wilsenach, 1985). This led to the formation of the Lesotho Housing Corporation (LHC)[1] in 1969 whose aim was to correct the imbalance in demand and supply in urban housing (Wilsenach, 1985). LHC however failed due to its delivery of high standard public housing, which could only be afforded by high-income groups. As a result, 1975 saw the establishment of the Lower Income Housing Company (LEHCO-OP) to provide urban housing to the low-income groups. This additional initiative still could not resolve the housing backlog (Wilsenach, 1985).

[1] The above corporation has changed its name to Lesotho Housing and Land Development Corporation (LHLDC) after it went through transformation.

Land policy seems to be another constraint to the progressive form of housing, thus handicapping the process resulting in a shortage of shelter. Security of tenure is one aspect, which is quite central to addressing the shortage of shelter as well as obtaining housing finance particularly with the financial institutions. In this regard the current legislation on land in Lesotho namely; the Land Act No 17 of 1979 became operational in 1979 (Kingdom of Lesotho, 2000). This legislation is not enforced. Measures have been taken to ensure transparency in land allocation such as the advertisement by the Commissioner of Lands of available plots for a grant of title by notice in the gazette. However continuing bad practices still hamper the process, as a result all these practices have left land in the hands of the rich or selected few while the low-incomes remain landless.

One other problem that frustrates people's efforts in progressive housing making it very slow, is access to financial services. There is a very small proportion of people countrywide who engage in the formal savings. Finmark Trust (2003) says about 28.3 percent of Lesotho citizens currently use savings facilities and only 1.8 percent use formal credit[2]. This goes to show that not a lot of people in Lesotho have a relationship with financial institutions.

The question of limited incomes alluded to earlier in the text, leaves people no option but to resort to informal means of financing housing. These sources range from their meagre savings raised from barter deals to money obtained from various informal saving clubs, and some people borrow money from these saving associations at heightened interest rates. In the same breath this money hardly solves shelter problems as it is obtained piecemeal resulting in unfinished houses due to inability to obtain other batches of money. Ferguson (1999) agrees as he says, "These funding sources share a common problem, that is they dribble in unevenly and, often, slowly

[2] It is important noting that the proportion of 1.8 includes credit going to other uses other than housing such as car financing, education etc, making the housing share very minute.

because they remain unconnected to formal institutions and markets. The overall result is that much of the built environment[3] in cities improves unevenly and slowly".

Another source of housing finance are the remittances from the mining sector from the Republic of South Africa as remuneration for Basotho miners. But unfortunately due to the declining mining sector performance in the RSA these remittances have fallen.

An investigation has shown that housing mirofinance, as a viable option for housing needs in Lesotho is not addressed in any of the government documents relating to housing finance. In essence the phenomenon of micro-finance of housing relates to small loans to low/moderate-income households, which may basically be for self-help home improvement or home extension (Ferguson, 1999). In other cases these loans may be for completely new construction and the loan period for micro-finance of housing ranges from 2 to 10 years (Ferguson, 1999). This therefore, makes it lie midway between microenterprise finance, which ranges from 6 months to one year and the traditional mortgage finance, which extends from 15 to 30 years (Ferguson, 1999). Hence given the already existing microenterprise schemes or microlenders, although most of them are not registered, the housing microfinance can easily find its way into Lesotho's economy. This is because the two have somewhat similar characteristics.

[3] Built environment is the phenomenon relating to the quality of home construction in this case as well as the neighborhood environments.

1.2 Problem statement

Ferguson et al (2003) noted that progressive housing accounts for over 70% of housing investment in virtually all developing countries. Lesotho seems to be no exception in this regard. Ferguson et al (2003) further pointed out that the progressive housing process starts with the acquisition of land, it may be through squatting or the purchase of a lot in a subdivision. In this context once land has been occupied, then a household builds a small, makeshift, temporary dwelling to secure the property, which is gradually replaced when a complete house is built (Ferguson et al, 2003).

Some efforts have been undertaken, as already indicated in the past, to address housing or shortage of shelter particularly in the urban areas of Maseru district. These efforts were meant to address the middle and high incomes as well as low-incomes, and were accompanied by a small government subsidy in each case. However these efforts have not been able to solve the problem. As such people have to resort to the only option of the progressive form of acquiring shelter nonetheless this option has not been able to solve the problem due to limited disposable income and hence, the problem of non-affordability[4]. The progressive method of acquiring shelter has also failed because it is too slow due to inadequate incomes.

1.3 Research Question

What is the relationship between availability of formal credit and the process of progressive housing in Lesotho?

1.3.1 Sub-question

How can microfinance of housing improve the rate of construction of progressive housing in Lesotho?

1.4 Hypothesis

[4] Jorgensen (1977) better describes affordability by stating that the core of the housing problem for low-incomes is that they do not have enough money. However they are endowed with many other things such as the stamina and experience to do with little and that they are often willing to pay for something better, if they could only get. But, because of poverty they have no proper security to pledge for mortgage loans and as such they have less chances of improving their housing situation.

That the process of progressive housing is not hampered by the availability of credit offered by the banks.

1.5 Research Objectives

(i) To investigate the extent to which the availability of credit affects the pace of construction of new houses in Maseru.

(ii) To establish the views of people, especially the low-income groups towards other forms of financing e.g. housing microfinance or bank loans.

(iii) To establish to what extent banks are accommodative of the housing microfinance as a viable option for limited incomes in Lesotho.

(iv) To investigate problems associated with land tenure as a constraint to housing finance.

1.6 Research Methodology

The methodology employed in this research comprises:

(i) Literature review on Progressive Housing and best practices case studies in housing finance in the developing countries, particularly in Latin American, as well as other World Bank "enabling approach" case studies in other developing countries.

(ii) A survey of households to elicit their opinions on the preferred form of financing for progressive housing, using appropriate sampling techniques which will be purposive in nature due to the settlements setting - informal.

(iii) Personal interviews with banks and housing authorities.

1.7 Data Collection and Analysis

Here feedback from both the survey of households and interviews with banks, housing and land administration authorities will be analyzed so that useful findings can be drawn.

1.8 Research Limitations

(i) The research will concentrate on Maseru only, as most of the housing problems are represented there and because all the main banks are only in Maseru and because of limited financial resources, which may also affect the whole process of research.

(ii) Time constraint is another factor, which may hinder reaching other urban areas.

(iii) The poor response rate and purposive nature of the overall sample limiting against generalizing for the whole of Maseru urban.

1.9 Conclusion

More exploration into the possibilities of linking the process of progressive housing to bank housing finance may hold the key to the solution of shelter problems. Hence reforming of the financial system to incorporate housing microfinance could be the answer. This is due to the simple reason that the phenomenon tallies well with the limited disposable income faced by the developing economies like Lesotho. Furthermore better houses mean the better quality of built environment. The houses themselves may also be used as economic assets to further increase wealth.

CHAPTER TWO: LITERATURE REVIEW

2.1 Defining progressive housing in broader terms

Progressive housing could be viewed in broader terms as provision of housing by individuals whereby homeowners get to expand their dwellings over time either through formal or informal credit or their own savings. According to Marais et al (2003) " the bulk of international literature illustrates how a progressive/incremental approach to housing delivery is a more suitable strategy that contributes towards urban upgrading in a more participatory manner". When people are responsible for the planning, construction and management of their houses there is freedom in the building environment (Turner, 1976 cited in Marais et al 2003). In this way the dwellings eventually consolidated reflect people's dreams and their aspirations hence their homes, as a result are their pride.

However in the case of Lesotho the government provision of conventional housing stopped some years ago. Therefore it will not be appropriate to view housing in the context of production of a finished product. Instead the situation should be viewed as laissez-faire, where most dwellings are owner constructed from reserves accumulated over a certain period of time. There is little or no government intervention. This is not an ideal situation. It is imperative for the government to "provide and actively promote access to the elements of housing process for the user. These elements include, among others, the laws, land, building materials, tools, credit, know-how and land tenure" (Nientied et al, 1985 cited in Marais, 2003).

2.2 Current Housing Needs Status in Lesotho

Hutchison (1994) noted; "Housing meets a primary human physical need". Hence housing need cannot be viewed independently of housing demand in order to properly analyze the problem of housing delivery. A number of factors could be attributed to the observed scope and the nature of housing need and housing demand in Lesotho; to mention but a few, the population growth and increased urbanization. Sekhonyana (1998) refers to housing need as the amount of housing required to give all people decent, safe, and sanitary housing.

Furthermore Sekhonyana (1998) describes housing demand as peoples' ability and willingness to pay for housing. The determining factor in the housing demand is the household income as it dictates the extent to which people can acquire commodities of which housing is one. In the same fashion the cost of food as a proportion of income and the dependability and continuity of income are by-and-large the determinants of the resources available for shelter (Payne, 1984). Therefore where poverty is acute, the provision of good housing is equally problematic (Kingdom of Lesotho, 2004)

There are more than 70% of Basotho people who occupy the narrow, fertile western strip of the country, and this proportion comprises of both the middle and upper income groups with severe shortage of housing (Kingdom of Lesotho, 2004). In Maseru for instance, the quality of the housing stock varies extensively within the smallest geographical zones. Therefore bearing this in mind the assessment of housing need is a rather cumbersome task. Be that as it may, not a very accurate picture of the current housing needs may be described, as the proper figures for Maseru are not readily available. Nonetheless according to the Kingdom of Lesotho (1998) the old draft National housing policy of 1987 stated that 12,000 housing units were needed then to respond to unmet demand and that additional 75,000 would have been needed by 2002.

Furthermore, although there is a relatively high share of Maseru residents, around 45% who own their dwellings, there is still 48 % who rent dwellings (Kingdom of Lesotho, 1998). This ratio could be used, as a proxy reflection of the housing needs in Maseru if it is assumed all residents making this ratio do not own houses elsewhere outside Maseru. In this context Wilsenach (1985) mentions among others; the city size as contributing to the imbalance between demand and supply of housing. As indicated in the preceding paragraph the housing need is greatly exacerbated by the population growth and urbanization which lead to city growth.

The outcome of the imbalance in demand and supply of urban housing is abundantly clear from the housing situation of the middle-income group (Wilsenach, 1985). Although Wilsenach (1985) has stated that up to more than 66% of all families in the

middle-income group were dependent on rented housing, the situation seems to have improved slightly as this figure has fallen to 48% as indicated in the preceding paragraph.

In the same breath the imbalance between urban housing cost and family incomes worsens the situation. This does not only have a bearing on housing delivered as a finished product, but it also applies to situations where houses are being built serially through owners' savings. Turner (1976) in his explanation of various housing economies that may exist made a distinction between two kinds of imbalances in housing economies. The author distinguished between the negative imbalance – where the family's budget is cut to below subsistence level with the family lacking assets, and the positive imbalance – or positively balanced housing economy where housing costs are balanced against income. He further stated that housing imbalances (negative and positive may be both at the same time – positive for one sector and negative for another. More so the positive imbalance enhances the household's economic security and social stability (Turner, 1976).

In the same platitude Wilsenach (1985) remarked that to ascertain the real extent of the imbalance between urban housing costs and family income, it would have to be assumed that: a family ought not to spend more than 25% of its annual income on housing. However Payne (1984) brought another dimension to this rule-of-thumb by stating that these values (20 or 25% of income) need a very careful evaluation in view of the prevailing social, cultural and economic circumstances. Similarly banks also employ the same values to calculate the affordability for loan repayments in housing. In this case Khan and Thring (2003) provide a useful critique. The authors state that "the standard 20-25% of income in calculating affordable loan repayments is also too high; about 10% is a more realistic figure for low-income borrowers". However given all these varying views of the ratio of housing to the total annual income there is need for further research to come up with a balanced ratio which would neither be too high or too low-risky.

Nonetheless when the above rule-of-thumb is assumed to hold housing may be out of reach or be a long process to those families who may have to devote more than 25% of the income to housing in order to acquire building materials to put-up a shelter and hence

they are considered to be needy. Some families may end up in rented housing because the chances of them owning a house given this imbalance are limited.

Rented housing mitigates in a dire need for shelter for most families and it becomes convenient due to its close proximity to the work places in some cases. In most cases those living in rented accommodation can only hope that their situation of housing will be improved when more members of a household become employed, thus creating more disposable income. This is in line with one of the assumptions of the intra-urban residential mobility which states that "as greater number of family members become employed, would entail movement from renting to homeownership" (Turner, 1968 cited in Kumar, 1996).

2.3 Overview of the Macroeconomic Environment against the Housing Sector

Economic growth of Lesotho is dependent on the performance of the private sector, notably the exceptionally strong growth of the manufacturing sector. According to FinMark Trust (2003) its contribution to GDP was 15.5% in 2000. The existing figures for GDP[5] indicate that since 0.2% low figure of 1999 it has risen to 1.3% in 2000, 3.2% in 2001 and a provisional figure of 3.8% in 2002 (Kingdom of Lesotho, 2004). During the period 2003 to 2007, GDP is projected to grow by an annual average of 4.0%, while GNI[6] will grow at 3.4% per annum (Kingdom of Lesotho, 2004). Although GDP growth rate seems to exceed the expected population growth of 2.1% per annum, implying a possible reduction in the incidence of poverty may be achieved, the slower growth in GNI is worrying.

The structure of the economy has also remained stable over the last decade. The biggest contribution to GDP has emanated from Construction, and related sectors and the largest recorded figure was that of the year 2000 of 21.3% (Bureau of statistics in FinMark Trust, 2003). Other important sectors whose contributions were not so favorable were,

[5] GDP is the Gross National Product, which is the value of goods and services produced within the borders of a country.

[6] GNI is Gross National Income and hence GNI per capita is a more accurate indicator of household income than GDP per capita, which includes factor income from abroad.

financial intermediation and real estate and business services, which recorded 4.0% and 5.0% of GDP respectively (Bureau of statistics, 2000 cited in FinMark Trust, 2003).

FinMark Trust (2003) notes that the above-mentioned contribution of the financial intermediation hardly compares with that of Botswana, which stood at 12% of GDP during the same period of 2000. This is not good news for the housing sector as its financing emanates from resources pooled from the financial vehicles. In the same context Abrams (1964) noted that when mortgage financing is unavailable, house building is dependent wholly or partly on the money economy in the less developed areas with houses being built serially. The unavailability of mortgage financing in this case implies that it is not within reach of the low-income people.

In the same platitude there has reportedly been growing disparity in income distribution. For instance in 1998 it was established that 45% of total national income flows to the richest 10% of the population, compared to less than 1% for the poorest (Kingdom of Lesotho, 2000). This kind of situation seems to be an impediment towards achieving adequate shelter for all[7]. Khan and Thring (2003) argue, "Increased investment in housing can contribute to economic growth and job creation". Hence contribution by the low-income group, in economic growth could also be realized if credit measures can be in place to assist them in their housing investments.

In the same context the contribution of the housing sector to the general economy could also be judged by looking at the number of houses erected with approved building permits. For example their value decreased from 2003 last quarter figure of 6.94 million Maloti to as low as of 3.75 million in the first quarter of 2004 (MCC & LSPP cited in CBL, 2004)[8]. However these values tend to exclude many houses as most of them are erected without approval of the building permits by MCC. Hence this cannot really be

[7] A guide to assessing housing finance in a country by Douglas B. Diamond has been used extensively for issues forming part of the literature review, for example, the macroeconomic environment, housing market, capital market, banking sector and land administration etc.

relied upon as good measure of the overall housing sector with respect to the general economy.

It seems the problem of houses being erected without building permits does not affect Lesotho alone. In Trinidad and Tobago, another developing country, due to regulatory constraints (lengthy process of approval of building permits) and the transaction costs involved, in the face of limited household incomes, home-building outside formal rule-systems has become the norm (Pamuk et al, 1998)

A favourable state of employment is a necessary condition towards realizing the adequate shelter for all. According to the 1997 Lesotho labour survey in FinMark Trust (2003) 40% of all paid employees earned less than 500 Maloti. If it is assumed that income distribution remained the same over the last 5 years, this implies these individuals would still be earning 700 Maloti by 2002 (The 1997 labour force survey cited in FinMark Trust, 2003). The manufacturing sector therefore draws largely for employment from the aforementioned group of employees mostly the female population. The textile industry of the manufacturing sector currently employs over 50,000 workers (PRSP, 2004). Moreover according to the 1997 labour survey it is estimated that about 80% of all paid employees earn less than 3000 Maloti per month. This seems to represent the lower end of the middle-income group by Lesotho standards. On the other hand the level of unemployment based on a 1999 figure is 27% of the total population (Central Bank and Bureau of Statistics, 2001 cited in FinMark Trust, 2003). This is yet another handicap towards efforts to build houses by those in need.

Furthermore other impediments to economic growth are inadequate information on economic potential of Lesotho and lack of skilled manpower etc (Central Bank, 2001 in FinMark Trust, 2003). The informal sector's performance which constitutes the engine for growth is unrecorded.

2.4 Assessment of the Role of Government in Provision of Housing

[8] MCC stands for Maseru City Council – the Maseru's Municipal Authority. On the other hand LSPP is an abbreviation for Lands Survey and Physical Planning department of the Ministry of Local government,

Generally the role of government in the housing sector is very limited. This is marked by absence of National Housing Policy, which results in government's small involvement in Lesotho's housing market activities. Most unfortunately, neither is the role of the private sector significant, considering the huge demand for housing. In essence the role of the private sector in shelter delivery has been limited mostly to construction activities, but no major involvement in larger shelter projects (Kingdom of Lesotho, 2000).

With regard to the shelter provision, Lesotho Housing and Land Development Corporation (LHLDC) activities have been greatly hampered by its narrow capital base as well as the absence of end user housing finance since the abolition of the Lesotho Building Finance Corporation[9] in 1993 (Kingdom of Lesotho, 2000). Nonetheless one of the few initiatives lately under LHLDC through one of its arms Thetsane development project, has been to make available for sale the completed houses at Ha Matala Development Project (Kingdom of Lesotho, 2004). However this conventional housing is not affordable to the low-incomes. Even some in the middle-income group can hardly afford them, particularly those who do not qualify for bank loans.

In addition the insignificant size of the housing market casts a shadow of doubt on the few commercial banks operating in Lesotho. For instance the market for formal sector housing is small. As such the private sector delivery institutions tend to be cautious, however they are willing to participate in financing housing provided they can realize a reasonable return. Moreso the commercial banks are sceptical as to whether or not the establishment of a mortgage lending operation is viable. The concern by the banks rests on the legal environment and whether or not it would ensure the integrity of mortgage lending (Kingdom of Lesotho, 1998). For instance ensuring the prompt foreclosure of non-performing loans (Kingdom of Lesotho, 1998). The aforementioned factors make it difficult for these commercial banks to make their lending practices adaptible to Lesotho's situation.

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while CBL is for the Central Bank of Lesotho.

[9] The institution was the sole mortgage lending facility throughout the country.

In terms of the land development business, LHLDC has also been the main player. LHLDC has always enjoyed a monopoly in land development, because there are no private land developers in Lesotho. On the same note the formal real estate market is poorly developed and private sector developers are discouraged from participating in housing provision because of difficulties experienced in obtaining land (Kingdom of Lesotho, 2004). Furthermore the non-involvement of private land developers has been attributed to the limited financing of land development business (Kingdom of Lesotho, 1998). The developers insist on the pre-sale type of development, which seems to be unheard of, nor is it practical in Lesotho given limited incomes.

2.5 The State of the Capital Market

One other important aspect, which is very essential to funding housing developments, is the capital market, which in Lesotho's case is considered very shallow and very tiny (Kingdom of Lesotho, 1998). Attributable to this fact is that there are both limited financial institutions and financial instruments. The capital market is made up of three commercial banks and some insurance companies providing life policies.

Numerous reasons are advanced for the above-mentioned limited financial institutions. Some of them are; Lesotho's proximity to South Africa, its size, the convertibility of Loti to Rand, the Southern African economic pacts and agreements as well as the relative underdevelopment of Lesotho (Kingdom of Lesotho, 1998). All these combined have worked against the established of a fully-fledged capital market from which financial resources could be harnessed for the housing sector.

2.6 The Banking Sector in Lesotho

The banking industry is a source of credit for housing in most countries although its role in Lesotho seems less significant. In the past government provided housing finance through only one parastatal bank namely Lesotho Bank, which was later bought by Standard Bank due to financial difficulties. At the moment there are three commercial banking entities namely; Nedbank, Lesotho Bank (1999) Limited, and Standard Bank.

The sale of the old Lesotho Bank and its liquidation due to mismanagement problems in January 31, 2001 had its name changed to Lesotho Bank (1999) Limited. In the running of Lesotho bank (1999) Limited the government retains 30% shares while the rest have been acquired by Standard Bank. At the moment however, the Standard Bank management is practically running the structures of the two commercial banks (Finmark Trust, 2003).

The commercial banks in Lesotho remain quite reluctant to extend credit to the general public and to housing alike, the main reason being the risk factor involved. This is witnessed by high liquidity in these banks. For instance for the first quarter of 2004 the commercial banks liquidity increased from 64.7% to 65.2 %(CBL, 2004). The status quo of 65.2% is viewed against the minimum required ratio of 25%. And it is by far more than what is required by law. Therefore based on the magnitude of the existing liquidity the banks could be seen to be reluctant to extend credit to the public.

Arguably from the banks perspective, quite similar banking products sold in South Africa are on offer, however they may not be suitable for the Lesotho banking environment. The question of limited incentives makes it difficult for these banks to reach the lower end of the market instead they would rather invest funds in the profitable government instruments (Finmark Trust, 2003). Making things even worse is the fact that most people in Lesotho still receive their salaries by means of cheques and this translates into loss of business for the banks as their pool for investment is diminished (FinMark Trust, 2003).

Furthermore the level of education by-and-large ensures the security of employment. In Lesotho unfortunately the level of education is low[10] which means most jobs are not secure and therefore less chances of obtaining a loan from the bank as people are earning less. According to PRSP (2004) **"**Lesotho's educational system shows high repetition and drop-out rates, with almost one third of primary enrolment dropping out before

[10] By the level of education, which is claimed to be low in this case, it is not implied that the literacy rate is low. In actual fact the literacy rate is as high as 86%, however what is lacking in this case are the required skills or the necessary qualifications to have access to well paying jobs.

completing the primary cycle and about two thirds of secondary enrolment dropping out before graduating".

Furthermore, educational achievement in Lesotho, especially secondary education, dramatically affects earnings, which increase marginally with education until 11 years, but then triples with the completion of the last year of education (Kingdom of Lesotho, 2004). In the same breath Skaburskis (2004) noted that more educated people will have better paying jobs and the author goes on to mention that the security of employment and therefore, household's permanent income and liquidity needs are affected by the education level. In a nutshell this means educated people are better able to obtain loans and therefore can afford better houses than less educated people.

Usually people who approach banks for housing finance are the middle and high incomes. This is because even those in formal jobs with low incomes find this route unviable due to limited ability to service loans in the face of consumption needs. Viewed in another way, Ferguson (1999) stated that, "Commercial financial institutions have little interest in and lend little to low/moderate income households particularly for mortgages. The small loans required by these households are much less profitable to commercial institutions than larger loans". As such these households tend to rely on informal means of financing construction of their houses.

2.7 Overview of Institutions with Potential for Lending to Housing

The non-bank financial services are comprised of the micro lenders, co-operatives and rural savings and credit groups. However there is limited data on the microlending industry. Regarding these institutions the loans offered are typically salary-based, with employers collecting money on behalf of the microlenders at the accompanying commission of 3% (Finmark Trust, 2003). The Money Lenders Act (1989) requires

microlenders to register with the Central Bank of Lesotho (CBL) and presently there are 17 microlenders registered which publicize their returns (Finmark Trust, 2003).

The co-operatives have reportedly been successful in mobilizing savings, nonetheless they have been less effective in making credit available (FinmarkTrust, 2003). A poor repayment record mostly characterizes them. Exceptionally the Rural Savings and Credit Groups (RSCG) appear to be successful in extending financial services to the poor (FinmarkTrust, 2003). Other than reaching the low incomes and self-employed, RSCG can also substitute loan collateral with peer pressure. One can argue that, taking note of this situation, it is evident that microcredit – whether for housing or microenterprise – can help form a solid foundation for financial institutions and the financial sector, in general, in developing countries (Harper, 1998 cited in Ferguson et al, 2003).

One other important point to note is that these savings groups are also dominated by a large number of women. In this connection the informal associations, which serve in the financing of shelter, comprise the burial societies and financial cycles or key clubs. Burial societies were initially meant for funerals, however they have evolved to fund the purchase of building materials through short-term loans offered. Members may take short-term loans for periods of three to six months at relatively low interest rates (Kingdom of Lesotho, 1998). Otherwise a financial cycle assumes a pool of funds to which members contribute a fixed amount on a weekly or monthly basis, and at each interval one member receives the entire account. Although a financial cycle may not be called a savings or credit operation, it does provide a periodic capital for huge investments (Kingdom of Lesotho, 1998).

The informal savings associations on the other hand are mostly characterized by loans with high interest rates and these loans are to be paid back within a very short period of time (3-6 months). As such, some people tend to be reluctant to participate in these associations. Those who are hesitant to participate in the informal savings associations are mostly those who are able to obtain mortgage loans or those who think they have accumulated enough money for the construction of their dwellings. Notwithstanding this state of affairs due to low incomes, these informal savings associations still remain the mainstay of the economies of most people.

Onibokun et al (1990) however held a different view with respect to urban housing finance in Nigeria. The observation the authors made was that the savings and thrift societies play an insignificant role in urban housing finance in Nigeria. In essence there was marginally higher percentage of membership in small towns than in the large and medium towns (Onibokun et al, 1990), and the authors perceived this situation as not pleasant as they felt these kind of loans could be obtained in critical stages during the construction period.

The Non-governmental Organizations (NGO) have also been instrumental in the provision of credit. In Maseru one popularly known NGO is Women in Business (WIB). WIB requires members to save so as to obtain loans against their savings. However it is also besieged by poor repayment record.

2.8 Microfinance Products in Lesotho

There is only one formal microfinance scheme, which is operated by Basotho Enterprise Development Corporation (BEDCO), another government initiative for mobilizing indigenous investment. This has been functioning as a pilot project, however the operations are on hold currently. It is undergoing restructuring due to poor repayment record. Most of the loans from the said microfinance scheme are mainly for financing young businesses. However in practice part of the money has been diverted to other investments such as housing. Likewise (Brown et al, 2001 cited in Ferguson et al, 2003) found out that, "microfinance institutions – such as Mibanco in Peru and those of Bolivia – typically find that about 20% of credits that they have extended ostensibly for microbusiness go for housing".

Given the existence of the above-mentioned scheme one could say there is a chance for the Microfinance of housing. Nonetheless this is not quite a common phenomenon in Lesotho. Similarly Ferguson et al (2003) observed that, "from a policy perspective, microfinance is the missing line in social housing programs". Its absence in most Lesotho government's documents, which address housing matters, affirms this. However

that notwithstanding, the phenomenon cannot be easily discarded as some of its characteristics are almost similar to those of a microenterprise. For instance many housing microfinance loans work with para-legal title and income from self-employment (Ferguson et al, 2003). Important differences are demonstrated in characteristics though, for example loan amounts range is (US$300-$500) with the loan period of (2-10 years), much less than that of mortgage finance but greater than that of microenterprise credits (Ferguson et al, 2003).

2.9 Best Housing Microfinance Practices Elsewhere – Successful Case Studies

The success stories were viewed in the light of the following characteristics of the organizations surveyed; specialization and profiles of institutions, profitability, outreach, credit methodology, cross- subsidization, and repayment. On the other hand the housing finance products on offer were examined with the following attributes in mind; housing product lines, loan size, maturity, interest rates and eligibility[11].

Most organizations surveyed were offering an array of products ranging from microenterprise, education, emergency as well as housing. Some of the Microfinancing Institutions (MFIs) established that 20% - 50% of their loans not issued specifically for housing were used for housing. Profit motive or profitability seemed to be the number one goal of the organizations selected and some of the important ratios which they employed extensively were the Return on Assets (RoA) while others were advocating for Return on Equity (RoE). Regarding outreach numerous organizations were able cover a few thousands or even hundreds of families. The outstanding names in this regard were among others the Rural Finance Facility (RFF-South Africa), Mutual La Primera (Bolivia), Central Africa Building Society (Zimbabwe) and Fundasal (El Salvador).

Regarding the credit methodology, this was based on individual borrowing. Another important characteristic of the organizations surveyed was cross-subsidization whereby a group of MIFs charge lower rates to housing loans and subsidizing their rates from other

[11] This section of the paper was informed by an unpublished paper by Madeleine Klinkhamer entitled Microfinanceofhousing products and experience with land title as collateral"www.worldbank.org/poverty/land.html (2000).

loan products. Lastly the repayment, in all the cases was above 89% or even more, which means it was not an issue.

The housing finance products attributes were wide spread as indicated above. In terms of the housing product lines many organizations were focusing on a single product and others were offering other product lines such as microenterprise loans, emergency loans. On the loan sizes most MIFs break-even loan size appeared to be in the minimum of $250-300 with the minimum clientele of 2000. Regarding the maturity of a loan, this varied from 15-20 years. There were short terms of fewer than 3 years as well, which were essentially for new construction. This was considered as the risk-reducing factor for lenders. In some cases maturity was a function of the age of the borrower. As for the interest rates, housing rates appeared to be generally above the average rates charged by the commercial banks. However there were exceptional cases such as Mutual La Primera in Bolivia, which was charging rates below market. This was due to the loan volume and limited financial costs because of savings mobilization. Another example is Schakel credit union in Suriname, which was charging on average 10% less for housing loans than business loans. In South Africa RFF charged fixed rates due to the fluctuating inflation and interest rates.

Eligibility was also one of the most important considerations. Under this attribute savings, credit history, land ownership, residence/mobility and building standards as well as technical assistance were taken into account. Many MFIs required savings for a certain period of time in advance (a maximum of 2 years for Government Housing Bank in Thailand), however the best practice was considered to be 3-6 months. This was seen as building a relationship with the client as well as proving payment capacity as it builds some guarantee. A very effective savings mobilization was shown by the Senegalese Housing Bank, which in 1997 achieved a savings balance of $165 million on an outstanding loan balance of $137 million. The borrowers in this context were encouraged to make 24 monthly deposits to prove credit worthiness.

Some organizations required legal documentation of landownership and this was used not as collateral but as repayment pressure. For residence/mobility some MFIs insisted on

minimum residence in a certain area. Also building standards and technical assistance and supervision were the necessary conditions, where specific house designs were encouraged. Technical assistance was meant to reduce the project risk and this included evaluation of home improvement plans, construction monitoring and the use of progressive payments based on construction inspections.

Therefore in summary it is inevitable that in the above case studies the primary goal of the MFIs was profit. This was achieved through product diversification in microfinance products. The MFIs also aimed at controlling the risk issue through initial saving by those in need of housing loans. This method seemed to provide some form of guarantee that the borrowers could afford repayment of the loans.

2.10 People's Initiatives towards Shelter Delivery in Maseru

According to Kingdom of Lesotho (2000) "shelter delivery structures in urban areas resemble those in rural areas given that housing process does not follow any particular standard". This is particularly because housing is delivered through informal channels, which culminates in an unplanned urban sprawl, which among others makes the provision of infrastructure a hassle. In essence in Maseru the vast majority of housing is owner constructed and by-and-large funded from the owners savings (Kingdom of Lesotho, 1998). This is the case in other urban areas as well as in some other rural areas.

Usually owners collect materials over time and start building when the critical mass is reached. In this way, it normally takes a household a minimum of three years to put the building materials together before the actual construction of the house starts (Kingdom of Lesotho, 2004). Households tend to apply this strategy with unreliable or irregular incomes. Although this takes time it has proven to be the most effective strategy given unreliable incomes and limited access to credit. In the same vein however, Ferguson et al. (2003) remarks that this kind of "process of building their homes is painstaking, burdensome, and long." Onibokun (1990) shares the same opinion by pointing out that " the building project has to be implemented in instalments over a long period, and so become very expensive in the long run".

In the same platitude again, Abrams (1964) noted that it may seem more reassuring to see one's savings in the form of bricks. The author however, remarks that brick saving is a tedious process, tying up family capital and often ending in frustration. Frustration in this case is caused when the breadwinner or head of household loses a job or dies, as a result the process of construction may never begin or continue. Furthermore Abrams (1964) observed that "the roof is usually the costly item that keeps the family from completing the structure". And in this regard Lesotho seems to be in the same boat as there are many unroofed houses.

The commonly used building materials in Maseru are cement blocks and corrugated iron sheets roofing. In some cases burnt bricks and clay roofing tiles, for high-income owner-occupiers. Similarly in Kumasi, Ghana it is stated that close to 75% of the structures had walls and roofs constructed of cement blocks and corrugated iron/aluminium sheets respectively (Tipple, 1987 cited in Kumar, 1996). Typically in Maseru according to Matamane (personal communication, July 23, 2004) the cement blocks and corrugated iron sheets, for both middle and low-income owner-occupiers, are the main building materials and together with labor they account for 60 to 70% of the total cost of consolidating a dwelling. In the same vein Kumar (1996) in his analysis of the third World Urban Low-income Settlements found out that " excluding the cost of land, building materials account for 60% of the total cost of a dwelling…"

It goes without saying that the building materials are the critical component of the total cost of building a house. Making things even worse is the fact that they involve a high imported content from the R.S.A. The reason being that the local technology as far as production of building materials is concerned, is underdeveloped. Similarly Onibokun (1990) in his analysis of the trends in the prices of building materials in Nigerian urban centers, made reference to the underdevelopment of the local technology leading to increasing dependence on foreign technology and imported building materials.

2.11 Overview of Land Administration in Lesotho

Land policy is flawed and therefore it has further worsened the predicament of the landless, resulting in the shortage of housing. The land allocation system has evolved through three main systems namely; the customary system where land is allocated by the chiefs; the statutory system which was meant indirectly to take the place of the customary system and lastly the informal system which stems from the customary system but seeks to evade the statutory system (Kingdom of Lesotho, 1998). On the whole, urban land in Lesotho falls under this informal system.

There are little or no incentives in place for the majority of the population to comply with the statutory procedures. For instance the court system is very slow and ineffective in making sure the statutory procedures are complied with in land allocation (Kingdom of Lesotho, 1998).

The statutory system is easily evaded due to certificates of allocation (Form C), which were granted by chiefs prior to 1979, and which continue to be legal. Under the informal system most allocations of land are made through these forms and most of them are backdated by the chiefs to make most allocations appear as though they were made prior to the new legislation, namely the Land Act of No.17 1979 (Kingdom of Lesotho, 2000). Those holding form "C" cannot mortgage their land more readily as those holding leases because their titles to land are not considered appropriate as collaterals.

The new legislation restricts the chiefs powers from allocating land by themselves, which allocation in the said informal system is in exchange for money. According to Maboee (personal communication, June 17, 2004) in order to receive the lease, a holder of a form "C" must apply to the Commissioner of Lands. The Urban Land Committee then will verify the title, and finally the Commissioner of Lands signs and issues the lease. However the lengthy period that is involved to get all this process accomplished, encourages the continued operation of the informal system as it is seen as a short cut.

One of the measures to ensure transparency in allocation of land has been to advertise stands available for a grant of title in the gazette by the Commissioner of lands as per the provisions of the Land Act No.21 of 1979 (Kingdom of Lesotho, 2000). On the same

note Leduka (1995) in the Kingdom of Lesotho (1998) remarked that sites have been commonly advertised without services due to the increasing demand for land but the supply of advertised plots has been a fraction of demand and over the period 1986-1991 on average only 52 plots per year were advertised. In the same context Payne (1989) notes that "In theory, it may be possible to obtain a plot in a government sites and services within a low-income household's budget. But this is of little help if insufficient plots are made available". The failure of supply of sites to meet demand will further encourage the operation of the informal system, which seems to strike a balance in this case.

Wilsenach (1985) makes reference to the land ownership up to 1973 in Lesotho where traditional chiefs owned large tracts of land around urban areas so that for it to be available for residential purposes negotiations had to be opened with urban authorities. These negotiations took a long time such that instead of going through the official channels the families resorted to the chieftains for housing. This in a way created some sort of speculative motives among the chiefs who rented living rights in peri-urban areas. Price charges on land were demand driven meaning the higher the demand the higher the prices. This as a result has led to the construction of many houses without legal building permits in the peri-urban areas of Maseru (Wilsenach, 1985).

In some cases the same piece of land has been fraudulently allocated to more than one person in exchange for money. By way of comparison Arimah (1997) interestingly makes reference to the acquisition of land by negotiation, another way of obtaining land other than the traditional land tenure in Nigeria, where transfer of land is in exchange for an agreed sum of money which is characterized by lack of ownership to land and Udo (1985) cited in Arimah (1997) says "apart from the exorbitant prices charged, there is the proliferation of fraudulent practices whereby the same piece of land is sold to two or more people". Similarly cases like this in the allocation of land by chiefs are quite common in Lesotho.

2.12 Two Regional Case Studies – RSA Experience

The work of Marais et al (2003) informed these summarised case studies. The two case studies were the contractor-driven project in Freedom Square (Contractor-driven) (Mangaung-Bloemfotein) and the self-help housing project in Thabong (self-help)(Welkom). Their methodologies firstly discussed the biographical, demographical and socio-economic profiles of the inhabitants, which addressed part of the sociological study. Secondly they were concerned with the socio-political system within which they were to conduct their research. Thirdly they focused on the physical environment – where the issues were number of rooms, material usage, contracting etc. The last section dealt with general life experiences, with emphasis on general needs and satisfaction.

For effective comparison between the two case studies both the similarities and differences in relation to the socio-economic and demographic features were looked at. It was established that the basic social and economic profiles of the two communities were similar. The two case studies were also balanced in terms of the biographical and socio-economic profiles. The sample was also equally shared between the two fieldwork sites. However the major difference was that in Freedom Square housing construction occurred through the agency of formal building contractors, while in Thabong people were advanced with the building materials as well as technical support needed to erect their housing units.

Also among the demographic features homeownership was found to be equally shared between genders. In terms of homeownership the communities were made up of a relatively mature groups. For example in Freedom Square (contractor driven) 10.5% and 14.5% in Thabong (self-help) of the owners, were 60 years of age and older. The two case studies did not differ significantly on monthly incomes. For instance in Thabong (self-help) during the survey the average monthly income of the household was R880.00 while in Freedom Square it was R617.00. However it was established that the slightly higher number of persons per household offset the slightly higher income in Thabong. There were 4.5 persons per household in Thabong as against 3.9 persons per household in Freedom Square. It was likely that the difference in household size could potentially play a causative role in respect of the larger size of the houses in Thabong (Maishoane, 2000 cited in Marais, 2003).

The two communities further displayed some similarity in terms of the different sources of income where owners were making a living. In terms of employment and the level of employment both Thabong (self-help) and Freedom Square (contractor-driven) were moving together.

There was a consolidation subsidy of R7500 involved in both cases. However this may not be feasible in Lesotho's case. The reason being that the government budget makes no provision for housing subsidies. However in a nutshell in terms of the private financing of progressive housing, the discussion of socio-economic context of the projects or individuals is necessary. Moreso according to Sinha cited in Tipple et al (1991) " a research outlook is needed which can adequately describe the qualities of the fluid interaction between people and the physical environment". Hence the importance of discussion of the demographic features as well as the physical environment where construction is taking place". Similarly in Rukwaro et al (2003) the demographic characteristics of the residents of the Claycity estate were discussed. They were among others; ownership of plot, marital status, means of transport, education level and age of household as well as types of houses.

CHAPTER THREE: METHODOLOGY OF RESEARCH

3.1 Introduction

A case study design was adopted using a variety of data sources (e.g. questionnaires and structured interviews) for in-depth analysis of the units to be studied.

The survey was conducted in the form of administered questionnaires, which were complemented by structured interviews of the commercial banks as well as urban land authorities in the government. In the Ministry of Local Government the officer interviewed was the Housing Economist in the Housing Department. The questionnaires for the households addressed the demographic variables of the population. For example; age groups of respondents, level of education, type of employment, level of income, monthly investments on construction etc. A sample of the questionnaire used is included in appendix one. The interviews with commercial banks focused on the following indicators; banks' efforts to increase account holders, banks' willingness to extent loans, information required for loan application, possibility of allowing a window of microfinance of housing, possibility of on-lending to savings associations or co-operatives etc. The list of questions asked during the interview is included in appendix two.

The issues directed to the Housing Department were; the availability of the national housing policy, whether progressive housing was addressed in the housing policy etc. Those that were discussed with the Lands Survey and Physical Planning were; the types of tenures, efforts to regularise the land titles, the department capacity to execute regularisation timeously etc. Details of the interview questions are in appendix three.

3.2 Initial Observation of the Areas to be studied

Initially a general survey of the areas to be studied was undertaken in the form of a drive around in some parts of Maseru urban areas. This was conducted in order to gain a pictorial view of these areas. It began from the Kingsway road near the city centre connecting to the Kofi Anan road. Along this route most new construction was observed especially at Ha Tsolo village and the neighboring ones.

Another connection was made to the Main South 1 at the junction near Masianokeng back to the city centre and along this route again, new developments were noted at Ha Matala Phase I and II. Both phases lie on the opposite sides of the Main South 1 road. In Lithabaneng another connection was made to the road leading to the Makoanyane barracks, however not many of new developments were observed in this area. In the city centre another connection was made to the Main North 1 road, and a further new development was noted at Ha Foso village. A map indicating the route of initial survey is as shown in appendix four.

3.3 Data and Information Sources relevant for the Study

Having noted the above information a decision was made to study the three villages namely; Ha Tsolo, Ha Matala Phase I and II as well as Ha Foso. This was arrived at having had regard to the fact that these villages seemed to provide relevant information on the subject of study. Moreso, the study was focused on areas around Maseru urban where the rate of construction of new houses was on the rise. The three villages that constituted the study areas were selected to account for different sections of Maseru. Ha Tsolo represents the western side of Maseru urban while both Ha Matala Phase I and II

are situated on the South side of Maseru urban. Lastly Ha Foso takes care of the northern part of Maseru urban. The eastern part appears left out merely because it could not provide adequate information in terms of the significant amount of construction.

3.4 Logistics for Conducting the Household Survey

To simplify the process, the Senior Executive in the Chieftainship Department of the Ministry of Local Government was approached for advice regarding the administration of Maseru urban. He pointed out that Maseru is made up of three wards and in this regard the three Principal chiefs govern it. These are the Principal chief of Thaba-Bosiu under which Ha Matala phase I and II fall; the Principal Chief of Matsieng, Seeiso Bereng Seeiso; as well the Principal Chief of Ha Majara, 'Mamolapo, responsible for Ha Foso. It should be noted that Matsieng ward is not represented in the areas to be studied. This is because there was not a significant amount of construction going on in this ward.

Next the area chiefs responsible for these villages were visited in order to properly demarcate the areas. They facilitated in pointing out the village boundaries, which aided in the demarcation. It should also be noted that Ha Tsolo, Sealong and Thetsane-Ha Lesia were combined together. This is because all the three together seemed to provide adequate information.

3.5 Determination of Sample Frame

In order to determine the sampling frame, the total population of the houses under construction was counted in all the villages mentioned. For simplicity Ha Tsolo, Thetsane-Ha Lesia and Sealong were added up to form one village referred to here as Ha Tsolo. The reason being, Ha Tsolo alone would not provide enough information. In addition it was worthwhile to do this because these villages were adjacent to each other. All the housing units considered in these villages added up to 163 dwellings. In Ha Matala phase II and I as well as Ha Foso the dwellings were 100 and 70 respectively. Hence all the three villages (Ha Tsolo, Ha Matala Phase I & II and Ha Foso) combined added up to 333 dwellings. In this regard a dwelling under construction be it a

completely new dwelling or the one being built incrementally would constitute a sampling unit.

3.6 Choosing the Appropriate Sample Size

According to Hickey (1986) there is no exact, perfect sample size for every research question. A decisive point is those considerations that a researcher may be faced with. Those that are key are the resources as well as methods of data collection available to the researcher. There are statistical considerations as well, such as the range or variation in the population, the amount of error to be tolerated, and the effect of losing cases from the sample (Hickey, 1986). In this research the financial resources and time frame were real constraints towards achieving a larger sample.

3.7 Actual Data-Collection

The questionnaires were administered in winter. This is the low-activity season when everyone spends more time at home or in doors. As such it was expected that the response rate could be reasonable as there were less events taking place due to the unfavourable weather conditions therefore more research subjects or respondents were accessed especially during weekends.

Before the questionnaire could be administered a map was used to clearly identify the areas to be studied as shown in appendix four. The villages which formed areas of study had not been demarcated on the map. Hence this necessitated seeing the village chiefs for those smaller villages under their administration or jurisdiction so as to draw clear demarcations among the villages. Having obtained information about village boundaries the assistance was sought from Lands Survey and Physical Planning Office to aid in drawing the boundaries on the map. Marking the villages on the map notably is meant to give the end user of this research report a pictorial view of which areas of Maseru were being studied.

Further on in order to expedite the survey, an assistant was recruited. He was exposed to training for two days to study the questionnaire. The first five questionnaires were

administered in his presence in order to understudy the main researcher and to comprehend the important steps in the survey such as the introduction as a main determinant of the responses. This occurred on the first day of the process. Then the second day of administering the survey began with the assistant handling his part of work. Initially the process was very slow. The amount of time taken to complete one questionnaire was approximately 50 minutes. However as the process gained momentum the period was significantly reduced to 25 minutes. Nonetheless this greatly depended on the level of education of a respondent. With less educated respondents time recorded was approximately 40 minutes.

The method of sampling adopted was purposive instead of random. This is basically picking up as many cases as possible that would give the required information. Berg (1989) argues, "When developing a purposive sample, researchers use their special knowledge or expertise about some group to select subjects who represent this population". The purposive sampling was pursued because all the villages studied resembled an informal setting. Even where dwellings appeared to be situated in a layout, the houses were not numbered. Even worse relatively little landscaping was done. Therefore the small passages between the houses would not allow a certain pattern of movement between the houses for systematic sampling. Hence the dwellings were picked in a purposive manner. The ones that could provide information were picked.

The process began at Thetsane - Ha Lesia and most sites around this area were surveyed and as such some areas where the streets would be, were already marked. This area seemed to emulate the adjacent Thetsane suburb over looking the Caledon River where at least there was some layout adopted. Some thoroughfares existed; movement along the 'would be' streets facilitated easy access to the dwellings. Therefore this helped the process. However as more and more dwellings were approached either the owner was not around or they only came around at certain times. As such this disturbed the process. Some respondents were fortunately found on the following day or were not found at all. Therefore other dwellings replaced the missing ones in the interest of time.

Furthermore the adjacent villages namely; Ha Tsolo and Sealong also resembled informal settings, and almost all the sites were not yet surveyed. These areas were not planned and there was no proper layout. Hence this rendered the process of systematic sampling of such dwellings impossible therefore the method of sampling was still purposive.

Moving on to Ha Foso, some sites were surveyed and others were not. Generally the topography of the settlements appeared informal as in the other two villages. The output was not favourable as most owners of dwellings were not available on site. Some were reported to have been seen in the last three months. Therefore for these ones data were not found. In the interest of time other dwellings where data could be found were approached.

During the weekends a significant level of output with regard to data collection was realized. At least around this time 10 questionnaires were filled in one day as more respondents could be found at home. This was considered making headway as during the week not a lot of respondents could be accessed. Most respondents were either at work or were busy with other business activities. During the survey it was established that some new dwellings under construction were either abandoned or owners were last seen some months ago. As such for these ones it was difficult to obtain data. For other new dwellings under construction owners were reported to be working in the Republic of South Africa and coming in two to three months to observe the progress in construction. Therefore in the interest of time constraint it was difficult to capture data on them.

Hence in the end a sample of 76 respondents was attained. Furthermore, Ha Tsolo together with its neighbouring villages, namely Thetsane – Ha Lesia and Sealong formed 44.7% of the units constituting the sample and the number was 34 of the respondents. For Ha Matala Phase I and II 19 respondents were captured and these formed 34.2% of the sample. And lastly 21.1% were drawn out of Ha Foso and this came to 16 respondents.

3.8 Structured Interviews

The first structured interview was held with the Credit Manager in Mortgage section of Lesotho Bank (1999) limited and this took approximately two hours. Another appointment was convened with the Personal Banking Manager in Nedbank and this also lasted approximately two hours. The last structured interview was had with the Housing Economist at the Ministry of Local Government. However some questions were not relevant to her department. As such the Lands Survey Physical Planning Department was approached to answer these remaining questions. These structured interviews were meant to augment the data collection.

3.9 Justification for all the Methods Applied in the Study

The importance of Triangulation of data in research cannot be overemphasized. This essentially involves a combination of various methods of data collection to enhance the validity of the findings. Moreso the triangulation of research methods has potential to yield more complete and richer information than can be obtained by employing each method singly (Sinha cited in Tipple et al, 1991). In this regard the questionnaires, which were administered to the respondents as well as the above, mentioned structured interviews formed the triangulation. Furthermore the use of administered questionnaires and structured interviews form an indirect observation of the research subjects.

3.10 Presentation of Data

Descriptive statistics are widely employed (e.g. mode, frequencies and percentages) in the analysis. Moreso, the use of descriptive statistics is essential to describe the distribution of various variables in the study. Based on the demographic variables, data has been subdivided categorically, into class intervals for which frequencies have been recorded. The data is graphically presented through use of pie charts and histograms. This is done mainly to highlight relationships between variables in the study. In addition tables have been extensively used in handling the data.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The data collected were mainly to respond to the objectives of this paper, which were to investigate the extent to which the availability of credit affects the pace of construction of new houses in Maseru; establish the views of people especially the low income groups, concerning other forms of financing, for instance the microfinance of housing or bank loans; establish to what extent banks are accommodative of microfinance as a viable option for limited household incomes in Lesotho and lastly to investigate the other possible constraints to the process of housing finance.

The hypothesis of this paper is that the process of progressive housing is not hampered by the availability of credit offered by the banks. The outcome from the field survey is discussed under the following headings: data collection and response rate; demographic characteristics of the three villages namely; Ha Tsolo, Ha Matala Phase I&II and Ha Foso; description of the three villages geographically; evaluating the extent to which the availability of credit affects the pace of construction in these three villages; evaluating the views of people especially the low income groups about microfinance of housing; evaluating the extent to which the banks are accommodative of the microfinance of housing as a viable option for limited households income in Lesotho; land administration and planning problems as they relate to the housing finance; the role of government in the provision of housing and the peoples' initiatives towards shelter delivery.

4.2 Data Collection and the Response Rate

Data from 76 respondents were obtained by means of a questionnaire. It would have been interesting to obtain a larger sample of at least 100 respondents, however the response rate was highly affected by the frequent absence of many homeowners. Another factor

was that the villages constituting the study areas were informal settings. As such it was difficult to use a random sampling technique to control bias. Instead the sampling technique used was purposive.

A very negligible number of questions were not answered, as some of them were not applicable to certain respondents. Therefore they were discarded. Examples of those indicators in which some questions were not answered were participation in informal savings associations by the respondents, attitudes of the respondents towards informal savings associations as well as levels of interest rates charged in the informal savings associations etc.

Table 4.1 below shows the distribution of the respondents according to the three villages that constitute the overall sample.

Table 4.1 Respondents relative to Villages

Villages	Tsolo	Matala	Foso	Total
Number of Respondents	34	26	16	76
Percentages	44.74	34.21	21.05	100.00

Source: Fieldwork Data – July/Aug, 2004

Of the villages which were surveyed, Ha Tsolo was the one largely represented, with a proportion of 44.7% of all the respondents coming from this village. The least represented was Ha Foso with a proportion of 21% of the overall respondents. The reason for this kind of representation is the amount of construction that was going on in each village. Based on this fact Ha Matala appeared to lie in the middle in terms of the amount of construction.

4.3 Demographic Characteristics of Respondents

The demographic characteristics comprise of the age group of the respondents, level of education, employment level, level of monthly income, percentage of monthly income spent on construction etc.

4.3.1 Analysis of the Demographic Variables of the three Villages

Age groups of the respondents: Table 4.2 shows the age groups of the respondents of the three villages constituting the sample.

Table 4.2 Age Groups of the Respondents Relative to the Three Villages

Age groups (years)	Tsolo		Matala		Foso	
	Freq	Propn %	Freq	Propn %	Freq	Propn %
Less than 25	2	5.9	0	0	0	0
25 - 35	19	55.9	6	23.1	5	31.3
35 - 50	13	38.2	17	65.4	9	56.3
Above 50	0	0	3	11.5	2	12.5
Total	34	100	26	100	16	100

Source: Fieldwork data, July/Aug, 2004

In the three villages studied Ha Tsolo was the only village with some of the respondents falling within the age group of less than 25 years. However this age group was in the minority representing 5.9% of the respondents in Ha Tsolo. The category of 25 – 35 years was also mostly found in Ha Tsolo with a proportion of 55.9% of the respondents. Ha Matala was least represented in this age group with a proportion of 23.1%.

In addition Ha Matala dominated all the villages in the 35 – 50 category, with a proportion of 65.4% followed by Ha Foso with 56.3% of the respondents. There were no respondents in Ha Tsolo who were in the Above 50 age category. However both Ha Matala and Ha Foso recorded 11.5% and 12.5% respectively. Looking at the two age categories, 35 – 50 and the above 50 years of age, it seems the respondents in these two villages participate in construction at a relatively mature age.

Types of dwellings: Table 4.3 hereunder shows the distribution of the types of dwellings. The construction of the dwellings assumes two forms, either an improvement or a full dwelling.

Table 4.3 Distribution of the Type of Dwellings relative to theThree Villages

Tsolo				**Total**	**Matala**				**Total**	**Foso**				**Total**
Type of Dwelling				**Freq**	Type of dwelling				**Freq**	Type of dwelling				**Freq**
Improvement		**Full dwelling**			**Improvement**		**Full dwelling**			**Improvement**		**Full dwelling**		
Freq	Propn%	Freq	Propn%		Freq	Propn%	Freq	Propn%		Freq	Propn%	Freq	Propn%	
23	67.6	11	32.4	**34**	13	50	13	50	**26**	11	68.8	5	31.3	**16**

Source: Fieldwork data – July/Aug, 2004

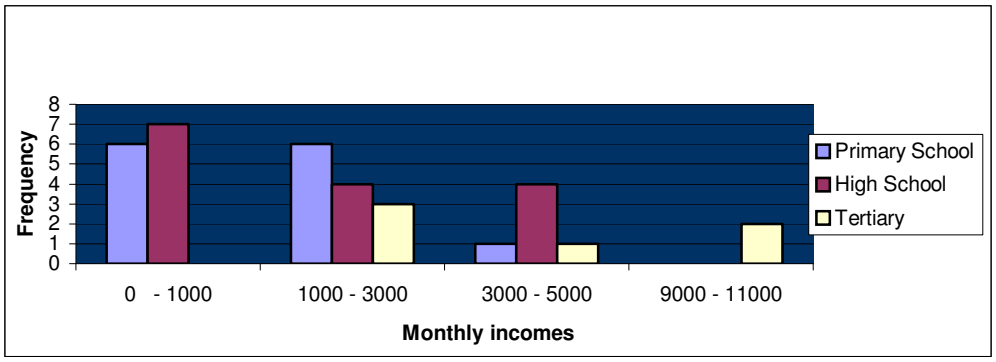
According to table 4.3 above improvements were the most prevalent type of dwellings under construction in both Ha Tsolo and Ha Foso. There were 67.6% and 68.8% of the respondents respectively in each village. In Ha Matala the construction of the dwellings were equally divided between improvements (50%) and full dwellings (50%). High number of improvements rather than full dwellings might have resulted from limited incomes, which led to the dwellings being built incrementally. Generally, when looking at all three villages; about 62% of the sampling frames are incremental projects.

Education level vs Income level of the respondents: Table 4.4 below relates education with income levels for the three villages. Even more reflective are the figures 4.1 to 4.3 which follow the said table. They portray a better picture of how the level of education affects the level of income.

Village		Level of Education	Level of income	Village		Level of Education Maloti	Level of Income Maloti	Village		Level of Education	Level of Income
Tsolo		Primary School	Maloti	Matala		Primary School	Maloti	Foso		Primary School	Maloti
Freq	Propn%			Freq	Propn %			Freq	Propn%		
13	38.2			0	0			0			
6	17.6		0 -1000	0	0		0 - 1000	0	0		0 - 1000
6	17.6		1000 - 3000	0	0		1000 - 3000	0	0		1000 - 3000
1	2..9		3000 - 5000	0	0		3000 - 5000	0	0		3000 - 5000
0	0.0		9000 - 11000				9000 - 11000	0	0		9000 - 11000
Freq	Propn %	Level of Education	Level of Income Maloti	Freq	Propn %	Level of Education	Level of Income	Freq	Propn %	Level of Education	Level of Income
15	44.1	High School		10	38.5	High School	Maloti	7	48.3	High School	Maloti
7	20.6		0 - 1000	1	10		0 - 1000	2	28.6		0 - 1000
4	11.8		1000 - 3000	7	70		1000 - 3000	4	57.1		1000 - 3000
4	11.8		3000 - 5000	1	10		3000 - 5000	1	14.3		3000 - 5000
0	0		9000 - 11000	0	0		5000 - 7000	0	0		5000 - 7000
				0	0		7000 - 9000	0	0		7000 - 9000
				0	0		9000 - 11000	0	0		9000 - 11000
				0	0		11000 - 13000	0	0		11000 - 13000
				1	10		13000 - 15000	0	0		13000 - 15000
				0	0		Above 15000	0	0		Above 15000
Freq	Propn %	Level of Education	Level of Income	Freq	Propn %	Level of Education	Level of Income	Freq	Propn %	Level of Education	Level of Income
6	17.6	Tertiary	Maloti	16	61.5	Tertiary	Maloti	9	56.3	Tertiary	Maloti
0	0		0 - 1000	0	0		0 - 1000	1	6.3		0 - 1000
3	8.8		1000 - 3000	2	7.7		1000 - 3000	2	12.5		1000 - 3000
1	2.9		3000 - 5000	4	15.4		3000 - 5000	2	12.5		3000 - 5000
2	5.9		9000 - 11000	3	11.5		5000 - 7000	1	6.3		5000 - 7000
				4	15.4		7000 - 9000	2	12.5		7000 - 9000
				1	3.8		9000 - 11000	0	0		9000 - 11000
				1	3.8		11000 – 13000	0	0		11000 - 13000
				0	0.0		13000 - 15000	1	6.3		13000 - 15000
				1	3.8		Above 15000				
34	100%			26	100%			16	100%		

Table 4.4 Levels of education as against the levels of income of respondents

Source: Fieldwork Data – July/Aug, 2004



Figure`4.1 : ***Ha Tsolo –*** *Levels of education against income levels of respondents*

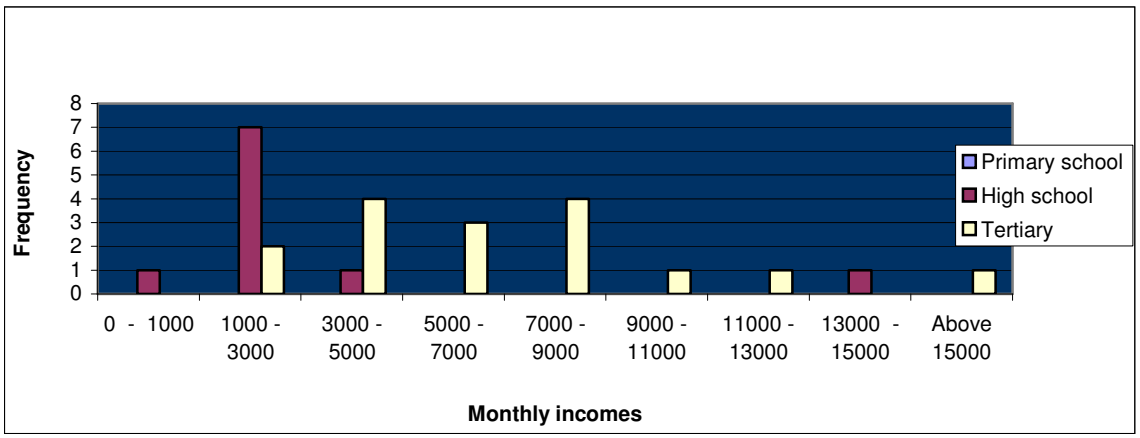


Figure 4.2: *Ha Matala – Levels of education against income levels of respondents*

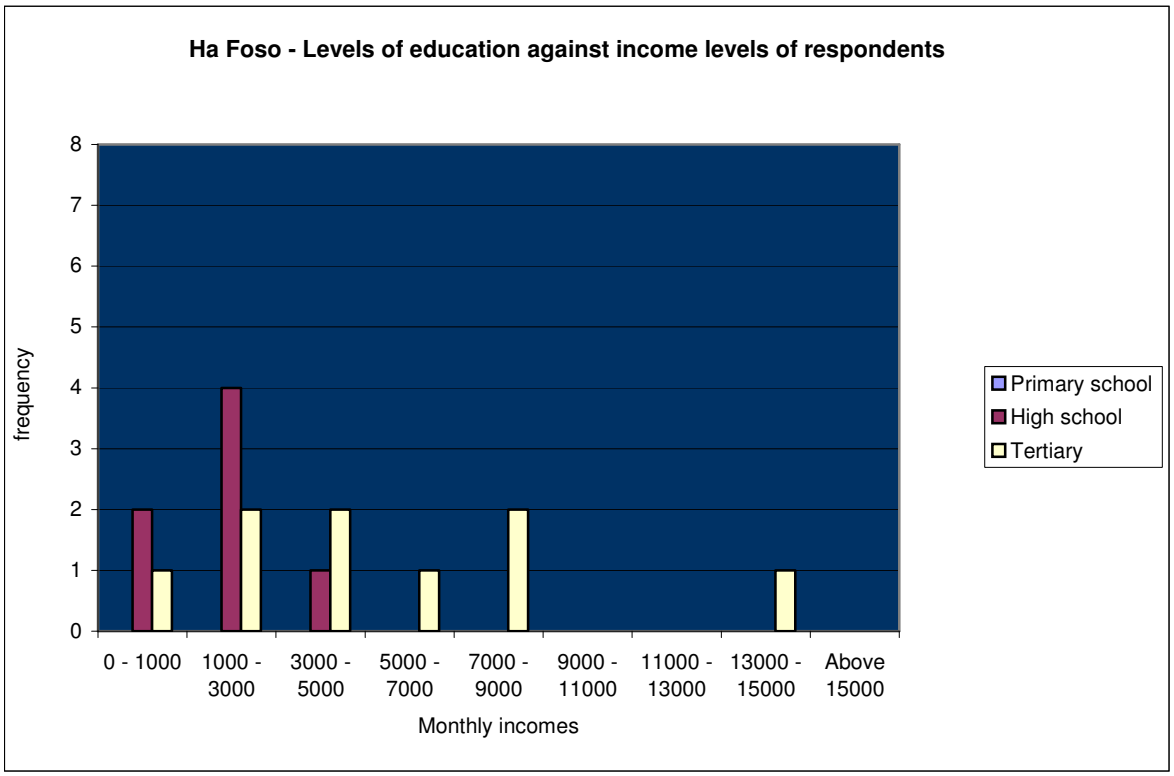


Figure 4.3: *Ha Foso – Levels of Education against Income Levels of Respondents*

According to Table 4.4 the respondents with a primary school level of education were only found in Ha Tsolo. This could be attributed to chance because this does not mean in both Ha Matala and Ha Foso there are no people with a primary school education. Those respondents with the said level of education formed 38.2% of people interviewed in Ha Tsolo. Of these respondents 17.6% had the monthly income of between (0 – 1000) Maloti while another 17.6 % of those with primary level education earned between (1000 – 3000) Maloti. Only 2.9% of the respondents within this education level earned between (3000 – 5000) Maloti. It is important to note that in both the (1000 – 3000) and the (3000 – 5000) categories of income, some respondents were giving their combined (of both husband and wife) monthly income.

For the high school category the respondents were found in all the villages. In Ha Tsolo the modal class of monthly income was (0 – 1000) Maloti making 20.6% of the people interviewed. In Ha Matala, the majority (70%) of the respondents were within a (1000 –

3000) monthly income class. As for Ha Foso the modal class of monthly income with high school education was (1000 – 3000) Maloti reflecting 57.1% of those interviewed in this area. It seems both Ha Matala and Ha Foso were better than Ha Tsolo in terms of the monthly incomes for this level of education.

In terms of tertiary education, Ha Matala dominated all the villages comprising the sample, with 61.5% (majority) of those interviewed in this area having a tertiary education. There were two modal classes of monthly income within this level of education, namely; (3000 –5000) and (7000 – 9000) Maloti. However only 3.8% of the respondents in this area earned above 15000 Maloti. Ha Foso closely followed in terms of this level of education with 56.3%. An equal proportion of 12.5% of the respondents in this area, were shared among the following monthly income classes; 1000 – 3000, 3000 – 5000 and 7000 – 9000 Maloti. Only 6.3% of the respondents fell in the monthly class of 13000 – 15000 Maloti a month.

Ha Tsolo had the least respondents with a tertiary education, namely; 17.6% of people interviewed in this area. The modal monthly income class in this case was 1000 – 3000 corresponding to 8.8% of those interviewed in this area. It seems Ha Matala is better of in terms off income levels when compared to the other two villages. However the figures show that the distribution of income in this area is much skewed, when looking at 0 – 1000 against the above 15000 monthly income class. Furthermore in both Ha Matala and Ha Foso there were respondents with a high school education with high incomes. However those with high incomes were mostly found in the tertiary category. This implies that the higher the level of education the higher the level of income, which leads to better prospects for consolidating dwellings.

Monthly incomes vs monthly investments on construction: Table 4.5 shows the monthly incomes against monthly investments on construction by the respondents for the three villages. The said table follows from Table 4.4. They both resemble each other in terms of grouping, the level of education. This is categorized into primary school, high school and tertiary.

Table 4.5 Levels of income vs monthly investments on construction of respondents

Source: Fieldwork Data – July/Aug, 2004

Village		**Level of Mnthly Income**	**Mnthly Invst. on constrn**	**Village**		**Level of Mnthly Income**	**Mnthly Invst. on Constrn**	**Village**		**Level of Mnthly Income**	**Mnthly Invst. on constrn**
Tsolo		**Maloti**	**Maloti**	**Matala**		**Maloti**	**Maloti**	**Foso**		**Maloti**	**Maloti**
Freq	**Propn%**			**Freq**	**Propn%**			**Freq**	**Propn%**		
13				**0**	**0**			**0**	**0**		
6		0 - 1000	0 - 400	0	0	0 - 1000	0 - 400	0	0	0 - 1000	0 - 400
6		1000 - 3000	0 - 700	0	0	1000-3000	0 - 700	0	0	1000 - 3000	0 - 700
1		3000 - 5000	900	0	0	3000 - 5000	900	0	0	3000 - 5000	900
Freq	**Propn** %	**Level of Mnthly Income**	**Mnthly Invst. on constrn**	**Freq**	**Propn** %	**Level of Mnthly Income**	**Mnthly Invst on Constrn**	**Freq**	**Propn** %	**Level of Mnthly Income**	**Mnthly Invst. on constrn**
15		**Maloti**	**Maloti**	**10**	**38.5**	**Maloti**	**Maloti**	**7**	**48.3**	**Maloti**	**Maloti**
7		0 - 1000		1		0 - 1000	0 - 400	2		0 - 1000	0 - 500
4		1000 - 3000		7		1000 - 3000	500 - 1100	4		1000 - 3000	200 - 800
4		3000 - 5000		1		3000 - 5000	750	1		3000 - 5000	350
				1		13000 - 15000	0 - 400				
Freq	**Propn %**	**Level of Mnthly Income**	**Mnthly Invst . on constrn**	**Freq**	**Propn** %	**Level of Mnthly Income**	**Mnthly Invst. on Constrn**	**Freq**	**Propn** %	**Level of Mnthly Income**	**Mnthly Invst .on constrn**
6	**17.6**	**Maloti**	**Maloti**	**16**	**61.5**	**Maloti**	**Maloti**	**9**	**56.3**	**Maloti**	**Maloti**
3		1000 - 3000	300 - 1300	2		1000 - 3000	500 – 700	1		0 - 1000	200
1		3000 - 5000	550	4		3000 - 5000	1850 - 4000	2		1000 - 3000	500 - 550
2		9000 - 11000	2000 - 3000	3		5000 - 7000	500 - 3500	2		3000 - 5000	600 - 2000
				4		7000 - 9000	1000 - 3000	1		5000 - 7000	500
				1		9000 - 11000	1000	2		7000 - 9000	900 - 5500
				1		11000 - 13000	900	1		13000 - 15000	3000
				1		Above 15000	8000				
34	**100%**			**26**	**100%**			**16**	**100%**		

Of the 38.2% of the respondents with primary education in Ha Tsolo, 17.6% were earning in the category of 0 – 1000 Maloti and they were investing up to 400 Maloti on

the construction of their dwellings. Another 17.6% of the respondents with primary education were in the monthly income class of 1000 – 3000 Maloti.

For those with a high school education in both Ha Matala and Ha Foso the modal monthly income class was 1000 – 3000 Maloti. However the monthly investments were different. For instance in Ha Matala the monthly expenditures on construction was ranging between 500 and 1100 Maloti while the monthly investment in construction in Ha Foso ranged from 200 to 800 Maloti. With the same level of education in Ha Tsolo the modal monthly income class was 0 – 1000 Maloti and the monthly investment was from 200 to 500 Maloti. Throughout the three villages there seems to be an imbalance between housing cost and family income. This was evidenced by the fact that most respondents spent more than 25% of their monthly income.

In the tertiary category Ha Matala was above the other villages, with one of its modal classes of income being 7000 – 9000 Maloti. The accompanying monthly investment on construction ranged from 1000 to 3000 Maloti. The modal class corresponds to 15.4% of the respondents. This is one example where respondents' monthly investments on construction equal 25% of their monthly income. Hence this reflects a balance between housing cost and the family income. It therefore means there is adequate subsistence income for the household, hence a positively balanced housing economy. However there were notable imbalances as shown in another modal class of 3000 – 5000 Maloti where the monthly investments were ranging from 1850 to 4000 Maloti. This implies inadequate subsistence as most of the money is devoted to housing.

In Ha Tsolo the modal class (1000 – 3000) in the tertiary category had monthly investments of 300 to 1300 Maloti. This reflected an imbalance in the housing cost and the family income. Only 5.9% of the respondents showed balanced housing economies. On the other hand although Ha Foso showed a relatively uniform income distribution, there were still cases of less balanced housing economies. For instance 12.5% of the respondents in the monthly income of 7000 – 9000 Maloti had monthly investments ranging from 900 to 5500 Maloti. On average the respondents in this class invest about 40% of their monthly income on construction.

Types of employment vs income level: Table 4.6 shows the types of employment in relation to income levels. Different sectors of the economy, which act as, sources of employment for the respondents, have been highlighted[12].

Table 4.6 Types of employment as against the income levels relative to the three villages

Source:Fieldwork Data – July/Aug, 2004

Village Tsolo		***Emp'd***	***Types of Empt***	***Level of Income***	***Village Matala***		***Emp'd***	***Types of Empt***	***Level of Income***	***Village Foso***		***Emp'd***	***Type Of Empt***	***Level of Income***
Freq	Prop%			Maloti	Freq	Prop%			Maloti	Freq	Prop%			Maloti
2	5.9	Yes	Cvl servant	1000 - 5000	12	46.2	Yes	Cvl servant	0 - 9000	5	31.3	Yes	Cvl servant	0 – 7000
4	11.8	Yes	Prvt Sector	0 - 11000	11	42.3	Yes	Prvt Sector	1000 - 15000	7	43.8	Yes	Prvt Sector	1000 - 15000
10	29.4	Yes	Factory wrkr	0 – 3000	2	7.7	Yes	Self-emp'd	1000 - 5000	3	18.8	Yes	Self-emp'd	0 – 3000
6	17.6	Yes	Self-emp'd	0 - 11000	1	3.8	Yes	Mine wrkr	1000 - 3000	1	6.3	No	N/A	1000 - 3000
8	23.5	Yes	Mine Wrkr	0 - 5000				Other						
1	2.9	Yes	Other	1000 - 3000										
3	8.8	No	N/A	0 - 3000										
34	**100**				**26**	**100**				**16**	**100**			

According to Table 4.6 the majority (29.4%) of the respondents in Ha Tsolo were factory workers (manufacturing sector) with incomes ranging from 0 – 3000 Maloti[13] while in Ha Matala the majority of those interviewed (46.2%) were civil servants (public sector) with incomes in the region of 0 – 9000 Maloti. On the other hand, in Ha Foso the majority of the respondents were private sector employees with incomes ranging from 1000 – 15000 Maloti. Second to the manufacturing sector, as a source of employment in Ha Tsolo, was the mining industry in the RSA (23.5%) with incomes ranging from 0 – 5000 Maloti.

In Ha Matala the civil servants (majority) was closely followed by those employed in the private sector, which comprised at 42.3% of those interviewed. Their incomes were in the region of 1000 – 15000 Maloti. On the other hand the second best employer in Ha

[12] It is noteworthy that the factory workers, the self-employed and the mineworkers in the RSA are part and parcel of the private sector. However they have been singled out as they were showing some peculiarity in construction of their dwellings.

[13] The 0 – 3000 Maloti range of income for the textile factory workers is not necessarily the monthly income for one person, for an individual the range is 0 – 1000 Maloti. It is noteworthy that not many respondents were

Foso was the civil service (public sector) with 31.3% of the respondents with incomes ranging from 0 – 7000 Maloti. From table 4.6 it is apparent that Ha Matala is above all other villages in terms of income. In addition judging by their sources of incomes (types of employment) it could be concluded that their jobs are rather secure. However Ha Tsolo was characterized by those with insecure jobs. A Large part of the respondents being employed in textile factories and the mining industry in the RSA. The respondents in these categories find themselves needing to finish their houses quickly before they are retrenched, yet they still experience delays in construction of their houses due to limited income.

Delays in construction of the dwellings: As shown by Table 4.7 most of the respondents in all three villages (Ha Tsolo, Ha Matala and Ha Foso) were experiencing delays in the construction of their dwellings.

Table 4.7 Delays in Construction of Dwellings relative to the Three Villages

Villages	**Tsolo**	**%ntages**	**Delay in constrn**	**Matala**	**%ntages**	**Delay in Constrn**	**Foso**	**%ntages**	**Delay in constrn**
Frequencies & Proportions	Freq	Propn %		Freq	Propn %		Freq	Propn %	
	31	91.2	Yes	19	73.1	Yes	14	87.5	Yes
	3	8.8	No	7	26.9	No	2	12.5	No
Total	34	100		26	100		16	100	

Source: Fieldwork Data - July/Aug, 2004

According to table 4.7, the majority of respondents in Ha Tsolo representing 91.2%, encountered delays in the construction of their dwellings as was 73.1% in Ha Matala while Ha Foso with 87.5%(majority) came second to Ha Tsolo. It seems that inadequate incomes in all three villages made delays in construction common. Perhaps this could also be linked to the negative imbalance in housing economies. The imbalance may necessitate the use of credit.

willing to mention their combined monthly income. Only a few respondents give some indication of their combined monthly incomes.

Delays in construction vs availability of credit: Table 4.8 seeks to highlight the relationship between the delays and the availability of formal credit in the three villages (Ha Tsolo, Ha Matala and Ha Foso).

Table 4.8 Experienced delays in construction against availability of formal credit relative to the three villages

Village Tsolo		***Delay in Constrn months***	***Used Formal credit (loan)***	***Village Matala***		***Delay in Constrn***	***Used formal credit (loan)***	***Village Foso***		***Delay in Constrn Months***	***Used formal credit (loan)***
	Propn%			Freq	Propn%			Freq	Propn%		
Freq	17.6	Zero months	No	5	19.2	Zero months	1 out of 5	3	18.8	Zero months	No
20	58.8	1 - 12	No	16	61.5	1 - 12	2 out of 16	4	25.0	1 - 12	No
4	11.8	12 - 24	No	3	11.5	12 - 24	No	2	12.5	12 - 24	No
3	8.8	24 - 36	No	1	3.8	24 - 36	No	5	31.3	24 - 36	No
0	0.0	36 - 48	N/A	0	0.0	36 - 48	N/A	0	0.0	36 - 48	N/A
1	2.9	Above 48	No	1	3.8	Above 48	No	2	12.5	Above 48	No
34	**100**			**26**	**100**			**16**	**100**		

Source: Fieldwork Data – July/Aug, 2004

The majority of respondents in Ha Tsolo (58.8%)and Ha Matala (61.5%) were experiencing delays of 1 to 12 months while in Ha Foso the majority (31.3%) of those interviewed were facing delays of 24 to 36 months. This difference could be due to the fact that in Ha Tsolo their jobs were insecure and so they needed to finish their houses quickly and in Ha Matala there were relatively better income levels, which meant most respondents fell within the 1 to 12 months delay in construction. Ha Foso however showed a serious delay. This could be due to limited income causing an imbalance in housing costs versus the family income. Indeed the unavailability of formal credit seems to have caused major delays in all three villages.

Attitudes of respondents towards bank loans: Table 4.9 attempts to quantify the attitudes of the respondents towards bank loans or formal credit.

Table 4.9 Attitudes of Respondents towards Bank Loans Relative to the Three Villages

Villages	**Tsolo**	**%ntages**	**Attitudes Towards Bank loans**	**Matala**	**%ntages**	**Attitudes Towards bank loans**	**Foso**	**%ntages**	**Attitudes towards bank loans**
Frequencies & Proportions	Freq	Propn %		Freq	Propn %		Freq	Propn%	
	20	58.8%	+ve(yes)	13	50	+ve(Yes)	12	75	+ve(Yes)
	14	41.2%	-ve(No)	13	50	-ve(No)	4	25	-ve(No)
Totals	34	100%		26	100		16	100	

Source: Fieldwork Data - July/Aug, 2004

The majority of respondents in Ha Tsolo (58.8%) and Ha Foso (75%) showed positive attitudes towards formal credit. On the other hand there were both the positive (50%) and negative (50%) attitudes towards bank loans in Ha Matala. Those respondents who were completely negative about the formal credit indicated a fear of long-term debt or of losing their hard earned property should they not be able to service the bank loan. Those who were positive however highlighted their concerns about the stringent conditions imposed by the banks during loan application.

Bank account holders: In checking for the eligibility for bank loans the initial step was to see how many respondents had bank accounts[14]. Table 4.10 provides a bird's-eye-view of the three villages (Ha Tsolo, Ha Matala and Ha Foso) in terms of those with bank accounts.

Table 4.10. Percentage of Bank Account Holders Relative to the Three Villages

[14] This is important because banks require those borrowing to have had deposits of money in advance with them in order for the banks to consider their loan applications.

Villages & Variables	Tsolo	%ntages	Bank a/c holder	Matala	%ntages	Bank a/ct holder	Foso	%ntages	Bank a/c holder
Frequencies & Proportions	Freq	Propn %		Freq	Propn %		Freq	Propn%	
	23	76.5%	Yes	25	96.2%	Yes	13	81.3%	Yes
	11	23.5%	No	1	3.8%	No	3	18.8%	No
Totals	34	100%		26	100%		16	100%	

Source: Fieldwork Data – July/Aug, 2004

The majority of the respondents in Ha Tsolo (67.6%), Ha Matala (96.2%) as well as Ha Foso (81.3%) were in possession of a bank account. Nevertheless the proportion was relatively lower in Ha Tsolo. This could be due to lower incomes in this area. In fact some of the respondents' incomes were so low that it would be difficult for them to operate a bank account. As such some respondents opt for informal credit, which is obtained from the informal savings associations.

Participation level in informal savings associations: Table 4.11 shows the extent of participation of the respondents in these informal saving associations in the three villages.

Table 4.11 Participation Level in Informal Savings Associations

Villages & Variables	Tsolo	%ntages	Partctn in inf. Svngs assns	Matala	%ntages	Partctn in inf. Svngs assns	Foso	%ntages	Partctn in inf. Svngs assns
Frequencies & Proportions	Freq	Propn %	Yes/No	Freq	Propn %	Yes/No	Freq		Yes/No
	22	68.8%	Yes	18	69.2%	Yes	10	62.5%	Yes
	10	31.3%	No	8	30.8%	No	6	37.5%	No
Totals	34	100		26	100		16	100	

Source: Fieldwork Data - July/Aug, 2004

The majority of respondents in Ha Tsolo (68.8%), Ha Matala (69.2%) and Ha Foso (62.5%), were participating in these informal savings associations. In Ha Tsolo those not

taking part in the associations claimed it was due to a lack of money while those in Ha Matala claimed they either had enough money to accomplish construction on their own or that the interest rates in these associations were too high. In the same vein, the respondents in Ha Foso also saw the interest rates in the savings associations as being too high.

Attitudes towards informal savings associations: The attitudes towards the informal savings associations are quantified in Table 4.12.

Table 4.12 Attitudes of Respondents towards Informal Savings Associations

Villages & Variables	**Tsolo**	**%ntages**	**Attitudes towards inf. Svngs assns**	**Matala**	**%ntages**	**Attitudes towards inf. Svngs assns**	**Foso**	**%ntages**	**Attitudes towards inf. Svngs assns.**
Frequencies & Proportions	Freq	Propn %	+ve/-ve	Freq	Propn %	+ve/-ve	Freq	Propn%	+ve/-ve
	22	68.8%	+ve(Yes)	18	69.2%	+ve(Yes)	10	62.5%	+ve(Yes)
	10	31.1%	N/A	8	30.8%	N/A	6	37.5%	-ve(No)
Totals	32	100%		26	100%		16	100%	

Source: Fieldwork Data – July/Aug, 2004

According to Table 4.12 the majority of respondents in Ha Tsolo (68.8%), Ha Matala (69.2%) and in Ha Foso (62.5%) were positive towards participation in these associations. From the on-going analysis it seems that irrespective of the level of education, attitudes towards these associations are to a greater extent positive. It could be because money is available when it is needed without many stringent conditions as with the banks. In essence Onibokun et al, (1990) argued that these kinds of informal loans could be obtained at critical stages (e.g. roofing) during the construction period. Respondents in all three villages verified this. However the readily available money however comes at a high price, viz the high interest rates.

Interest rate level in informal savings associations: Table 4.13 shows the various levels of interest rates that are charged in the informal savings associations.

Table 4.13 Interest Rate Level in Informal Savings Associations Relative tothe Three Villages

Villages	*Tsolo*	*%ntages*	*Interest rate level*	*Matala*	*%ntages*	*Interest rate level*	*Foso*	*%ntages*	*Interest rate level*
Frequencies & Proportions	*Freq*	*Propn %*		*Freq*	*Propn %*		*Freq*	*Propn%*	
	2	9.1%	0%	5	27.8%	0%	0	0	0%
	3	13.6%	10%	6	33.3%	10%	2	20	10%
	3	13.6%	15%	2	11.1%	15%	4	40	15%
	5	22.7%	20%	5	27.8%	20%	3	30	20%
	1	4.5%	25%	18	100.0%		0	0	25%
	6	27.3%	30%	8		N/A	1	10	30%
	0	0.0%	35%				10	100%	
	1	4.5%	40%				6		N/A
	1	4.5%	> 40%						
	22	100%							
	10		N/A						
Total	32	100%		26	100%		16	100%	

Source: Fieldwork Data – July/Aug, 2004

Despite the low-income levels in Ha Tsolo, it appeared that the highest levels of interest rates were charged here of the respondents, as high as plus 40%. Although the majority (27.3%) of respondents were charged 30% interest rates. While in Ha Matala most of the respondents (33.3%) were paying 10% on the money borrowed in their informal savings associations. In Ha Foso the majority (40%) of the respondents were charged 15% in their savings associations. It appeared most of the respondents in Ha Matala and Ha Foso were sensitive to high interest rates unlike in Ha Tsolo[15] where they were rather insensitive to high interest rates. Perhaps this could be attributed to their level of financial literacy or understanding of the financial implications of borrowing money. It could also be the result of the low level of disposable income available for housing development in Ha Tsolo, thus necessitating the need to borrow money, inspite of the high interest rate.

Type of tenure held by respondents: Another condition of eligibility for a bank loan is the appropriate tenure – a lease is one of the requirements. There were respondents who still

[15] It will be recalled that the majority (38.2% primary and 44.1% with high school education making it 82.3% overall) of the respondents in Ha Tsolo have low levels of education.

had inappropriate tenure – Form C that could not qualify for a bank loan. Table 4.14 therefore highlights distribution of the leases and Form C among the respondents for the three villages studied.

Table 4.14 Types of Tenure held by Respondents relative to the Three Villages

Villages	**Tsolo**	**%ntages**	**Type of tenure**	**Matala**	**%ntages**	**Type of tenure**	**Foso**	**%ntages**	**Type of tenure**
Frequencies & Proportions	Freq	Propn %		Freq	Propn %		Freq	Propn%	
	8	23.5	Lease	16	61.5	Lease	4	25	Lease
	26	76.5	Form C	10	38.5	Form C	12	75	Form C
Totals	34	100%		26	100%		16	100%	

Source: Fieldwork Data – July/Aug, 2004

The majority (61.5%) of the respondents in Ha Matala were already in possession of leases while those holding the leases in both Ha Tsolo (23.5%) and Ha Foso (25%) were in the minority. The high number of leases in Ha Matala was due to the fact that the area (phase I & II) studied is a layout while both Ha Tsolo and Ha Foso are by and large informal settlements where most stands have not been mapped out. This automatically makes access to bank loans difficult in Ha Tsolo and Ha Foso.

4.4 Description of the three Villages Geographically

As mentioned earlier Ha Tsolo, Ha Matala Phase I & II and Ha Foso account for different sections of Maseru, namely; the West, South and Northern part. Noteworthy is that this part of the research was guided by one Mr L. November in the Photogrammety Section of the Lands Survey and Physical Planning (LSPP)- Ministry of Local Government. For the map please refer to appendix four.



Figure 4.4 - pictorial view of Ha Tsolo settlement, Sealong. (A house built incrementally)

Ha Tsolo is about 6.7 Km from the city centre. It lies to the south of Thetsane Industrial Estate. It is near the confluence of Mohokare (Caledon) River and Sealo stream. The boundary of Sealo stream follows Caledon River to its confluence with Nuwejaarspruit in the RSA. The same boundary turns Southeasterly up the cliff to join the Kofi Anan road and Thetsane Industrial road. In the same direction, it joins the stream from the Qoaling Plateau. The boundary goes around the cliff intersecting with the road from Ha Ra T'soana village. From the intersection the boundary extends Southwesterly through Phomolong village road to the source of Sealo stream. Then the boundary follows Sealo stream back to its confluence with Caledon River, the starting point of the boundary. Ha Tsolo is more of an informal settlement. However (Thetsane – Ha Lesia), one merged village in order to have adequate information is a layout. Most of the stands in this area are surveyed. The dwellings are two-three roomed structures. However there is also high standard housing found in this area. Therefore in this geographical area the development is not uniform. In essence the properties in Thetsane- Ha Lesia tend to emulate those of the adjacent suburb on the north side.



Figure 4.5 - panoramic view of Ha Matala Phase I & II.

Ha Matala Phase II & I are situated about 9.4 Km from the city centre. Both Phases are on either side of the Main South 1 road. Phase I lies on the right side of the road when heading south of Maseru from the City centre, while Phase II is on the right hand side of the Main South 1. The village is bordered by a number of unnamed streams, however the most noticeable is Bofora to the Southwest of Phase II, which joins Phuthiatsana River, about 3.7 Km near Ha Mapetla village. Lithabaneng is situated towards the north of the settlement (Phase I). Both Phases border with Ha Nelese on the south. The settlement is a layout however in most parts the landscaping has not been done. Therefore access to these parts is difficult. However there are dirt roads, which ensure limited access. Houses in this area are supposed to comply with the requirements of the building code, although it seems not to be enforced when observing some of the settlements around this area.



The figure 4.6 above shows the type of landscape of Ha Foso settlement

Ha Foso on the other hand is an old village. However focus has been on its newly developing area. The village is situated at about 12km north of the City centre. It is typically an informal setting, with little or no landscaping in most of its parts. Nonetheless there are stands, which have been surveyed in this area, which are already in a lease form. Within this geographical area there are two to three roomed dwellings as well as high quality houses. The area studied is on the left hand side of the Main North 1 road. It is bordered by Libe stream on the northern side, which joins the confluence of Libe, and Maliemere stream. Then Libe stream extends to the Main North 1 road and the boundary follows the same road back to where it meets the Leporo-poro stream to the west, about 4.85km, away and joins Libe's source back to the starting point.

4.5 Evaluating the Extent to which the Availability of Credit affects the Pace of Construction in the three Villages studied

If table 4.8 becomes the basis of the argument, it is noticeable that among all these villages studied, Ha Matala is the only one where, some respondents were using formal

credit. *Among those who did not experience any delays in Ha Matala there was one case where a mortgage loan was used.* Hence this could be used to highlight that the availability of credit affects the pace of construction. *This single case could also be used to reject our null hypothesis; that the process of progressive housing is not hampered by the availability of credit offered by the banks.* Instead we could accept the alternative hypothesis that; the process of progressive housing is indeed hampered by the availability of credit offered by the banks.

4.6 Evaluating the Views of People especially the Low-Income Groups to Microfinance of Housing

The peoples' views about the microfinance of housing were evaluated in view of the following indicators; levels of participation in the savings associations, attitudes towards the savings associations as well the levels of interest rates that they were prepared to pay in these associations. The sensitivity to the high interest rates could be another factor that could be used to measure their readiness to take part in the microfinance of housing.

As already shown earlier in the text the participation in the informal associations by the three villages was; Ha Tsolo (68.8%), Ha Matala (69.2%) and in Ha Foso (62.5%). According to figure 4.1, on the whole, weighted participation of the respondents in the three villages was 68%, which still represents the majority.

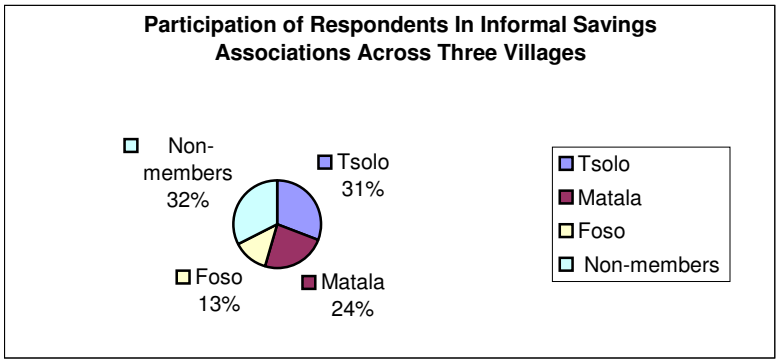


Figure 4.7: *Participation of Respondents in Informal Savings Associations across the three villages*

Furthermore the positive attitudes of the respondents towards the informal associations were as follows in Ha Tsolo (68.8%), Ha Matala (69.2%) and in Ha Foso (62.5%), similar averages to participation. The respondents believed if banks were to operate like these associations, that is make money available whenever it is needed without many stringent conditions, then their lack of housing finance would be resolved. The most prevalent interest rate levels charged in the three villages were 30% for the majority (27.3%) of the respondents in Ha Tsolo, in Ha Matala most of the respondents (33.3%) were paying 10% on the money borrowed in their informal savings associations. On the other hand in Ha Foso the majority (40%) of the respondents were charged 15% in their savings associations. An interest rate up to 30% fits well with rates charged in the best practices microfinancing institutions elsewhere in the developing world[16]. And on the whole the respondents in Ha Tsolo tend to be less sensitive to high interest rates although they generally had low incomes. Both Ha Matala and Ha Foso were relatively sensitive to high interest rates.

4.7 Evaluating the Extent to which the Banks are Accommodative of the Microfinance of Housing as a Viable Option for Limited Incomes in Lesotho

Regarding the possibility of the microfinance of housing, concerned managers of the two commercial banks in Maseru were interviewed. The two banks were, the Lesotho Bank (1999) Limited/Standard Bank and Nedbank. Both banks showed willingness to consider the microfinance of housing as a viable option for those with limited incomes.

For instance Lesotho Bank (1999) limited/Standard Bank indicated that they were very willing to adopt the said financial vehicle provided the risk aspect was acceptable. In essence the banks can pursue the microfinance of housing provided it is profitable for them. However one restriction in this connection is that the titles are not regularized. The plots are not demarcated and they do not have numbers. As such they cannot be used as collateral towards loans. The small number of plots that are demarcated can only be found in Maseru urban.

On the other hand Nedbank highlighted that they were accommodative of the microfinance of housing provided they could make money out of it. As a matter of fact they mentioned that they were already dealing with microloans, which were for home improvements in most cases. Therefore microfinance of housing seems to fit well in this situation. Hence the two banks seemed to be considering the possibility of establishing microfinance of housing.

According to Lesotho Bank (1999) Limited/Standard Bank there were some people earning as low as 400 Maloti, for whom saving money was close to impossible. Hence on-lending to the savings associations or cooperatives where these people are members could be ideal. In this connection Lesotho Bank (1999) Limited/Standard Bank highlighted that their bank is accommodative of the on-lending arrangement if the risk is acceptable. As a matter of fact the bank is reportedly a signatory to the Rural Savings and Credit Groups.

In the arrangement the Central Bank is the underwriter of the loans offered to the RSCG at 50% of the loan while the commercial banks carry 30% of the loan upon non-payment of the loan. Before the loan can be granted the co-operative has to advance the bank with 20% as equity. In an event of non-payment of the loan the co-operative looses its savings i.e. 20% of the loan. However it is still important to note that the bank is conscious of the term of borrowing (loan period). Therefore in this connection the bank would be looking for loans for improvements not construction of full dwellings, as they do not want to see their funds tied to co-operatives for extended periods. With improvements the term of borrowing is shorter and therefore preferable.

Nedbank said they were accommodative of the on-lending arrangement with the savings associations provided the bank has a branch where the association is operating. And another condition is that the association should be able to provide the bank with collateral in the form of equity or their savings in the bank.

Therefore the research report indicates that the two commercial banks are also in tandem on the issue of on-lending to the saving associations or the co-operatives for housing

[16] However the statement is mindful of fact that Lesotho is one of the very poor countries of the developing world with predominantly low income earners.

finance. However both the collateral and the risk involved seem to be the key issues. Both banks emphasize that they are entrusted with the peoples' money (savings) therefore it is onerous on them to make sure it is not placed in risky investments. Even worse the repayment record in Lesotho is generally poor.

On the same note, both the low-income groups and commercial banks being not conversant with the Microfinance of Housing made it impossible to answer the sub-question; how can the microfinance of housing improve the rate of construction of progressive housing in Lesotho? Their views could not directly be obtained. Neither of the banks nor the low-income groups had any direct exposure to this type of financial vehicle. Hence given this situation it is difficult to say whether Lesotho's case of the Microfinance of Housing is consistent with other least developing countries or not.

4.8 Land Administration Problems to the Process of Housing Finance

There are hurdles in the land administration process. This is particularly where land is not obtained in a layout where it is already in a lease form. These hurdles pose a serious problem when individuals have to apply for loans from financial institutions. The two commercial banks were concerned that the titles to land were for the most part unregularized. This combined with other factors, makes the housing market an unviable venture in Lesotho unlike in the RSA.

According to the Principal Lands Officer (PLO) there are two ways in which people acquire land namely; acquisition of a plot in a planned area prepared by the Lands Survey Physical Planning Department, and one where chiefs allocate land and eventually issue a certificate of allocation land called form C. However the current legislation, Land Act No 17 of 1979 now prohibits the latter. Nonetheless those Form Cs, which were obtained prior to the said legislation, are still considered as legal titles to land. Land, which has previously been allocated by chiefs can be converted into leases. From the private sector perspective Lesotho Housing and Lands Development is a body that is in charge of the land development business. The organisation buys, plans and surveys land and then the

plots are sold mostly in lease form. Regularized tenures (leases) are one important requirement in order to qualify for bank housing finance. They serve as collateral.

In this regard the research established that regularisation of titles on a wider scale has not been pursued, according to the PLO. However since the amendment of the Land Act 1979, awareness has been made to people through public gatherings (Pitso), to let them know about the importance of leases as titles to land. PLO again pointed out that in the regularisation of titles the department has been hampered, as some people have occupied land illegally, but the regularisation of titles can at least be encouraged where people have occupied land legally. In fact there are people who are occupying the Selected Development Areas (SDA). These are areas where regularisation would not be encouraged.

With regard to the period the department takes to process and regularize titles, PLO mentioned that the leases might take from six months to up to a year depending on individuals being able to timely meet the requirements of the process. PLO highlighted that the department is understaffed and therefore the process is slow. As such the department needs to recruit more qualified people in order to see the process of regularization of titles running at a reasonable pace. This can help to reduce the backlog of the outstanding leases and to facilitate the applications for loans from the financial institutions.

4.9 The Role of Government in the Provision of Housing

The initial step in addressing shelter problems is the National housing Policy for the country. It provides the framework for guidelines of those involved in housing provision, as well as those institutions or any investor who may be interested in investing in social housing. In the case of Lesotho the study has established that there is no National housing Policy. At best it exists in a draft form.

The Housing Economist, in the Department of Housing in the Ministry of Local Government, revealed some of the contents of the draft policy. It was found out that the draft housing policy supports the process of progressive housing. Building standards as

part of Planning regulations as well as technical advice on cost-effective construction methods are among the focus in the draft policy. At least in Maseru urban these building standards will be encouraged and enforced by the Ministry's right hand body Maseru City Council (MCC). Of course the notion of building standards has reportedly been an on-going practice in Maseru urban overseen by MCC. However the Housing Economist said that it could not be denied that there are buildings that are erected without adherence to these building standards. As such those houses are erected without building permits.

The Housing economist further revealed that the housing needs of the informal sector are addressed in the draft policy. Moreover the Housing Economist mentioned that the informal sector constitutes the major part of the economy as such it is one of the major aspects that is considered in the policy. According to the Housing Economist these issues were addressed in the objectives of the policy. One objective is to empower the informal sector to participate fully in the shelter sector. According to the Housing Economist the government through the draft housing policy would attempt to strengthen institutions serving the informal sector and improve access to these institutions by the informal sector. Access would be improved to income delivery systems to address their shelter needs.

With regard to assistance to progressive housing from the government and the private sector, the Housing economist said that in the draft policy, they were encouraging indirect subsidies in order to leverage the informal sector, as it is also playing a significant role in the initiative of progressive housing. This will be through reducing taxes to the suppliers of building materials.

On the issue of housing finance in the draft housing policy, the housing economist, stated that there were plans to reform the financial system through mobilizing the untapped financial resources. And this would be possible through providing incentives to those investing, for example the financial institutions. The policy would also seek to remove impediments to investment by addressing the risk issue, which is one of the obstacles to investment by the financial institutions. For instance a poor repayment record besieges most of the informal sector.

In a nutshell the research established that despite the good intentions that were reflected in the draft National Housing Policy, there was really nothing on the ground regarding the implementation. There was no clear statement of how and what kind of incentives were going to be offered to the banks. Furthermore it was not apparent as to how the housing policy was going to address the risk issue related to borrowing.

In essence according to the Housing economist the situation in the housing market is still "fend for yourself", where people independently approach the commercial banks for loans with respect to provision of shelter. Others used their own meager savings in construction of their houses.

4.10 Peoples Initiatives towards Shelter Delivery

The "fend for yourself" situation in shelter delivery forces people to be innovative in re-organising housing finance. It was interesting to note that despite the great number of unregularized titles, (Form Cs) some were able to use other routes such as personal loans for improvement of their dwellings. And the banks seemed to support this arrangement. Therefore in a way unregularised titles do not derail all individuals from borrowing from the banks as long as their loans are of a short-term nature. However the banks become cautious when they have to lend out money for long-term projects such as the consolidating full dwellings. In these circumstances they ask for collateral- involving a lease.

The study established that those who were not using formal credit were mostly using the informal credit raised from the informal savings associations. These associations include the burial societies, financial cycles, moneylenders etc. It was found, that despite the high interest rates charged in these associations most people found them useful especially during the critical stages of construction. Those who were not able to participate in these associations due to a lack of money were in some cases forced to occupy unfinished houses; where some of the rooms remained unroofed for long periods.

Another factor paramount to delays in construction was the way people procured the building materials.

Table 4.8 below shows how the respondents were buying the building materials across the three villages studied.

Table 4.8 Procurement of Building Materials by Respondents

Villages	**Tsolo**	**%ntages**	**Type of buying**	**Matala**	**%ntages**	**Type of buying**	**Foso**	**%ntages**	**Type of buying**
Frequencies & Proportions	Freq	Propn %		Freq	Propn %		Freq	Propn%	
	30	88.2	Piece-meal	17	65.4	Piece-meal	11	68.8	Piece-meal
	4	11.8	In bulk	9	34.6	In-bulk	5	31.3	In-bulk
Totals	34	100%		26	100%		16	100%	

Source: Fieldwork Data – July/Aug, 2004

The majority of the respondents in Ha Tsolo (88.2%), Ha Matala (65.4%) and Ha Foso (68.8%) were buying the building materials piece-meal. This could be attributed to limited incomes in the face of competing needs, such as household consumption. The availability of Microfinance is likely to enhance the possibility of bulk purchase of building materials which will in effect reduce the construction period and consequently reduce the effect of inflation on the cost of construction.

CHAPTER FIVE: CONCLUDING REMARKS AND RECOMMENDATIONS

5.1 Concluding Remarks

This research has attempted to shed light by way of investigation on how the process of progressive housing could be linked with bank housing finance in Maseru. During the exercise three villages; namely Ha Tsolo, Ha Matala Phase I & II and Ha Foso were studied. These villages are part of Maseru Urban. In all these settlements individual

efforts to consolidate dwellings were characterized by delays. The research was conducted against the theoretical perspectives of Turner (1976), Ferguson (1999), Payne (1984) and other theorists in the field of the self-help approach to housing. Various best practices case studies were reviewed as a guide to provide direction as to which areas were lacking in order to realise the optimal scenario of housing finance.

Incremental housing widely adopted however highly affected by finance

In keeping with Turner's views it was observed that there was freedom to build in Maseru. This was evidenced by the prevailing laissez-faire approach by the government. Furthermore most of the respondents viewed housing as a process. Hence the incremental approach that was widely adopted throughout the three settlements studied. However the respondents collectively agreed that their incremental housing was widely affected by finance. They viewed their meagre savings as not adequate to finance the construction of their dwellings.

Importance of demographics in financing and consolidation of dwellings

Demographic characteristics were found to be greatly instrumental in the financing and consolidation of their dwellings. The respondents were mostly engaging in construction at relatively mature age, in the category of 35 – 50 years of age. This was when they thought they had accumulated a reasonable reserve to carry out construction. However among the study areas, Ha Tsolo displayed some peculiarity. Those who were busy consolidating their dwellings were largely in the category of 25 – 35 years of age. The two primary reasons for this were, their insecure job tenures and their enthusiasm to own a home. The latter could be linked to their limited affordability. It was established that throughout the study areas the most prevalent type of dwelling under construction was improvements as opposed to full dwellings. The exception was that of both phases at Ha Matala where the total number was shared between improvements and full dwellings. This situation of a high number of improvements was effectively showing the poor financing situation in the three study areas.

Financial positions shaky due to limited incomes and education levels

The financial positions of the respondents in the three villages appeared shaky due to their limited incomes stemming largely from their low educational levels. Their educational levels could hardly ensure them access to well-paying jobs. Ha Tsolo was particularly characterised by respondents whose job security was volatile in terms of their type of jobs. They were mostly factory workers in the Thetsane Industrial Estate and some were miners in the RSA.

These types of jobs are not secure in view of the fact that they are prone to retrenchments. As such due to this pressure they were forced to engage in high monthly investments on construction of their individual dwellings, which left them with limited to no income for subsistence. All this study areas were characterised by high-income inequality, as there were many people with very low incomes and a small number with somewhat high incomes. And the gap was huge, ranging between the categories 0 – 1000 and 11 000 – 13 000 Maloti. Perhaps this could be looked at generally as a macroeconomic problem engulfing Lesotho as a whole. The Kingdom of Lesotho (2000) notes that 45% of the total national income flows to the richest 10% of the population, compared to less than 1% for the poorest. This estimation was made in 1998 and there is a possibility that the data could be slightly different today.

Few used formal credit leading to construction delays in dwellings

It was found that in all the study areas only a few respondents were using formal credit in the construction of their dwellings. It seems they were not using it primarily because of fear of long-term debt. However they were not completely opposed to borrowing providing the banks understood their plight of low incomes. Basically their low incomes made formal credit less accessible to them. As a result the process of building their houses progressively was characterised by serious delays. The average completion time was three years. Lack of finance had also prompted them to resort to informal credit in the form of informal savings associations, which were charging high interest rates. However for most of them high interest rates were not an issue given that money could be available whenever they needed it, and that there are not many stringent conditions as in the case of the financial institutions. Moreover they found the money from these savings associations is essential at the critical stages of the construction process, particularly the

finishings, eg roofing. It was also established that participation in these informal savings associations cut across different levels of education as well as part of income. Only a few respondents with reasonable income were non-members of these associations.

Microfinance of housing unknown, not feasible in the short-run due to limited infrastructure

From a policy perspective the participation in these savings associations could be looked at as a reasonable platform for the establishment of the Microfinance of housing. Various innovative credit control mechanisms employed by the communities in their different savings associations could be borrowed by a formal microfinance institution. However a number of factors posed serious obstacles to the establishment of Microfinance of housing. Firstly most respondents were not aware of it. The government as a driving force was less informed of it and as such it had not been a policy issue. Another major impediment was that literature from other formal financial institutions indicated that the poor repayment record was generally a serious problem in Lesotho. Over and above this, some respondents were not bank account holders due to their irregular incomes. And unfortunately for the Microfinance of housing to operate effectively people have to have bank accounts. They are also expected to have appropriate land tittles, namely; leases. Unfortunately most of the respondents held inappropriate land titles, i.e. form Cs.

Commercial Banks accommodative of Microfinance of housing however fear risk

The two commercial banks interviewed; Lesotho Bank (1999) limited/ Standard Bank and Nedbank were also not aware of Microfinance of housing. However they mentioned they were willing to buy in on the idea providing they could make money out of it. They were also concerned about the risk involved, as their main interest is to make profit. They claimed people who invest in their banks trust them and therefore it is onerous upon them to place peoples' monies in less risky investments. In the same vein the banks are reluctant to lend to community-led schemes because they are unclear as to how to analyse the risks involved, and rarely have the systems in place to manage such loans (Payne and Majale, 2004).

The existing land tenure not suitable for Microfinance of housing

The commercial banks further mentioned that because of low incomes most people cannot afford to save money in advance to be used as equity, a requirement before a loan could be granted. They were also concerned about the inappropriate tenures of most people. Their belief was that most stands around Maseru urban are not mapped-out. As such they cannot be used as collateral during borrowing. And lastly, above all, in the case of non-payment of loans they were looking at locations where there would be attractive resale values for repossessed properties. All these factors combined were making the Microfinance of housing less viable to both the banks and the respondents at large at least in the short-run.

Absence of National Housing Policy negatively affected bank housing finance

Furthermore the absence of National Housing Policy, which is long overdue, was another handicap to bank housing finance. This would be important for a framework with guidelines pertinent to investment in any social housing venture by the financial institutions. According to one of the commercial banks the financial system does not preclude banks from operating effectively and efficiently. Except that certain statutory procedures restrict its proper functioning. For example the legal system still views women as minors. Other impediments are the non- existence of the credit bureau as well as the lack of a uniform Identity Document (ID) system.

5.2 Recommendations

It is important that the financial system is interlinked with the National housing policy to ensure that the banks also reach out to the informal sector. Moreso the informal sector is where the bulk of housing initiatives essentially derives. Moreover if a company invests in a country its contribution to development is paramount. It is important that not only the housing needs of those with stable jobs and incomes are addressed. But those with irregular incomes should also be brought on board.

Empowerment of the Community Based Organisations for establishment of a revolving fund

This therefore calls for the empowerment of the Community Based Organisations (CBOs). This could work in liaison with NGOs in the area of housing finance through establishment of a Revolving fund. To which the commercial banks could on-lend. Arguably linking savings groups to institutions that provide capital can offer more powerful route to expanding localized financial activities (Boonyabancha, 2001).

For the fund to operate efficiently, a certain level of training would be required. The training would address such issues as drawing the balance sheet, financial asset management and loan administration. There could be an integrated credit system for various needs of the communities. It would specialize in the following types of credit options; the revolving fund loans, income generation, housing improvement, housing development projects as well as the revival loans. The diversification of the credit options in this case would encourage the cross-subsidization of the non-performing loans with the ones performing. And various interest rates would have to be instituted among them. Boonyabancha (2001) argues that for housing loans, the general practice is to subsidize the interest rates through offering below-market interest rates. This relates the housing loans to the borrowers' affordability.

Daily savings recommended for the self-employed for sustainability of the Fund

To facilitate the credit operation system of the fund, daily savings for the self-employed people with irregular incomes could be encouraged. This would help address the repayment crisis. The rationale for daily saving is that most of the informal sector earns their livelihoods on a daily basis. And some of the principles used in the informal savings associations could also be employed, however refined. Such as those utilised for credit recovery, for example the peer pressure. The Lesotho Bank (1999) limited/Standard bank's involvement with Rural Saving Credit Groups is also a step in the right direction. In the same vein support could be solicited from international donors for assistance financially. However the fund should be run privately meaning that the government

should take a back seat. This is to avoid the granting of loans, based on political affiliations.

Consumer education important for minimizing high incidences of defaulting

The importance of consumer education in the low-income sector for minimizing risk cannot be overemphasised. Thabane (2004) notes that many low-income clients do not have the necessary education and exposure to finance related matters. Hence the high incidences of defaults in this sector, particularly where mortgage loans are used. The author further stresses the need for better communication channels between service providers and their clients. This is important for coming up with policy strategies which would work for the low-income sector, as it is this sector which is mostly the engine for economic growth. The Microfinance industry could benefit from the enhanced communication channels of both the service providers and the clients.

Improving capacity and transforming standards and regulations in the land administration office important for speedy lease processing

As already mentioned the National housing policy is overdue, therefore the department of housing in the Ministry of Local government should ensure that this policy becomes a reality. The speeding up of the local governments establishment, which is currently in the pipeline, could also facilitate implementation of this policy at the community level. In the same vein the increased staffing of the land administration office could also expedite the processing of leases, which is an obstacle to bank housing finance. One of the requirements for obtaining a lease is that individuals should organize for the surveying of their stands. And the cost of this exercise is not affordable to most people particularly those in the informal sector. Payne et al (2004) contends, "It is imperative that the relationship between standards, regulations and procedures be related more clearly to the costs and resources available to meet them". Therefore a review of the regulatory framework to accommodate the informal sector is necessary.

Wealth leveraged through better housing

The improved housing finance and the regulatory framework could lead to improved quality houses. And eventually peoples' wealth would be leveraged through development

of the housing market. However a culture of selling houses would have to be encouraged among the Basotho, which is not common at present. On the same note, in Maseru urban, due to rural-urban migration- effect of urbanization, there is great potential for the rental market as well. Therefore if it could be well developed it could leverage wealth for those enterprising landlords.

Area for further research

It is recommended that the sub-question; how can the microfinance of housing improve the rate of construction of progressive housing in Lesotho, be an area for further research as this study could not address it adequately due to lack of information concerning Microfinance of Housing, both by the low incomes and commercial banks.

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Appendix 1

Investigating the possibilities of linking progressive housing investment with bank housing finance.

Household survey

1. Name of village

2. Name of a Respondent (optional)

3. In which age group do you belong? Please tick the relevant group

   Above 50
   (35 – 50)
   (25 - 35)
   Less than 25

4. How many rooms are in your current dwelling (number of rooms)?

5. How many children do you have?

6. How many people comprise your household?

7. What is your level of education? Please tick the relevant.
☐ Primary school ☐ High School ☐ Tertiary level

8. Are you employed? Yes ☐ No ☐ self-employed ☐

9. If yes, what kind of work do you do?

10. If no, how do you meet your everyday basic needs?

11. What is your level of monthly income? Tick the category

Above 15000
(13000 - 15000)
(11000 – 13000)
(9000 - 11000)
(7000 - 9000)
(5000 – 7000)
(3000 – 5000)
(1000 – 3000)
(0 – 1000)

12. How much of your monthly income is spent on construction?

13. What form of construction are you embarking on? Please tick the relevant

☐ full dwelling ☐ improvement

14. Did you make estimates for this construction? Yes ☐ No ☐

15. If yes how much?

16. If No why not?

17. How will construction be carried out? Please tick the relevant.

☐ hire a contractor ☐ self-help

18. How are you buying building materials? Please tick the relevant

☐ piecemeal ☐ in bulk

19. When did you start this construction?

20. Has there been any delay in this construction? Yes ☐ No ☐

21. If yes how long?

22. When do you plan completing this construction?

23. Did you obtain a loan to carry out this on-going construction? Yes☐ No☐

24. If yes what is the monthly repayment?

25. If No, would you have obtained a loan to build this dwelling given the chance?

26. If No, why not?

27. Do you participate in any saving association? Yes ☐ No ☐

28. If yes which one?

☐ Burial society ☐ financial cycle☐ moneylender ☐ other

29. Do you borrow from these saving associations?

30. At what level of interest rate?

31. If banks were to offer these kinds of loans, with terms similar to the savings associations would you borrow from them?

32. Do you hold an account with any bank? Yes☐ No☐

33. If yes, do you operate the account?

34. If no, why not?

35. In what form of title do you hold your site? Tick the relevant

☐ Lease ☐ Form C

36. If you have a Form C are you willing to have it converted into a lease?

37. How did you obtain your title to the site?

38. How long would you prefer to wait to have your title formalized?

Appendix 2

Investigating the possibilities of linking progressive housing investment with bank housing finance.

Household survey

1. What efforts does your bank make in to improve its clientele? i.e.
   Increase the number of account holders

2. Is your bank willing to give loans?

3. What kind of information is required for one to obtain a loan in your bank?

4. Does your Bank lend to all income groups in your opinion?

5. What are the previous experiences that your bank has had regarding repayment of loans?

6. Does your bank have preferred geographical areas for extending its loans?

7. In your opinion does the existing financial system encourage your bank to reach out to all income groups?

8. What would your bank like to see happen regarding the financial system in order to increase its loan operations?

9. Any possibility of your bank allowing a window for microfinance of housing?

10. Is your bank accommodative of the on-lending arrangement, where savings associations or co-operatives may operate? Yes ☐ No ☐

11. If yes, what would your bank require to entrust them with on-lending?

12. If no, what makes on-lending undesirable?

13. What is your view about the existing housing market size in terms of the prospects for business for your bank?

14. What is your opinion about the existing titles to land of individuals approaching your bank?

15. Do they allow smooth operation of loans? Yes ☐ No ☐

16. If yes, what improvements can be made?

17. If no, what is hindering the smooth operation of loans?

18. What in are your bank's views about the existing capital market as one option of financing the housing market?

Appendix 3

Investigating the possibilities of linking progressive housing investment with bank housing finance.

Household survey

1. Is there a National housing policy in Lesotho? Yes☐ No ☐
2. If yes, in what form is it?
3. If no, why not?
4. Does the housing policy address the aspect of progressive housing in Lesotho?
   Yes ☐ No ☐
5. If yes, is it guided/supported or not?
6. If no, why is it left out?
7. Are there any efforts, in the policy pursued to address the housing needs of the informal sector?

8. How is land acquired by individuals for housing construction in Maseru?

9. What are the existing types of titles to land?

10. What is the most prevalent form of title in Maseru urban and peri-urban?

11. Are there any efforts by your department to regularize land titles?

12. How long does that your department takes to regularize land titles?

13. Does your department have enough capacity to have land titles regularized timeously?

14. What are efforts that your department has undertaken to stimulate the housing market?

15. Is there a possibility for any assistance for progressive housing from government and the private sector?

16. Is there any plan by the Government to reform the financial system to cater for the informal sector? Yes ☐ No ☐

17. If yes, what has been done so far?

18. If No, why not?

19. In your opinion is there a possibility for Microfinance of housing in Lesotho?
☐ Yes ☐ No

20. If yes, is it possible to include it in the new financial system reform?

21. If no, what other options are there in the new financial system reform?

22. Does the financial system reform have support at least from political structures?

23. Who is participating in the reform other than your Ministry and at what level?

24. Is the framework for financial system reform part of the National housing policy?
Yes ☐ No ☐

25. If yes, how will you ensure its implementation?

26. If No, why not?