

https://dspace.org/

Professional rural dweller's satisfaction with financial options of residential real estate developments in the rural areas of Limpopo, South Africa

Lekganyane, Andrica M.

2019
https://hdl.handle.net/10539/28548

Downloaded from a DSpace repository. https://dspace.org/

PROFESSIONAL RURAL DWELLER'S SATISFACTION WITH FINANCIAL OPTIONS OF RESIDENTIAL REAL ESTATE DEVELOPMENTS IN THE RURAL AREAS OF LIMPOPO, SOUTH AFRICA

A final research report submitted to the School of Construction Economics and Management in the Faculty Engineering and Built Environment, University of the Witwatersrand in partial fulfillment of the requirements of MSc Building (Property Development and Management)

Submitted by

Andrica Matshidiso Lekganyane - 720457

MARCH, 2019

DECLARATION

I declare that this research report is my own unaided work. It has been submitted for the Degree of Master of Science in Building (in the field of Property Finance, Management and Development) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.

_____

Signature of Candidate

_____Day of _____ Year: _____

ABSTRACT

The purpose of the study is to analyze and understand current financial models or products available in the market in order to help finance new residential developments/building projects as well as property acquisition transactions in the rural areas, whether professional rural dwellers understand the process of housing finance and whether they are familiar with housing finance products in the market.

The methodology employed in this study was a random sample of fifty (50) professional rural dwellers in the province of Limpopo in South Africa. The selected sample was professionals who are currently living in the rural areas and have built a formal residential property, either self-funded or aided by a financial institution. Questionnaires were designed, and professionals were interviewed on a one and one engagement to ascertain their knowledge on available financial products catering for residential rural developments and other questions such as the development costs, duration of the development were asked on their primary residential homes.

Out of the projected fifty (50) professionals, a response rate of 60% was achieved. Both qualitative and quantitative data was analyzed on a case to case basis. The result of the qualitative study reveals that 43.33 % of the professionals in the rural areas of Limpopo have self-funded their residential property developments, while 6.67% used a combination of both equity and debt finance and 16.67% of the respondents used funding from a rural housing financier or unknown financiers to develop their residential properties.

The study also shows that most of their bond applications with traditional banks were declined on the basis that there is no collateral or security since there is no secondary market in the rural areas and due to the fact that the land is not proclaimed. This market of professional rural dwellers is neglected by the private banking sector as no bank is willing to fund such developments unless they provide applicants with traditional home loan, provision of financial products to help develop formal housing in the rural areas of Limpopo. According to Landman and Napier (2010) there is a long tradition of aided and unaided self-

help housing in South Africa and that there is still a huge debate on the potential of funded developments, with or without the assistance of government.

The issue of financial support for the middle to upper class from the traditional banking sector will require not only their intervention but support from the government in developing the rural areas by improving infrastructure and ensuring that the land is proclaimed in order to promote rural residential properties as an asset class while creating wealth amongst the previously disadvantaged professional rural dwellers in Limpopo, South Africa.

Keywords: Housing finance, neighborhoods and rural development
JEL: R21, R22, R210

ACKNOWLEDGEMENT

I would like to express my gratitude to everyone who played a role in developing the property professional that I am today. My experience in the property industry as well as the knowledge acquired throughout my academic years, helped me in conducting this research paper.

I would like to thank all the lecturers at University of the Witwatersrand in the School of Construction and Economics, for the time and effort invested in seeing me prosper during my MSc Building years with the institution.

I extend my thanks to Tumellano Sebehela, who was patient with me in the process of putting this paper together. The knowledge and information acquired from him gave me an opportunity to approach the targeted sample with the utmost professionalism and confidence.

Student

Andrica Lekganyane

DECLARATION **2**
ABSTRACT **3**
ACKNOWLEDGEMENT **5**
CHAPTER 1 ..... **7**
INTRODUCTION **7**
1.1. Background of study 7
1.2. Problem statement 8
1.3. Literature Gaps 9
1.4. Key research questions 10
1.5. Research aim and assumptions 10
1.6. Research objectives 10
1.7. Delimitations of study 11
1.8. Significance and contribution of Study 11
1.9. Research organization 12
Chapter 2 ..... **13**
2.1. Introduction of the Literature Review 13
2.3. The Role of Finance in Property Ownership 37
2.4. Rural Development and Rural Housing Finance in Limpopo 38
Chapter 3 ..... **40**
RESEARCH METHODOLOGY **40**
3.1. Research design and methodology 40
3.2. The method of data analysis 42
3.3. Flow diagram of how the elements of your methodological choice 43
Chapter 4 ..... **44**
EMPIRICAL ANALYSIS **44**
4.1. Data Presentation – Section A 44
4.2. Summary of the Findings 54
CONCLUSION **56**
ANNEXURE 1 – CONSENT FORM **64**
ANNEXURE 2 – QUESTIONNAIRE **65**
ANNEXURE 3 – RISIMA HOME LOAN APPLICATION REQUIREMENTS **67**

CHAPTER 1

INTRODUCTION

1.1. Background of study

South Africa is a young democratic country which still faces housing provision challenges especially between the poor communities which constitute a larger part of the population as well as the low to middle income earners who are over paid to qualify for Reconstruction Development Programme (RDP) subsidies and under paid to qualify for mortgage bonds with traditional banks. This problem is unfortunately faced by people living in the country's urban areas as well as those living in the rural areas, however, those living in the rural areas tend to suffer more as traditional banks are not familiar with such markets despite the government's housing initiative support let along the purchasing power available in the rural areas.

The development of residential developments in the rural areas has always been funded by the property owners (Landman and Napier, 2010). This includes mud houses, shacks as well as traditional brick and mortar homes. Self-funded residential developments are very common in South Africa, i.e. in both urban and rural areas. This study focused on the state's involvement in housing provision and how this is linked with land supply patterns, land values, the local property market as well as housing mix. Since the area of the study is broad and not area specific it is difficult to measure the extent to which the state as well as other international donors provide housing funding to rural areas of Limpopo. Furthermore, the study also focused on the low-income earners as well as poor communities and did not have a clearly defined sample.

The People Housing Programme (PHP) was identified as one of the seven strategies of the White Paper on Housing in 1994, but only officially launched as a programme in 1998. This entails a support programme to assist people who wish to build or organize the building of their homes themselves, hence qualifying as aided self-help housing. However, despite the PHP and other initiatives aimed at promoting aided self-help housing, there has not been a large uptake in numerical terms Landman and Napier, (2010).

The South African government has introduced initiatives such as the PHP to advance the housing development of its people. However, it is unknown how far this process has succeeded over the years. Although the South African government has introduced programmes to increase the number of property owners, the issue of security of tenure is still a huge problem in the rural areas since the land is owned by the government as well as traditional councils. This has led to the poor, mostly black people to resort in informal settlements (shacks and mud houses) and has induced an increase in lack of formal adequate housing.

The South African history has deprived black people with the right to own and has resulted in shortage of formal housing especially in the country's rural areas. The government, after 1994, passed a constitution which was drafted in favour of all citizens of the country. Section 25 (1) of the constitution clearly stipulates the provision of shelter as one of the country's constitutional right.

The South African government is continuously addressing the issue of shortage of housing provision and has introduced programmes with the private sector to ensure that people are not deprived of their right to shelter. The provision of home ownership is the promotion of wealth creation and thus an asset class with potential rental income depending on where it is located. Landman and Napier (2010) stated that the involvement of the private sector with the development of housing in the rural area the delayed by land ownership issues, such as the issuance of title deeds as well as the low second-hand market. Therefore, it is important that we study other financial products and means currently used by professionals in the rural areas to finance real estate developments.

1.2. Problem statement

The South African government together with private companies have introduced debt financing through the introduction of housing subsidies which are currently benefiting only the low-income brackets, leaving out the middle to the upper-income class who preferred living in the rural areas.

Programmes such as the RDP programmes have benefited poorer communities, despite the poor-quality housing built for poor communities; these subsidies also leave out rural professionals since they do not meet the qualification criterion of being provided with free housing. This has led to an increase of self-funded residential development in the rural areas. According to Landmark and Napier (2010), there is currently very little supply of housing for households earning between R3,500.00 and R8,000.00 per month. These households do not qualify for a housing subsidy and are also unable to afford housing in the market.

Unfortunately, commercial banks are reluctant to enter this market since there is no value in rural properties and there is no formal transfer of ownership due to land proclamation delays and challenges.

This research focused on the analysis of the socio-economic characteristics of professional rural dwellers and which other financial options are available in the study area to enable them to develop formal residential real estate. If banks fail to tap into this market due to delays in proclamation of rural land, this will hinder the second-hand property market in rural areas and will also induce a decrease in wealth creation through property ownership, amongst black communities.

1.3. Literature Gaps

There is currently no recent research conducted on the satisfaction of professional rural dwellers and whether there are any available housing finance products for this market; their development finance preferences as well as financial challenges they have faced during development of their primary residences in the rural areas of the Limpopo province in South Africa. A lot of researchers focused on provision of housing subsidies in low-income communities, rural and urban included while others focused on the importance of financial literacy in inducing a decrease in mortgage defaulters.

Innovative housing finance arrangements have been developed to enable the poor to gain greater access to ‘formal’ housing finance. Conventional housing finance is generally intended for the purchase of a complete housing unit or construction of such a housing unit within a specific period. It is also characterized by finance with a term of 10–30 years, by

mortgage loans with a minimum and regular income requirement, immovable tangible assets and a registered title deed as collateral

There is limited research on rural housing finance in South Africa especially on the question of the satisfaction of professionals residing in rural areas and other housing finance options available for future developments.

1.4. Key research questions

The research will address the following questions;

- Do professional rural dwellers prefer equity financing or are they limited due to financial products in the market?
- Do commercial banks provide debt financing of residential real estate development in the rural areas of South Africa?
- What other financial options are available in developing the residential real estate in rural areas?

1.5. Research aim and assumptions

The aim of the study is to help professional rural dwellers get access to information regarding other forms of housing finance available for rural developments while inducing an increase of the second-hand property market in the rural areas.

1.6. Research objectives

The objective of the research is to highlight the types of financial options used by professional rural dwellers in developing formal residential properties in Limpopo, South Africa. This research will also assist financial institutions to design home loan products for rural areas, taking a lot of factors such as ownership restrictions, access to basic services, the lack of the second-hand property market as well as other factors which might have a detrimental effect on the value of a rural property, into consideration.

1.7. Delimitations of study

This study only focused on professional rural dwellers currently residing in the rural areas of Ga-Molepo, Ga-Maja, Ga-Mashashane, Ga-Matlala, Moletjie, Bakenberg, Ga-Femane, Mokopane and Ga-Mamabolo in Limpopo. Although the targeted sample focused on a variety of professionals, majority of the respondents were educators currently employed by the Department of Education.

1.8. Significance and contribution of Study

The South African government together with the private sector will eventually be expected to partner and derive ways which will promote infrastructure developments as well as the development of formal housing in the rural areas. The finding of this study will be of great benefit to the following;

Students: provide future researchers with South African contents relating to the provision of housing finance to professional rural dwellers. At the end of the research students will know the reasons behind backlogs of formal housing in rural areas, challenges faced by professional rural dwellers during the development process.

Banks/Financial Institutions: the given data will guide banks in formulating financial models which will cater for this market and what banks should do to ensure that they get their return on investment should they wish to enter this market. The research might induce an increase in financial products offered and also help banks to tap into a market which has been ignored for some time.

Government and Tribal Councils: like financial institutions, this research will help the government in formulating policies and partnerships, which will assist the government to promote property ownership by issuing title deeds/security of tenure. Tribal councils will also benefit as they are involved in the process of granting permission to occupy the land as well as the disposal process.

This study will be a significant endeavour in promoting rural development and property investment through ownership of formal residential properties amongst professional rural dwellers, attract the second hand property market while attracting new entrants to invest in rural properties.

1.9. Research organization

Chapter one introduced the focus of the study, the targeted sample and the orientation to the research study.

Chapter two reviewed prior studies on topics related to this study internationally as well as locally published papers.

Chapter three clearly highlighted the research methodology for this study.

Chapter four presented and analyzed the findings of this study.

Chapter five highlighted key findings, conclusion and recommendations.

Chapter 2

2.1. Introduction of the Literature Review

The right to adequate housing is enshrined in the South African constitution, phrased as "the right of access to adequate housing", according to the South African Constitution, which supports the right to 'adequate shelter' to all South African citizens within the means of municipalities to fund and deliver such housing opportunities, Landman and Napier (2010). It is everyone's right to have access to formal housing units or homes including those residing in rural areas. Although most of the rural areas have developed gradually with the provision of basic water and electricity, most of them have a limited number of formal houses, despite availability of funds, skill sets or qualifications.

Post-apartheid, a ministerial task team analyzed how financial institutions can work together with the government in order to be able to provide financial means and/or housing subsidies to areas which were not previously funded by banks. Although these refined policies were introduced they only benefited the minority of the population and sidelined people who couldn't afford especially in black communities Bond and Tait (1997).

Naude et al (2006), focused on the experiences and perceptions of low-income borrowers regarding their access to credit and housing finance, their experiences with banks and their success in approval of loans, as well as available housing finance products ideal to their market. A sound number of households participated in the survey across five (5) provinces. Although the authors aim is to an extent aligned to that of this paper, Naude et al (2006) only focused on low income earners which they described as "prospective buyers within the income group of R1000–R6000 per month that are actively trying to buy a formal house"

It is found that, an individual's self-perceived range of housing options is dependent not only on his/her current and predictable economic and financial resources, but also on his/her occupation and socio-demographic characteristics, Ying, Luo, and Chen (2013). This paper investigated the determinant of factors affecting housing affordability within the low to middle class market. The authors assessed the affordability of buying a home, paying a deposit as well as the monthly repayments. These are the most common factors people

usually assess when buying property in order to make an informed decision and to avoid the possibility of defaulting on payments due to over commitments.

Ying, Luo, and Chen (2013) found that most people look at their current income versus what they will be paid in the future to assess whether they will be able to qualify and afford a home-loan. Furthermore, certain characteristics such as the size of the household, number of rooms as well as distance from amenities ranged higher when analyzing people's preferences when securing tenure.

Residential real estate ownership is a priority and a basic need to most South Africans; however, its actualization has always been an issue especially in the rural areas since housing development requires a large funding. Although this might have not been an issue with the target sample since they are employed in the formal market, their biggest problem has always been accessibility of land through the deeds registration process and thus giving them collateral to trade with traditional banks.

While some people acquire homes for the basic need of providing shelter – the elite and informed communities acquire it as a form of wealth generation. A desire denied many due to unavailable property finance products and limited assistance from the government.

According to Landman and Napier (2010), private sector housing for ownership comprises 27.2% of the total stock in South Africa, with private rental constituting 11.5% (based on the 2001 Census). This includes low-density dwellings with both freeholds and sectional title properties. The development of clustered apartments and large gated security complexes has increased over the years largely due to the high crime rate in South Africa as well as insecurities of homeowners, mostly in urban areas. This paper focused on the role the state play in providing housing, and what measures they are putting in place to ensure that there is adequate housing supply.

The South African parliament is currently revising the constitution in order to promulgate and formalize the expropriation of land which was previously taken from its rightful owners, without compensation. The amendment of the constitution to accommodate the success of possible land claims will have its advantages and its disadvantages. In property contexts, South Africa is sitting with a large number of land owned by traditional councils.

This land is not proclaimed, and it is yet to be investigated why these large pieces of land is still not proclaimed. Proclaiming this land will give the residents of these villages the similar privileges with those able to buy and sell real estate by traditional means of registering the transaction at the deeds office and thus inducing an increase the second-hand property market.

House price data indicated that the cheapest house on the formal market, or formal market entry housing, exceeds R200,000, requiring a monthly income of over R11,000 on a loan installment of R3,400. This monthly loan repayment is almost equal to the monthly household income of 64% of the country's households (Rust, 2006). While data is not available regarding the percentage of households earning more than R11,000 per month, it is known that only 19% earn more than R8,000 per month.

This means that more than 81% of South Africa's households are not currently accommodated in formal, commercial private sector housing supply (Royston 2008) and are therefore dependent on other means and mechanisms to access housing. In the last 5 years, commercial.

In the last 5 years, commercial banks have signed a Financial Sector Services Charter with the government, promising to provide mortgages for housing to lower income households. The banks have pledged R42 billion to be released into the affordable housing market by 2008 in order to assist those who receive little or no government subsidy, including nurses, teachers, and the police to access housing loans and housing ownership

The issue of urbanization has prompted initiations such as the development of RDP houses, both the in rural and semi-urban (predominantly black townships) areas of South Africa. The development of the country’s lending policies as well as stringent town planning schemes has unfortunately benefited urban area residents more those staying in the rural areas. Although the RDP initiative has to an extent decreased housing shortage in the poor communities, professionals who opted for a rural living have always been barred from applying for such homes since they do not qualify for RDP houses and they instead end up relying on self-funded residential developments of formal adequate accommodation. While self-funded

developments are depicted as the most cost effective, it also shows the government's failure to develop and supply adequate housing to its nation.

Though the South African housing market has witnessed strong growth during the past years, housing shortages will always be a challenge due to corruption in the housing departments and lack of joint partnerships between the government and private sector as far as rural development is concerned. Another area which is also not largely focused on is the delays in releasing land parcels by the government through the land reform policies. Countries such as China, although they have made strides in developing their housing shortage challenges, have introduced innovative strategies expanding land and funding sources and improving distribution mechanism to make China's affordable housing subsidies more favourable to its communities (Zou 2014).

The research focuses on the development of innovative housing finance structures which are capable of providing formal, sustainable residential dwellings for professionals in the rural areas while assessing their preferred funding mechanisms for residential developments.

The department of housing and human settlement has the mandate to provide quality housing to South African citizens. It is their responsibility to ensure that they monitor and manage the potential of all the stakeholders involved in ensuring housing delivery and linking it to the formal conduits of finance especially low-to-high cost housing in the rural areas, so that the combined strengths of each of stakeholder can help in materializing the homeownership and asset creation dream for the professionals in the rural areas towards realizing the larger goal of equity, inclusiveness and finally national prosperity.

Several efforts have been initiated in the past by successive governments in South Africa around the topic of housing finance and development, but the very little impact was made on the provision of housing finance to professionals residing in rural areas.

This paper outlines the limitations of housing finance in the rural areas of South Africa and available housing options for professionals residing in the rural areas. There is great disparity between the development of rural areas versus developing black townships and this is due to access to funding as well as lack of infrastructure development in poor communities.

2.2. Outline of Existing Works

The literature on the satisfaction of professional rural dwellers with current financial options of residential real estate development is very limited. Most of the reviewed studies focused on the affordability of housing in established cities, and mostly in urban areas than rural areas. Some of the study areas included some of the biggest cities in China, Turkey, India, Turkey and Mexico.

Yeung and Howes (2006), the authors investigated the role of the Housing Provident (HPF) in financing affordable housing development in China. Although the authors sourced information from reputable sources when conducting this study, the approach adopted in choosing participants in this study could have been broadened to include beneficiaries of the Housing provident fund from all income streams in order to ascertain the optimal efficiency of the fund, policies, systems and its current operating model from a beneficiary's perspective. Given the fact that only major cities of China were researched, and the issue of urbanization raised, it is important to establish the issue of rural and informal housing in China, how the HPF plays a role in eradicating housing shortages in these areas in curbing the high rate of urbanization in the major cities of the country.

Although China is a different market from South Africa, let alone rural areas of South Africa, it is pertinent to assess how advanced countries like China operates and manages the process of providing housing to its large population.

The provision of housing has always been the responsibility of the state; however, irrespective of the number of strategies put in place, the implementation of these strategies has always deemed a challenge.

This empirical study collected its data from government websites in Shanghai (such as the Shanghai Provident Fund Management Centre), where an analysis of how the scheme was structured was reviewed and in what ways it contributed to the ultimate goal of eradicating the issue of housing provision in China.

Under the HPF, all employees were required to contribute a proportion of their salaries to HPF and employers contributed a similar amount. Accounts for individual workers were set

up in the Construction Bank of China. This seems to be common across the world where employees are either provided with a minimal housing subsidy or where they are required by the state to contribute a small portion of their salaries for their personal housing needs.

Today workers are allowed to withdraw their HPF savings when they retire, alternatively, they can use their HPF savings to purchase homes in the private housing market, or from the Comfortable Housing Projects. According to Yeung and Howes (2006), the scheme had three components to it, a committee responsible for the planning of residential properties in the city/province, a committee responsible for the management of the scheme and designated banks. However, despite all the well-defined structures, HPF is still needs to be monitored regularly to ensure the best practices and that the fund is invested in a diverse portfolio to avoid any unforeseen risks which may arise in the future and leave the organization with no funds due to bad investment decisions.

In Yeung and Howes (2006), no distinct information was provided on the supply of housing finance for professional rural dwellers who preferred rural living irrespective of their place of employment. However, the study focused on working citizens who were obliged to pay a certain percentage of their salary towards the HPF and thus promoting wealthy generation instead of the traditional housing subsidies provided in the past.

Consequently, a great deal of research focused on the operation of the HPF and the findings presented can be used to introduce new innovative ways of managing these funds efficiently and effectively while meeting the primary objectives of the people of China.

There are few studies conducted in South Africa on the issue of housing shortages. Landman and Napier (2010) on the topic “waiting for a house or building your own? Reconsidering state provision, aided and unaided self-help in South Africa”, focused on the government and the private sector’s involvement in supporting the development of formal adequate houses, by low-income earners. It is mentioned that commercial banks signed an agreement with the department of housing to finance the development of low costs homes. Unfortunately, these are houses which cater for a certain market which cannot afford RDP houses and cannot be funded by traditional banks in registered township developments / urban areas.

Landman and Napier (2010) mentioned that there is lack of land supply in urban areas. The author further stated that the lack of basic services as well as poor quality of infrastructure in the rural areas has consequently led to a large influx of people leaving the rural areas for urban areas.

The findings revealed from the Department of Science and Technology (DST) survey confirmed that there is an increase in the number of self-built housing stock (whether delivered through PHP or other processes), in both rural and urban areas.

I agree with the two major findings that people are reluctant to commit to long term mortgage repayment contracts at a higher interest rate, which could have been plugged into another investment.

Under the Polokwane principles of 2007, government renewed its commitment to encourage self-build housing alongside official government housing. Formal-quality owner-built informal brick housing represented 36% of the housing stock recorded in the specific case study areas, against 10% percent of subsidy housing". One implication of these findings could be the facts raised above regarding high costs of maintaining mortgage bond versus self-funded developments.

Landman and Napier (2010) believe that these findings are bias since they only focused on one study and suggested that it should be confirmed on a larger scale to verify the claim that self-built housing is indeed gaining ground rapidly. This study furthermore indicated differences between rural and urban self-development areas. In rural areas, self-development areas of owner-built housing appear to be a relatively new form of settlement emerging in the outlying rural sector, comprising informal moderate to good quality housing occupying the land, obtained on an informal basis.

Landman and Napier (2010) stated that banks stopped lending to low-income borrowers in some communities because it was difficult repossessing on defaulted properties belonging to certain eminent faction leaders. This has been an issue in most developing countries and has motivated further studies addressing the issue of housing finance options and affordability in poor communities. The issue of unemployment and slow economic growth is affecting the

development of these communities and unless all parties partner in resolving this issue, the issue of housing provision will still be a problem in the next decades.

Authors wrote that these areas appear to be established initially without infrastructural services, but services are supplied by the nearest municipality upon receipt of letters of authorization from the traditional leaders and also stated that many of these houses take the form of squared structured brick houses with asbestos roofs. It is difficult to prove the latter statement regarding the type of the houses built without specifying the exact location of study. I also disagree that this will be the case with most houses in the area of study since asbestos has been declared harmful and should not be used on any development.

Lastly, the study agrees that most of the theoretical studies rely on the government to initiate the development of formal housing in rural communities by working closely with the private sector. Although this will help the government in the delivery of houses in the rural areas, it will pose a problem since there is no second-hand property market in the rural areas since the population is dominated by unemployed people who could not afford mortgaged properties but qualifies for RDP homes. Based on these findings, a further study should be done to confirm the number of formal housing stock as well as relocation patterns of employed professional people residing in the rural areas. Moreover, irrespective of the fact that this study didn't focus on financial preferences of professional rural dwellers but more on the government involvement in the provision of housing, the study is relevant and has cited information which is key in understanding reasons affecting the supply of housing both the urban and rural areas.

Wapwera, Parsa, and Egbu (2011), assessed methods of housing finance provided to both the low and informal groups in the rural Nigeria. The methodology adopted with the study was relevant to in achieving the primary objectives of the study. This research surveyed 300 people in the low/informal market to assess the type of funding used for building homes as well as improving existing homes. The sampling size was sufficient to get reliable information required. The results of the survey proved that seventy five percent of the survey used traditional methods of funding while only a small percentage of the population used modern finance models. Although they focused on the assessment of current financial methods in the provision of housing, this research only focused on low income earners and

people residing in informal settlements. The research was also limited to Nigeria and its property finance market.

The author stated that although countries such as Nigeria have underdeveloped housing finance systems, poor methods of implementations of policies had often led to loss of funds by the government and this issue has delayed the government in achieving their set goals of proving housing finance to poor communities. In other words, careful consideration needs to be prioritized what is leading to loss of funds by the government as continuation of this challenge will not only delay the provision of housing in the rural areas of Nigeria but will also deprive the those living in the rural areas the opportunity to live in quality habitable houses and will cause a delay in creating wealth through property acquisition and ownership.

It is argued that although most people preferred the traditional methods of finance, the world is evolving, and traditional methods should also be reassessed and revised for the advancement of the property finance market and in order to ensure that these models helps alleviate the issue of housing finance as a primary factor to housing provision and land acquisition.

It is therefore important that all custodians of these housing finance systems are familiar with the primary objectives of the system, its workflow processes and how it should be implemented so that the primary objectives are met.

In addition to the above, this article envisaged that the rapid growth in population of major African cities such as Johannesburg and Lagos are influenced by the improper implementation of housing finance systems especially those expected to focus on rural housing provision.

Chen and Deng (2014) highlighted the history of China's HPF program, in particular, how it has evolved from a local experiment to a prominent national housing program. This research is relevant in assessing the types of successful housing finance initiatives implemented in highly populated cities in the World. The study examined the program's management structure and the role of HPF lending in meeting China's housing finance needs. Chen and Deng (2014) complain that it is however difficult to evaluate program performance and develop strategies for future reform due to lack of reliable data. Based on this observation,

the findings documented in this study cannot be fully relied on as the information supplied cannot be justified. Based on the fact that China has one of the world's biggest population, the researcher should have focused on specific cities in China as his area of study and spread this study to other cities or rural areas over a period of time instead of focusing on a larger area. This would have prevented the unreliability of the findings of this study.

Some of the data was collated from different organizations including MOHURD regarding the HPF, the China real estate association and NBSC was approached for employment data while some information was gathered from official websites of HPF centres to determine the legal contribution rate of HPF in seven selected cities, 2003– 2013. The actual housing stock should be researched versus what is currently available against the population size. The methodology adopted was bias as it excluded the actual beneficiaries of these funds.

The findings revealed that The HPF lending alone is insufficient to meet the country's soaring housing finance needs since the 1998 reform. The state should work together with the private sector in the provision of housing finance. Until such time that accurate data can be provided and justified, it would be unfair for anyone including the authors of this study to come up with any recommendations regarding the problem of housing finance in China. Further research can be investigated on whether the implementation of the HPF has indeed assisted Chinese citizens in reducing housing shortages, how the number of housing stock was affected, whether houses built in the past decades or two are active in the market. Further research could also involve the investigation of whether these funded homes, are designed and build in accordance with set regulations and how they have affected the number of second-hand property market.

Oyewole (2010) investigated the contribution of cooperative societies to housing finance for the urban low-income group in Ogbomoso, Oyo state of Nigeria. This research is relevant as it focused on other means of housing finance either than traditional finance methods with banks. The methodology adopted in this study as well as the analysis of the data was definitely relevant to primary purpose of the research. I agree that the data collection technique used in this research, i.e. survey method is a good method to collect data from participants.

This is with a view to determine the effectiveness of the societies' lending as a means of solving the housing problem among the low-income group in Nigeria. This study was conducted using a survey method where questionnaires were administered to 120 members of eight societies of four cooperative unions selected through a random sampling technique. In total, 15 members who had benefited from the loan were surveyed in each of the societies. Data were analyzed with the use of frequency distribution, percentage and measure of cooperators satisfaction index. The adopted methodology was relevant to the type of research and in meeting the primary objective of the research.

Fifty two percent of the research participants responded to the questionnaires and members of cooperative societies had financed the development of their houses to completion stage, while 28 per cent had their houses still under construction. The following attributes of affordability according to (Oyewole, 2010); ''transaction cost'' and ''collateral'' are higher than the aggregate satisfaction on the loan.

In addition, the level of satisfaction on a cooperative loan with a CSI of 3.77 is far above average (2.50) and greater than the level of satisfaction on National Housing Fund (CSI of 2.07), which is far below average. It was also discovered that membership of cooperative societies cuts across all occupations and is open to all interested members of the community irrespective of sexual or academic status. This is definitely unbiased and cannot be compared with the Chinese housing provident fund program which is only beneficial to employed citizens.

The results further revealed that the respondents were not content with the duration it takes for the application to be approved. This definitely justify reasons why a further study should be carried to understand reasons for the delay of the application process as well as other negative factors as well as models which can be designed by financiers which may be introduced and adopted in order to improve its current workflow process while retaining the current clientele.

Bandyopadhyay and Saha (2011) investigated factors negatively affecting housing finance in India from a financier's point of view. The primary objective of the paper is to demonstrate the importance of borrower-specific characteristics as well as local situation factors in determining the demand prospect as well as the risk of credit loss on residential housing loan

repayment behavior in India. Although the researcher used a large sample of more than 10 000 people, the method of analysis adopted was the best in analyzing such large data. However, my own view of a larger sample is always the accuracy of the data provided. Furthermore, other methods of data collection should have been used to analyze factors affecting behavioural patterns of housing loan repayments since this information cannot be collated systematically or using financial data but requires the use of a questionnaire or interview method of data collection.

A random sample of 13,487 borrower details was used from the (1993-2007 data) from Banks and Housing Finance Cos (HFCs) in India, in order to find out the crucial factors that induce an increase in the demand of housing and how this relates to the borrower characteristics using a panel regression method. Next, using logistic regression, housing loan defaults and the major causative factors of the same are examined.

The sample used was too large and may pose potential data inaccuracies and this providing result which cannot be justified. It is important to understand factors affecting housing finance affordability; this will assist financiers to come up with models which will help prevent people from defaulting to signing contracts which are not directly linked with their property finance requirements and affordability profile.

The empirical results suggest that borrower defaults on housing loan payments is mainly driven by change in the market value of the property in relation to the loan amount. A ten percent decrease in the market value of the property in relation to the loan amount raises the odds of default by 1.55 percent. Furthermore, the results also proved that retired people over the age of 60 are more likely to settle and not default on their loans than the employed, unemployed and wife counterparts.

A further study could investigate the reasons why young property owners fail to pay their bonds on time and how much of their income goes towards housing finance or repayments.

The paper stated that the demand for housing is largely driven by access to housing finance, increase income levels as well as improved consumer spending patterns. Other findings were that the demand for bigger size homes was higher in sub-urban and rural areas than in urban areas. Further research should be done of the factors driving the demand for bigger homes in

rural areas and which housing finance systems can be introduced into the market to guard against possible loan repayment defaults in rural areas.

It is also recommended that future studies include financial options granted to rural areas and a detailed analysis be made on the social and finance behavioural characteristics of formal home owners in the rural areas.

Datta and Jones (2001) mentioned that the provision of housing has improved over the years and the authors have investigated the use and provision of financial means affected by people wishing to develop properties. Justification of the area of study is not clearly highlighted and the author should have advised on reasons why he focused on two countries which are located far apart from each other, geographically and in two totally different economies. The sample size was sufficient to collate the required information.

The authors focused on Botswana and Mexico as their study areas. Households were asked a series of open-ended questions to match the sources of finance to the method of payment for plot acquisition. In total, 324 households identified 405 combinations of external and internal finance

They emphasized that irrespective of whether low-income households are purchasing land, paying rent or consolidating their homes in Botswana and Mexico, they are not fond of debt financing and avoid any transactions which will affect their credit profile negatively. I agree that most people are not fond of debt commitment and especially the fact that home-loans are structured differently from traditional loans with long term repayment periods. Other factors which could have been included in the study include the current GDP data on the two economies in order to be able to justify the findings on both study areas.

Findings suggest that NGO programmes need to consider more closely the conditions of the land market and whether this is contributing to the housing finance problem encountered by participants. In addition to the author's findings, it is also important to look at current policies governing the use and transfer of ownership of land, by local citizens or foreign buyers. I agree that by doing so, it will be easier to design new strategies which will focus on improving current housing programs. However, Datta and Jones (2001) argue that it is wrong in shifting this responsibility to NGO programmes only; I believe that it should be the

responsibility of everyone in the property space to study the land markets – factors affecting it and what can be done in the future to promote land ownership as a source of housing finance.

The findings also reveal that debt aversion has influenced most people to rely on self-funded models as opposed to relying on financial institutions to provide them with funding for acquisition of land or other housing tenure. I agree that it is difficult to maintain debt than to use personal funding, however, the latter should also be carefully considered since it will require the property owner to save a large amount of money over a period of time.

This paper thoroughly investigated accessibility of the land market, housing rental affordability by low income earners and the role of savings in fulfilling their property needs. Lastly this paper has also looked at the impact of available finance on residential mobility.

Although the researchers thoroughly looked at the primary factors affecting the acquisition of housing in Botswana and Mexico, it is important to also establish the reasons why financial institutions have not designed credit facilities which meet the housing financial needs of low-middle income earners in the rural areas.

Other studies investigated the role of partnership in integrating the corporate social responsibility (CSR) of project stakeholders towards better housing affordability.

In Othman and Abdellatif (2011), methodology adopted included field study and a literature review designed to accomplish four objectives. First, to provide a comprehensive literature review of the concepts of affordable housing, project stakeholders, CSR and partnership; second, to present and synthesis the results of relevant field studies examined the experiences of CSR and partnership among selected construction firms and the Government of South Africa (SA) in affordable housing projects; third, to develop a CSR partnership model (and its action plan) that integrates the CSR of project stakeholders to achieve greater housing affordability; finally, to draw some conclusions and recommendations to improve the practice of CSR and partnership among government authorities and construction professionals. The researcher used the best method to collate data. Furthermore, the selected sample of quantity survey firms seems sufficient as these professionals are usually appointed as project managers in property developments projects and thus have a clear understanding of

the dynamics of property development and the involvement of other stakeholders in the development process.

Housing micro finance is emerging globally as an important financial activity to help alleviate the housing needs of economically vulnerable people (see, Anand et al 2004). Micro finance institutions (MFIs) planning to include housing product must carefully assess whether they have the management and technical capacity to do so. The purpose of this paper is to give practical guidance to MFIs in adopting the housing programme, in addition to their existing line of micro finance services. This paper addresses issues a new concept which can be adopted by other developing countries in meeting housing finance needs to those planning to develop residential homes. The selected sample is relevant and directly linked to what the research is planning to achieve

The paper gives practical guidance to MFIs adopting the housing programme in addition to the existing line of micro finance services and inputs about any market study, profiling the customers, product design, pricing of the product, affordability of the clients, income assessment, loan assessment, operational procedures, risk coping mechanisms and technical backup guidance. The paper finds that MFIs should also ensure that housing micro-finance suits their strategy from institutional and financial perspectives. Although micro-finance institutions cannot be operated like traditional banks due to various reasons including their funding strategies and credit facility limits, they should be operated in the most professional and economically viable manner in order to meet the objectives of all stakeholders and to ensure business continuity while minimizing housing finance challenges.

The researcher's approach in understanding services offered as well as internal processes adopted will assist by providing valuable and informed strategies to MFIs.

It is important to identify and understand the determinants of homeownership affordability especially. Nwuba et al (2015) assessed homeownership affordability in Nigeria's urban housing market to establish the determinants of households' affordability outcomes, and the nature of their impact. The authors used proper methodologies for the type of information required. A cross-sectional survey design was adopted, which included the use of semi-structured questionnaire to collect data from a sample of households selected through a stratified random technique across Kaduna State. The binary logistic regression was used to

model the probability of homeownership affordability as a function of specified explanatory variables.

Household income, savings, construction period and education are determinants of homeownership affordability with positive impact. Unless acquired by means of a donation, it is not possible to acquire housing unless you have the financial means to be involved in a real estate transaction. I agree that indeed most people plan the construction period by how much money they have in the pocket to complete the entire development.

Conversely, household size, cost of land, building cost inflation, current rental housing expenditures, non-housing expenditures and building cost relative to income are determinants of affordability with negative impact. Some of the factors listed above are unfortunately not controllable by a potential home owner, such as fluctuations of building material costs and the residential rental market, hence it is important to save enough money to guard against contingencies during the housing development process.

Donkor-Hyiaman and DeGraft (2016) mentioned that most households in Sub-Saharan African cannot afford adequate housing. I am of the opinion that this is case since most of these countries have a higher number of unemployment rates, poor infrastructure and the level of expertise in sustainable housing developments. Most often, their pension benefits are also meagre, usually resulting from low contribution levels and mismanagement. Coupled with low life expectancies, most would not live to enjoy the benefits of pensions, thus validating the need to utilize their hitherto deferred pension benefits for immediate housing investment and consumption.

Quantitative research methodology via the present value technique was used in valuing pension benefits to demonstrate the potential of pension schemes as savings mobilization mechanisms for long-term pension-backed housing financing in Ghana. My own view is that most people tend to use their pensions on either improving their existing homes or building new ones. However, it is only a few who tends to enjoy the experience of staying in a formal house based on the issue of a low life expectancy as they highlighted above. A proper methodology was applied in assessing the value of the pension fund over a period of time and whether this money would be sufficient to cater for the housing needs of pensioners after retirement.

Policy wise, the paper provides some evidence to support proposals for the development of pension-backed housing finance systems in Ghana with lessons for Sub-Saharan Africa. The authors demonstrate that the Tier 2 defined contribution mandatory occupational pension scheme could serve the purpose of a savings mobilization mechanism for long-term housing financing.

Gülter and Basti, (2014), reviewed the housing sector of Turkey and present the housing development strategies developed by government enterprises for the urban poor in Turkey as successful examples.

The methodology adopted was adequate for the type of study since it was clearly described. The literature on housing finance systems and sources of housing finance were clearly stated. Then, the paper reviewed housing finance systems applied in Turkey in the past to solve housing problems.

Later, it described current housing strategy to solve housing problems of low- and middle-income groups and also presented this strategy as a successful model to other countries. Moreover, mortgage law and the current situation of the Turkish housing sector are discussed within the study. This research is relevant in meeting the current objectives of this paper. Although the study area focused on the Turkish market, the involvement of the state in housing provision should be largely debated especially in poor communities.

The findings revealed that as a result of economic normalization achieved after 2002, mortgage loans extended by commercial banks have increased in Turkey. Besides, governmental institutions, such as Housing Development Administration of Turkey (HDAT) and Istanbul Public Housing Corporation (KIPTAS), apply very extensive projects to allow low- and middle-income groups to have their dwellings.

Adarkwa (2007) focused on initiatives to adequately address poverty reduction through the provision of housing units in rural communities in Ghana have come from both local and offshore resources. This paper explores the impact of the Habitat for Humanity International Ghana's (HHIG) intervention in the rural housing subsector. The objective of the research was clearly defined however further study on this topic should be conducted especially

considering the fact that it was the first time a study of this kind was carried. In addition, the size of each HHIG was not clearly defined and therefore the findings will to some extent not portray a true reflection of the study area as only 6 of the 29 HHIG affiliates formed part of this research.

To understand and appreciate HHIG's intervention, field data collection and community interfaces were organized. Extensive use was made of the case study approach or narratology. Under this approach, six of the 29 local HHIG affiliates were studied using an exploratory approach for in depth probing.

This study shows that the provision of housing units through HHIG's initiative has had a positive impact on poverty reduction through an enhanced housing environment, formation of micro enterprises, enhanced access to social services, skills transfer and improved security.
The study is the first of its kind to reveal HHIG's immense contribution towards the creation of more livable housing environments in rural Ghana and its link with poverty reduction.

Ramabodu (2007) demonstrated the diversity of property investment in South Africa. The paper highlights the influence of the transformation of the South African landscape on real estate and presents current and future opportunities related to property. This study is relevant considering that it targeted the same country as the primary research in this paper. Although it was not province specific, some factors which are highlighted in the study are of national importance and therefore affect the majority of the people of South Africa, such as the issue of transformation and the rate of property acquisition by black people.

The paper addresses how diversity and such factors as the country's history, government, different cultures, housing needs, vast rural areas, fast developing cities, black empowerment and international interests, influence property potential. The challenges faced in South Africa are, in many respects, a consequence of the dramatic political changes that have taken place during the last ten to 15 years.

Tian (2017) explored the housing behaviors of rural-urban migrant workers in China and the associated socioeconomic determinants. The empirical study identified the effects of income in multi-dimension, destination expected to live in the future, local housing policy, and a set of individual characteristics on housing-related expenditure and home purchase of rural-urban

migrants. A survey data collected by the Development Research Center of the State Council was employed. Although secondary data was used in this study, the researchers should have sourced firsthand information has the attributes highlighted above such as “destination expected to live in the future” changes over a period of time depending on changing needs of individuals.

The results showed that migrants’ expecting place to live in the future be a significant factor influencing their housing-related decisions. I agree with the findings has there are various elements contributing to where people might want to live such as educational, employment and personal family goals which people might have over time. Including migrant workers in local housing security system of the host city could also significantly improve their incentive to purchase home. Income jointly with income stability affects migrants’ housing-related expenditure positively but has an insignificant effect on home purchases in host city.

Madichie and Madichie (2016) highlighted the challenges of property development and management in northern Nigeria drawing upon the experiences of Bauchi, Gombe and Kaduna states. This study draws upon a literature review and practitioner insights on property investment efforts in northern Nigeria. It also benefits from insider accounts related to the author’s 20-years’ experience of work both in both Nigeria and the UK. This kind of a study is very pertinent to address especially in developing countries were housing finance impact the possibility of housing ownership through either developing from scratch or buying an existing house.

The study highlights the salient factors that have brought about the housing challenges in northern Nigeria. Arguably poor property development and management initiatives have had direct correlations with the weak property management practices in these states and thereby further restricted investments in the real-estate sector in northern Nigeria. I agree that one cannot invest in property, yield the expected return, enjoy the use of the property unless they manage the property efficiently and do regular preventative maintenance where necessary.

The limitations of the study are based on those attributable to personal observation and ethnographic studies as adopted in this case. These impacts upon the general overview of the findings, however, sound the propositions may be. Areas for future research inquiry are also submitted. Ganiyu, et al (2017) showed that sustainable affordable housing construction will

best be achieved through a combination of financing concepts, therefore the housing financing relational interface model enhances the construction of user-defined affordable housing and eliminates the housing deficit over time. Study aims to identify and establish effective housing financing concepts to be adopted by government in achieving its mandate of providing sustainable affordable housing for the poor to decrease the building of shacks, as well as proposing solutions to the housing deficit in South Africa. A rise in demand and shortage in supply of housing calls for the need to address issues of affordable housing in South Africa, and developing countries in general, to ensure a stable and promising future for poor families. This study focused on a general overview of the housing demand and supply shortages and no reference was made to address the issue of housing finance in the rural areas of Limpopo, and more especially ownership of formal housing amongst professional rural dwellers. The study also focused on poor communities was data was acquired from private developers and general building contractors to assess the issue of sustainable housing.

The qualitative data were analyzed using a case-by-case analysis, and quantitative data were analyzed using a descriptive statistical technique on SPSS which were relevant based on the data collected during this research.

The results of the qualitative analysis reveal a gross abuse of the housing subsidies system by the beneficiaries of government-funded housing in South Africa. This is evident from illegal sale of the houses below market value. In addition to these findings, it is difficult for ordinary people to get access to ownership information of people owning subsidized houses unless they visit the nearest deeds office or get a report from deed search websites. Unfortunately, this will increase the issue of illegal transactions unless the government of South African designs strategies which will assist people to get access to information without any challenges.

Ganiyu, et al (2017) further stated that this has led to a continual building of shacks and an increased number of people on the housing waiting list instead of a decrease in the housing deficit. The results from quantitative analysis affirm the use of “Mortgage Payment Subsidies, Mortgage Payment Deductions, Down-Payment Grant and Mortgage Interest Deductions” as viable alternatives to subsidy payment currently in use to finance affordable housing projects by the South African Government.

In Ezimuo, Onyejiaka, and Emoh (2014), attention was given to the analysis of the performance and contributions of Mortgage Institutions in Lagos Metropolis in the provision of housing for all in Nigeria. The researcher achieved a hundred percent response rate from a total of 50 questionnaires were distributed, completed and retrieved from 50 mortgage institutions in Lagos metropolis, these were also examined to determine their performance and impact in terms of property development.

Ezimuo, Onyejiaka, and Emoh (2014) should have come up with initiatives on how the government can work closely with mortgage institutions to address the performance of this institutions in terms of property developments, by relaxing some of the current policies governing financial institutions including mortgage companies.

Further research can be looked at what is causing the house backlog since there is a budget allocated each year to alleviate this issue, which other types of housing can be developed to maximize the use of land and reduce the number of slums in South Africa. Although the chosen participants were relevant to this study, it is important that government departments such as the department of human settlement be included in future studies to establish reasons for the ineffectiveness of government policies and what the government is doing to resolve the issue of housing provision to the poor.

In a paper issued by the Midrand: Financial and Fiscal Commission, Housing finance options were analyzed. Increasing housing backlogs, Housing delivery falling short of targets, Fiscal sustainability - Within the current subsidy framework, dysfunctions in rental market

There are also dysfunctions in the rental housing market where about 40% of tenants live in what constitute slum conditions, demand-side of housing - lack of understanding and accurate estimation of the housing demand. Based on these findings, there is a need for housing in the rental property market, however, there are only limited, affordable housing stock catering for the poor. McClure (2010) focused on other means of providing housing for low to moderate income earners, through the states low income housing tax credit. Although this seemed like a great initiative, low to moderate income earners did not have access to home ownership opportunities but were exposed to the rental market of low income housing.

The adopted methodology in this study has been divided into two firstly the authors have analyzed the constitution in line with provision of housing in South Africa and in order to understand the relationship of the housing sector and the economy. Secondly, a modeling exercise housing strategy tool which is presented in an Excel workbook has been developed and used to cost selected housing funding alternatives. I agree on the method used, firstly it is crucial to understand the history of the country and where this housing provision challenges emanated from. The constitution of the country supersedes all legislation and policies and I agree that it holds sufficient information regarding the provision of housing in South Africa.

Preliminary findings from this study suggests that different household in different housing circumstances requires specific housing intervention. For this reason, the role of the government in the provision of adequate housing should be understood and responsive to conditions households' who are in varying circumstance. These findings agree with those of previous studies, that the states should work closely with communities as well as the private sector in providing housing for the poor, whether in rural or urban areas. This study did not present enough details on contributions of mortgage institutions as per the purpose of the study.

Further research can be looked at what is causing the house backlog since there is a budget allocated each year to alleviate this issue, which other types of housing can be developed to maximize the use of land and reduce the number of slums in South Africa

Adebamowo, Oduwaye, and Oduwaye (2012), focused on investigating the structure and challenges confronting housing finance efforts of Primary Mortgage Institutions in Lagos. The research objectives include the examination of housing delivery policies and finance in Nigeria and Lagos. The study also examines the structure of Primary Mortgage Institutions (PMIs) in the study area, housing funding products and strategies by the PMIs and investigated the problems and challenges confronting the operations of the PMIs in Lagos. The topic of challenges faced by Mortgage Institutions in providing housing finance has been widely researched in Nigeria. The objectives of previous studies focused on the performance of mortgage institutions while this particular paper focused on challenges affecting the efforts of Primary mortgage institutions, both primary objectives of the studies are relevant in address the problem of housing finance in a developing country. As it is mentioned herein,

the primary study area is Lagos, which has a higher population rate than some of the major cities in the continent.

The methodology employed by the research includes the collection of primary and secondary data. Field survey showed that 65 PMIs operate and are active as at the time of field work and 16 representing 25% were picked for sampling through oral discussion and questionnaire administration to the bank officials and customers, with 160 questionnaires for the latter. Data obtained were analyzed through simple frequency distribution tables and bar charts. The methodology adopted as well as the chosen sample was sufficient in collecting the primary data. Bank officials, its customers and PMIs were the relevant sample in answering the research questions wince they are directly affected by housing delivery challenges, whether in their line of employment as financiers or as ordinary citizens in Lagos.

Among major findings of the research include the following: that the PMIs natures of business transactions include commercial banking, LPO financing, merchandising, property agency and sales and transport. Existing departments in the PMIs are corporate/administration, human resources operations, legal, marketing and mortgage. Services and products of the PMIs are National Housing Fund (NHF) loan, estate development loan, pension-linked loan, LPO financing and overdraft facilities for their customers. Major challenges confronting the operations of the PMIs are NHF policy, structure of PMIs, the national economic climate, high cost of building materials and public apathy, difficulty of access to land and land documentation constraints, poor collateral, high interest rates and competitive finance market. The problem of fluctuating costs of building materials has been cited in other similar studies above and should also be thoroughly investigated as one of the factors affecting housing delivery. A further study could be investigated on this and what affect rapid changes of building materials, where are they sourced from and if there are ways communities can be subsidized to start small medium enterprises which will employ local people to manufacture building materials for their communities, at a reasonable rate.

Other sources of private equity funds apart from savings include funds from family sources, friends, Isusu system and thrift system

Smets (2006) stated that to reach the poor sections of society, innovative housing finance schemes and institutional arrangements are required. However, it is often thought that such innovations should take place within the framework of mortgage finance, which is characterized by a large sum and long-term repayment period.

Community based financial institutions, membership of community-based finance institutions is open and voluntary, control is democratic for shareholders and members, interest on the share capital may be limited, and equitable distribution of annual surpluses and the education for members takes place.

Factors influencing self-help developments, supply and extensions, such incremental building activities which take place over years and even decades, are dependent on the individual household priorities, the means available and changes according to the family cycle or the lives of migrants in the city concerned.

This fits the incremental building and financing strategies of the poor, which enable them to build and improve their shelters in a way in which the dweller him/herself judges when and how small investments can take place. However, the mainstream economist way of thinking stresses that for qualitative good housing one requires large housing loans.

The issue here is to keep the Installments small enough so that they are considered affordable to the poor. These installments are spread over a long period of time. In such a way, the poor may enjoy good habitat conditions as quickly as possible, for which they will pay incrementally over a long period of time.

Adedeji and Olotuah (2009) outlined the following factors which have a direct impact on the provision of housing in Nigeria; housing problems and needs of low-income earners, activities of private developers in housing provision, housing finance system and activities of cooperative societies in housing delivery. Credit societies offered the highest number of housing finance but individuals always experienced challenges of exorbitant

Though this paper focused on the low-income earners who are predominately located in rural and semi urban areas, the problem of housing finance and as well as the design of effective systems seems to be a common challenge globally including in South Africa

Campbell (2006), highlighted two challenges of real estate finance, it appears that the less educated and informed individuals tends to make investment mistakes and do not participate in high risk assets markets than educated individuals.

The issue of less investment skills will halt the development of formal residential units unless banks, tribal councils, community developments schemes as well as other role players in the financing space such as government vehicles join hands and provide information on property investments to its communities.

Pati (2015) focused only on housing finance challenges in India and China and possible viable housing finance system in these two areas. Unfortunately, due to the fact that the study was only restricted to India and China, the results of this research may not be suitable for the South African Market.

These location's large populations, as well as other economic factors, cannot be compared with that of South Africa. The study lacks with the empirical analysis of housing finance contribution percentage to the economic growth.

There is limited published work exploring consumer knowledge of house purchase finance options that captures this phenomenon from the perspectives of low-income Saudi consumers.

2.3. The Role of Finance in Property Ownership

Property is an immovable asset including the land and improvements except for movable items. It is considered as a lucrative asset class which requires a management team which is fully acquainted maintenance, leasing, finance and other operational matters specific to the type of property. A well-managed property tends to yield a higher rate of return for property owners and also assists in meeting other primary objectives of the investment.

While some people are able to acquire property without being aided by either the government or applying for property finance with traditional banks, others still require assistance of either

of the two to acquire existing dwellings, build new homes or even to acquire under-developed land to be improved.

Property finance plays a critical role in the advancement of housing provision especially within the previously disadvantaged communities. Most black people were only given the right of owning property when the new democratic government took over in the early 1990's. Racial segregation restricted not only home ownership for black but they were also not allowed free movement and therefore not exposed to other real estate markets.

This predicament has unfortunately left a lot of black people with limited finances as they could not build wealth through property ownership until 1994. Although a small number of them are active in the market, the larger population is still stuck in the rural areas where traditional banks are not offering property finance of residential homes.

2.4. Rural Development and Rural Housing Finance in Limpopo

The government has a mandate to provide basic services, regular improvements of the current infrastructures and develop areas which were disregarded by the previous apartheid regime, especially the rural areas. These basic services do not only improve the lives of people residing in the areas, but they are also beneficial in retaining the aesthetic of an area and thus attracting potential investment opportunities in the province.

The development of the province has induced an increase in the number of shopping centres constructed not only in formal townships and suburbs but in the rural areas as well. Some rural areas which have benefited from this includes Elim located north of the City of Polokwane, as well as the new Tibane shopping centre currently under construction in the village of Ga-Matlala, Limpopo.

The government should help develop the rural areas by providing quality roads and by ensuring that rural dwellers are provided with the same standards of basic services like people staying in formal township developments. Countries such as Columbia has introduced successful housing provision initiatives through farming, communities were allocated housing subsidies provided they were producing coffee, these organization were known as the Coffee Growers Organizations according to Davidson et al (2007). This initiave could be assessed, improved were necessary and applied in Limpopo considering that the province is

rich in providing fresh produce products, however, this would still not benefit professional rural dwellers, who are out of the argricultural sector.

In the area of study, Limpopo province, there is a financial institution which has been mandated to "respond to the need to create access to home loan finance to all residents of Limpopo irrespective of where they live. In so doing, assist Limpopo Economic Development Agency to achieve its objective of job creation and empowerment in Limpopo through housing construction, in support of the Provincial Employment, Growth and Development Plan", called RISIMA.

RISIMA was originally known as Gazankulu Finance Company (Pty) Ltd, established on the 01st April 2000. Risima is a subsidiary of the Limpopo Economic Development Agency, it falls under Schedule 3D of the Public Finance Management Act 1 of 1999 as a provincial public entity, established by Limpopo Department of Economic Development, Environment and Tourism in terms of the Limpopo Development Corporation Act 5 of 1994. Risima was established for the purpose of giving effect to Section 3 (1) of the Limpopo Development Corporation Act which requires the Limpopo Economic Development Agency amongst others, to provide housing in the Limpopo Province.

The company operates similarly to traditional banks. They provide different property finance products to attract a wider market, with some products designed for government employees only, such as the Government Employees Housing Scheme. However, the Government Employees Housing Scheme is only targeted at government employees who would like to take on a new mortgage loan, transfer a mortgage loan on properties which are currently registered at the deeds office with a relevant title deed.

These are common documents required by other traditional banks before qualifying an applicant and grant a home-loan. The lengthy list of requirements is compulsory in order to assess the affordability level of the applicant and to protect both the financier and the applicant from unforeseen circumstances such as possible defaults. It is therefore crucial that all the necessary steps are adhered to and finance is granted to people who can afford.

Chapter 3

RESEARCH METHODOLOGY

The study collected the information using questionnaires which were distributed to fifty (50) professional dwellers who built residential properties in Ga-Molepo, Ga-Maja, Ga-Mashashane, Ga-Matlala, Moletjie, Bakenberg, Ga-Femane, Mokopane and Ga-Mamabolo in Limpopo. The sample was selected during the random sampling method and all the respondents were interviewed on a one-on-one basis.
Some questionnaires were emailed, while others were distributed physically to the targeted sample. For the purpose of this research post-positivism approach was adopted since this type of research philosophy is objective and undertakes both the qualitative and quantitative research methods.

This research focused on the analysis of the socio-economic characteristics of professional rural dwellers and which other financial options are available in the study area to enable them to develop formal residential real estate. The South African governments together with private companies have introduced housing subsidies which only catered for the low-income brackets, leaving out the middle to upper-income class who preferred living in the rural areas. RDP programmes have benefited poorer communities and have a stringent criterion which does not accommodate the working class.

Studies about housing finance in the rural area were previously analyzed by different researchers in past papers and have either been rejected or accepted and further studies were proposed were necessary. This paper will perform a similar study amongst professional rural dwellers in South Africa to ascertain whether the same principles may be adopted in the country, especially the fact that South Africa is still a developing country compared to countries such as China which are more advanced economically.

3.1. Research design and methodology

In carrying out this research the group of professionals currently employed by both the government as well as the public sector, currently residing in Ga-Molepo, Ga-Maja, Ga-

Mashashane, Ga-Matlala, Moletjie, Bakenberg, Ga-Femane, Mokopane and Ga-Mamabolo in Limpopo were interviewed. . This area of study was chosen because it has enough dynamics to achieve the objective of the research. Furthermore, all the identified areas have been experiencing a significant growth in formal residential developments and have also attracted new retail shopping centres, in the past decades.

The information for the purpose of this research was sourced from both the primary and the secondary data. The secondary sources of data included journal articles, conference papers and other reliable materials. The primary data collection was through the use of questionnaires since this research took a qualitative approach. The designed questionnaires were presented to the study area on a face-to-face basis.

The design of the questionnaire will have three components. The first component focused on the biographic information of the respondents, this includes age, marital status, educational background, gender, etc., the second component of the research includes questions about the geographical area such as place of residence, province, town, city/rural area and the third component focused on the research specific questions which comprised of both open ended and closed questions.

Other alternative methods which would have assisted in collating data relating to this topic are internal company data from financiers such as RISIMA, a state owned company currently offering property development loans in the rural areas of Limpopo as well as more interviews with local builders, Financial Institutions such as First National Bank, Standard Bank, Nedbank as well as other financial institutions currently providing mortgage facilities. Unfortunately, this would have delayed the submission of this paper since most companies have to follow their lengthy internal policies and especially about sharing confidential company information and also reach out to builders as they are always working remotely based on where they’ve been allocated work.

Historical research on similar topics did not focus on the satisfaction of professional rural dwellers with housing finance options, in the rural areas of Limpopo and this will be a new study in South Africa. Data collected were analyzed and the key findings relating to financing preferences, type of formal dwellings built, current financial options available in the market as well as interest rates charged in the market will be highlighted in the findings.

A consolidated report on the findings was drafted in order to convey the results and advice on future research topics. This analysis therefore recommend methods financiers can adopt in order to cater for this market and what preventive measures to guard against during the period of finance of residential property developments in the rural areas. It will also recommend what professionals in the rural areas should do in order to understand the concept of property investment, including the financial as well as the legal implications which come with it.

3.2. The method of data analysis

The data was analysed using the frequency tables and a detailed summary of the information collated. The questionnaires highlighted several housing finance and development related questions such as the respondents' knowledge regarding financial housing products (new developments) in the market, offered to professional rural dwellers, their property finance preference, the type of housing currently residing in, whether they were aware of what a building loan is and their property development finance options/processes and the respondents were also requested to furnish their socio demographic information.

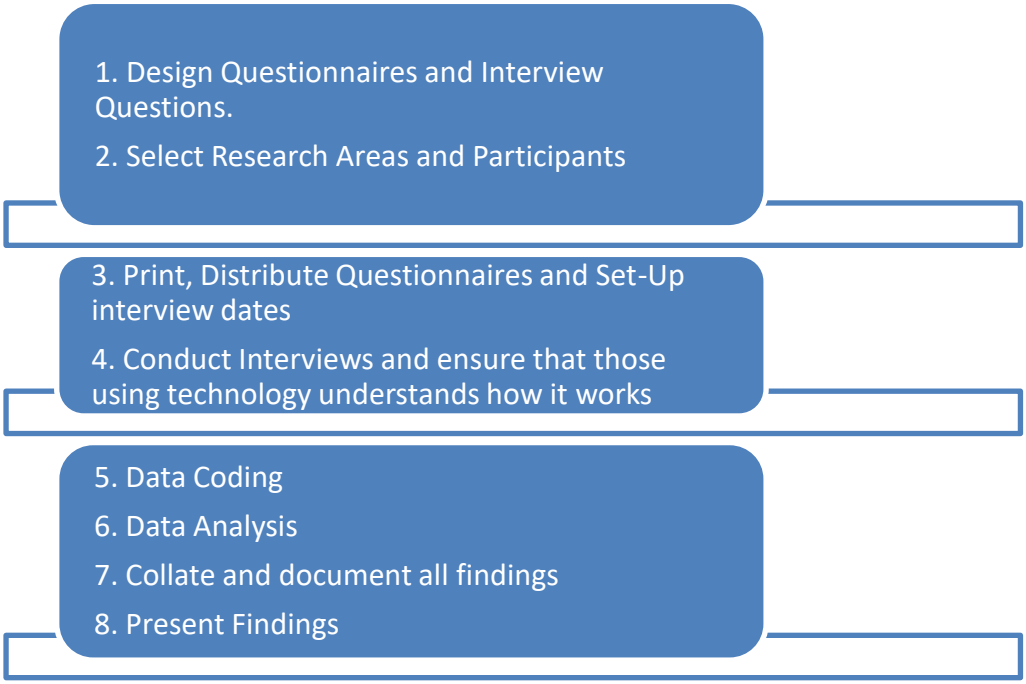
Using a table format, qualitative data was separated from quantitative date, and the latter was analyzed and discussed on a case to case basis especially in cases where new information was shared, such as the use of a different financial means.

Some of the questions to be directed to professionals residing in the rural area include the following;

- What are the factors influencing the choice of financing options of residential development in the rural areas?
- What type of residential development financing do professionals in the rural areas prefer?
- What are the existing challenges faced by professional rural dwellers in financing residential rural developments?
- Have you ever approached the bank for a mortgage loan?
    - ✓ ***Sub Questions***:
        - Was the loan approved or declined?
        - Are you aware of the legal implications of the loan?
        - Are you aware of the interest rate charged?

- Was the loan used for a new development or renovations or extensions?

3.3. Flow diagram of how the elements of your methodological choice



- Sample plan: Stratified random sampling
- Data Collection: Visits at Schools or other place of employment
- Aspect of validity and reliability: A reliability test on questionnaires will be done. To test the validity of the information, tapes and notes will be kept and ask participants to confirm their truthfulness and sign on them.
- Ethical Considerations: I pledge that I will….
  - ✓ Obtain consent from all research participants.
  - ✓ Ensure that all participants participate in the research willingly.
  - ✓ Respect the confidentiality and anonymity of all the respondents.

Chapter 4

EMPIRICAL ANALYSIS

A total of 50 Questionnaires were distributed to professionals currently residing in rural areas of Ga-Molepo, Ga-Maja, Ga-Mashashane, Ga-Matlala, Moletjie, Bakenberg, Ga-Femane, Mokopane and Ga-Mamabolo in Limpopo.

4.1. Data Presentation – Section A

Table 1: Respondent by Gender

Respondents	Frequency	Percentage (%)
Male	14	47%
Female	16	53.%
Total	30	100%

Participants were asked to indicate their gender on the questionnaires next to the relevant option provided (female and male). Out of all the 30 respondents, 53% were female and the remaining 47%% were male respondents. This was important in our analysis as there are various social systems as well as cultural norms which should be thoroughly understood when analyzing the findings based on differences in gender.

Table 2: Analysis of marital status

Respondents	Frequency	Percentage (%)
Married	21	70%
Living with Partner	1	3.33%
Single	6	20%
Widowed	2	6.67%
Divorced	0	0%
Total	30	100%

The current marital status of the respondents contributed largely in differentiating between households which had both partners with the financial means to develop formal residential dwellings in the rural areas and those who were not getting any form of financial support due to not being married and/or living with a partner. The above table reveals that 70% of the

respondents are married, 20% are single while the rest are widowed and living with partner, constituting 6.67% and 3.33% respectively. Out of the 70% of the married respondents, 57% were male while the remaining 43% were female. The study proved that at least 65% of the married couples were financially stable and were able to support each other during the development process until completion, while the remaining were unable to complete their development within the set timeframes. The latter were either not earning enough to qualify for larger amounts of money or only had one partner working and thus being the only bread winner in the family.

Table 3: Analysis of Educational background

Respondents	Frequency	Percentage (%)
Grade 12 / Matric	1	3.33%
Certificate	8	26.67%
Diploma	4	13.33%
Degree	4	13.33%
Postgraduate	9	30%
Qualification not shared / Privacy	4	13.33%
Total	30	100% *(*rounded off to the nearest 100)

In Table 3 above, 26.67% of the respondents hold an Advanced Certificate in Education specializing in either Mathematics or Science or both while a higher percentage of the respondents hold a Postgraduate degree inclusive of two (2) people with a Masters and MBA degrees, which constituted 30% of the respondents. Only one person has Grade 12/ Matric as his/her highest qualification.

The findings also reveal that 26.66% of the total respondents have either a Diploma or Degree, which each weighing 13.33%. It is clear from the findings that a large number of the respondents are well educated in their respective fields. Having the basic knowledge to transact is key during especially in the property market since parties engage in not only financial matters but also legal contracts which should be clear for both parties, from the

onset. Managing a development project could seem strenuous for any person without the expertise of an industry professional.

Moss (2013) states that although the increase in rising credit applications and granting of Mortgage bonds is remarkable in the underserved communities, financiers should also prioritize the need for financial literacy or borrower's education in these areas. Borrowers should be informed on the importance of budgeting, understanding credit agreements, financial conduct and the fundamentals of property ownership. Introducing these initiatives from by the government, its housing agencies as well as financial institutions will not only empower the borrower and preserve the property values, but this will help mitigate against the risk of default payment on their mortgages.

A likert scale method of analysis is adopted in order to analyze the respondent's knowledge on certain aspects of property development and finance. Below are questions asked on the questionnaire and their responses are depicted in a statistical table format below.

Table 4: Question 1

Do you live in a formal house?
A formal house in this context means a residential property built by bricks and mortar (Not a shack or a mud house), with an IBR roof sheeting, tiles or thatch roof)

Respondents	Frequency	Percentage (%)
Yes	30	100%
No	0	0
Maybe	0	0
Total	30	100%

100% percent of the respondents were aware of what the term formal house meant and they all confirmed that they live in formal houses. A formal house in this research meant a house which is built on a piece of land formally granted by the relevant traditional council (Permission To Occupy) or were residents are issued with a title deed, were plans were drawn by a professional and competent draughtsman/architect, and the building works done using

concrete bricks and by a competent builder. These excluded mud houses, shacks (houses built using corrugated iron) and timber houses.

Table 5: Question 2

Which year was your property constructed?

Respondents *(Years)*	Frequency	Percentage (%)
1980 – 1989	3	10%
1990 – 2009	10	33.33%
2010 – 2018 / Current	16	53.33
Not Completed	1	3.33%
Total	30	100% *(rounded off to the nearest 100)*

Out of a total of 30 respondents, one (1) person chose not to complete the year his/her property was built; this spoiled our findings by 3.33%. The remaining 96.7% proved to be enough to analyse the duration most property owners take to finalize their developments in rural areas. The findings proved that a lot of respondents had building projects, which generally took, on average three (3) years to complete. This active property development market increased the number of professional rural dwellers from 10% between 1980 and 1989 to 33.33% between 1990 and 2009, i.e. post democracy while a further increase in new developed formal houses in the rural areas was witnessed between 2005 and 2018, by more than 53%.

Table 6: Question 3

How long did it take you to build your property?

Respondents *(Months)*	Frequency	Percentage (%)
0 – 24	16	53.33
25 – 48	10	33.33%
49 – 60	2	6.67%
61 – Above	2	6.67%
Total	30	100%

Table 6 above reveals that only 53.33% of the respondents were able to build their homes within two (2) years, followed by 33.33% who only managed to complete their building projects within 4 years. Looking at the results, professional rural dwellers are failing to build their formal homes (2-4 bedroom houses) within a year due to financial constraints and unreliable building contractors.

Out of the 53.33% who managed to build their home sooner that the rest of the population, 56.25 % were female respondents aged between 31 years and 58 years, while 43.75% were male respondents aged between 35 and 56 years old. This proves that the issues of delayed building projects do not only affect young adults but those closer to retirement. It is thus important to introduce property development seminars in these areas to ensure that professional rural dwellers or anyone who decides to enter into a property development contract acquaints themselves with the development process, risks, legal issues, financial risks and funding processes before they can commence with their development.

Table 7: Question 4

How did you finance your development?

Respondents	Frequency	Percentage (%)
Self Funded	13	43.33%
Personal Loan	10	33.33%
Self Funded and Personal Loan	2	6.67%
Mortgage Loan	5	16.67
Total	30	100% (rounded off to the nearest 100)

A higher number of the respondents self funded their developments, followed by those who received financial aid from traditional banks through personal loans, at 43.33% and 33.33%, respectively.

A small percentage of 6.67% managed to use combination of personal savings as well loans by means of a credit card as well as personal loan. 16.67% of the responded received a

mortgage loan from the bank and unfortunately, not enough data was collated to confirm the names of the financiers and whether traditional banks (such as ABSA, Standard Bank, Nedbank and FNB) were involved in any of the five (5) transactions.

Table 8: Question 5

What was your total cost for this development? *(Optional)*

Respondents (‘Rands)	Frequency	Percentage (%)
Less than R50,000.00	3	10%
R51000.00 – R100,000.00	4	13.33%
R101,000.00 – R200,000.00	11	36.67%
R201,000.00 – R300,000.00	4	13.33%
R301,000.00 and above	7	23.33%
Not completed | Privacy	1	3.33
Total	30	100% (rounded off to the nearest 100)

Table 9 above reveals that most professionals in the rural areas have developed their primary residential properties without the assistance of a financial institution. This includes residential homes with 5+ rooms and to 11 roomed houses, which were built between the early ‘80s and 2016.

The development costs of these houses are averaged at R140,000.00 per house followed by houses which were constructed at an average cost of R400,000.00 per house , built between 1996 and 2016, the latter constituted to 23.33% of the response rate.

Answering this question was optional, to accommodate those who didn’t want to divulge much about their personal standing. Irrespective of this, 96.67% of the total respondents were free to respond and share their development costs.

Table 9: Question 6

Are you aware of property finance products in the market? If yes, kindly provide reasons why you opted for the method of finance used instead of using other financial products.

Respondents (Rands)	Frequency	Percentage (%)
Yes	15	50%
No	14	46.67%
Maybe	1	3.33%
Total	30	100% (rounded off to the nearest 100)

In Table 9 above, respondents were asked to advise reasons why they chose their method of funding instead of other available method.

Some of the respondents mentioned that banks were not willing to provide them with a traditional home loan since they did not have any collateral to offer, other respondents were also told that properties in the rural areas are illiquid as they do not yield good returns due to the complexities of land ownership in the rural areas and other detrimental factors such as the low drive in infrastructure development in the rural areas.

Out of 30 people who responded, 50% mentioned that they are aware of home-loan facilities available in the market, while 46.67% were not aware of other financial products in the market. In addressing the reasons why most people opted for specific methods of funding, some of the findings revealed that there was an urgency of having shelter; others advised that they opted for personal loans because they did not want to face any project delays challenges.

Table 10: Question 7

Do you prefer equity financing over debt financing?

Respondents *(Yes/No)*	Frequency	Percentage (%)
Yes	17	56.67%
No	10	33.33%
Maybe	2	6.67%
Not completed	1	3.33%

Total	30	100% (rounded off to the nearest 100)

Table 10 shows statistical information confirming whether respondents preferred equity finance over debt financing. A large percentage of the response emphasized the fact that they do not like using debt financing as it is more expensive to maintain.

Furthermore, other respondents were concerned about their age and do not want any debt(s) attached to their names when they retire or should they lose their jobs. 33.33 percent of the respondents advised that although debt financing had its own ramifications, it grants people an opportunity to develop their homes within a shorter period of time, at a lower total cost of the development, since there will be no need to delay the project and thus accrue more expenses due to escalated material and labour costs.

Table 11: Question 8

Have you approached the bank for a mortgage loan?

Respondents *(Yes/No)*	Frequency	Percentage (%)
Yes	10	33.33%
No	20	66.67%
Maybe	0	0
Total	30	100%

The 33.33% of the respondents confirmed that they have approached the bank for a mortgage loan. Although most of them were not aware of the technicalities and legal terms and conditions of a mortgage loan, they were confident that traditional banks were going to help fund their residential developments.

The rest of the respondents developed their residential properties from their own pockets while others approached banks for a mortgage loans and they were not successful due to property ownership complexities in the rural areas and fact that they had no collateral.

Table 12: Question 8.1

If so, was your loan approved? (Analysis based on 10 respondents above)

Respondents (Yes/No)	Frequency	Percentage (%)
Yes	6	60%
No	2	20%
Maybe	2	20%
Total	10	100%

Out of the 10 respondents who applied for a mortgage bond, six were approved. Unfortunately, no further questions were asked to confirm the name of the financier except for one (1) person who confirmed that RISIMA (a rural development funding company) managed to provide a long term building loan to help expedite the development project. One (1) respondent mentioned that although he had approached the bank initially but did not proceed with the home-loan since the terms and conditions of the development were not favourable.

Table 13: Question 9

Was the development completed within the project time-frame? If no, what were your major challenges?

Respondents (Yes/No)	Frequency	Percentage (%)
Yes	15	50%
No	15	50%
Maybe	0	0
Total	30	100%

50% were able to complete their development within a set time frame, otherwise the while the remaining 50% struggled to complete their development on time, mainly due to financial constraints and not having access to finance, delay tactics of builders, increasing building material and labour costs .

The primary contributing factor to these delays was the inability to raise enough capital to fund the entire development and complete it within a short space of time.

Table 14: Question 10

Do you know what a building loan is?

Respondents (Yes/No)	Frequency	Percentage (%)
Yes	19	63.33%
No	7	23.33%
Maybe	4	13.33%
Total	30	100%

63.33% of the respondents are aware of what a building loan is while the term was unknown to the 23.33% of the respondents. 13.33% were not certain of what a building loan is. For the purpose of this study, we shall combine the latter figures (NO+MAYBE), especially on the feedback depicted on table 14 above and conclude that a total of 33.66% of the respondents were not aware of what a building loan is.

Table 15 Question 11

Are you aware of the process of applying for a building loan?

Respondents (Yes/No)	Frequency	Percentage (%)
Yes	16	53.33%
No	12	40%
Maybe	2	6.67%
Total	30	100%

The majority of the respondents were familiar with the process of applying for a building loan and the required documents, however, most were not aware of other key elements such as using an accredited National Home Builders Registration Council (NHBRC) builder.

The respondents, despite their professions and level of qualification, are not exposed to property finance products and this is depriving them with the benefit which comes with aided property finance, such as being able to complete a development on time.

Table 16 Question 12

If you had more information regarding available financial products, would you have opted for a traditional building loan from a financial institution? If so, why?

Respondents (Yes/No)	Frequency	Percentage (%)
Yes	9	30%
No	17	56.67%
Maybe	4	13.33
Total	30	100%

Only 30% of the respondents advised that they would still opt for equity finance as they do not want any debts, especially considering their age and the fact that they will be leaving the job market in the next 5 to 10 years.

On the other hand, 56.67% of the respondents prefer to use debt financing over equity finance in order to allow them to complete the development on time.

4.2. Summary of the Findings

The objective of the study was to assess professional rural dwellers satisfaction of available housing finance options in the market, in Limpopo, South Africa. A designed questionnaire was distributed, and some completed remotely while others were interviewed on a one and one basis. The traditional funding of real estate is either self-funded, through debts or a combination of the two. The findings reveal although professional rural dwellers are aware of the fact that they cannot obtain a traditional mortgage bond like those residing in the urban or proclaimed communities, this does not deter them from developing homes which are of high standards and with their own money.

This market has been neglected by traditional financial banks due to its inability to promote resale of properties in the market and the fact that rural land is still owned by traditional councils through the government. The key means of finance of rural houses within the area of study is personal savings, personal loans, and mortgage bond followed by a combination of both equity and debt. A large number of the respondents were female than male respondents. These respondents constituted more than 50% of the total response rate and it included a high number of educators between the ages of 20 – 62. Both male and females who responded to

this survey has a formal qualification, beside four (4) respondents who decided not to share information about their qualification.

A total response rate of 60% was achieved and the data collected proved the following:

1. Only a 50% of rural professional dwellers are aware of other property finance products and the process of applying for this product.
2. Although no data was collated on the size of the houses built over the construction period, most people spent around the same amount of money to build formal houses in the rural area.
3. Rural professionals do have adequate surplus income; hence they are able to save and use up the money saved to build themselves houses without any aid.
4. There are companies such as Risima whose primary objective is to provide funding of residential developments or acquisition anywhere within the borders of the Limpopo province, this includes both the rural and urban areas.

Although most respondents prefer to use equity finance, not all of them were able to complete their developments on time, and this clearly indicates that there is a market for a “TOP-UP” loan, where banks should design at least a limited amount of funding to be granted to professionals who do not qualify for RDPs not social housing, but those who qualify for bigger houses and prefer rural living.

The respondents raised concerns about the cost of debt and are reluctant to use debt to finance these residential developments due to lengthier bond repayment period while the minority prefers using debt financing because of the benefit of being able to complete their development within the set time-frame. Most of the houses build were constructed from 1994 to current at various buildings costs, ranging between R33,000.00 and R500,000.00.

Self-built properties are definitely increasing in numbers as people are trying to stay away from debts. However, it is yet to be proven that these houses are built in accordance with the necessary regulations, where their life span should be assessed in order to minimize any possibility of having to improve or fix defects due to poor workmanship in the next couple of years.

Chapter 5

CONCLUSION

Addressing the issue of housing provision is not only a challenge in South Africa. Housing provision, a topic widely researched across the globe, has left poor communities, especially in rural areas with no option but to opt for informal residences, such as shacks and mud houses. Although this research focused on professional rural dwellers who would in most cases build a formal brick and mortar structure, their neighbourhood and surrounding areas have experienced an increase of informal dwellings, RDP houses as a result of high unemployment rate and other economic factors.

There is extensive research conducted globally on housing provision especially to the poor and those who cannot afford to build their primary residences. Large cities in China, have developed viable systems in curbing the issue of housing development finance or acquisition of existing houses for employees in China, while Nigerians on the other hand, have relied upon traditional financing methods such as self-funding, use of cooperative societies, as well as mortgage bonds to acquire houses. However, these initiatives only benefited a few leaving out citizens who preferred residing in rural areas.

Similarly, none of the abovementioned challenges are new to South Africa. Despite the country's 28th year as a democratic country, South Africans living in both rural and urban areas are still facing challenges relating to the provision of housing finance especially within the rural areas of Limpopo. These are areas with minimal or lack of infrastructure developments, lack of basic services, high unemployment rate and other imbalances affecting all age groups.

The lack of housing provision has in the past been eradicated through the provision of subsidies by some private companies, state owned entities and the public sector at large. This has however, benefited professionals residing in the urban areas as they could get a mortgage loan top-up from financial institutions to building formal houses in the urban while professionals in the rural areas had limited options to finance their housing development projects.

This research assessed the current available housing financial products available to professionals residing in the rural areas of Limpopo, the province is surrounded by three economically active provinces in South Africa namely, Gauteng province, North-west, Mpumalanga provinces as well as countries such as Botswana, Zimbabwe and Mozambique. The primary purpose of the study was to investigate the satisfaction of professional rural dwellers, with available housing finance products in Limpopo's rural areas, in South Africa. Fifty questionnaires were shared with school teachers, people in the legal fraternity, medical professional, those in other government offices as well as those working at the South African Police Services. A response rate of 60 % was achieved.

Academic journals from various countries across the globe, developed and developing, have been reviewed and analysed to understand the extent to which the government, private sector and especially financial institutions assist professional rural dwellers during the process of developing their formal primary residences in the rural areas.

Based on the findings, professionals in the rural areas have been using the self-funding model since the 1980s to develop their primary residences in rural areas of Limpopo, although some of these professionals used a mix of both savings and personal loans, others wished they had access to traditional mortgage loans at an earlier stage so that they could complete their developments on time.

The main reason for this is the fact that some are not aware of available housing financial products in the market, others were rejected by traditional banks due to the fact that there is no secondary housing market as well as current issues with land tenure, while the rest preferred self-funded developments due to the fact that they do not want to commit to long term debt contracts with banks.

The findings reveal that just above 20% of the responds are not informed regarding the importance of property ownership and are clearly not exposed to borrowers' educations provided by some traditional banks such as Nedbank, FNB and Absa as mentioned by Moss (2013). Although these banks provide education to potential borrowers due to various reasons, this information is unlikely to reach and answer questions from the rural market since land ownership patterns and controls would differ from the residential urban market.

Although there are government initiatives to provide funding of housing development and ownership in the rural areas of Limpopo such as Risima Finance, it is crucial that the government partners with traditional banks who have for finance at their disposal, in improving the rural areas of South Africa, through the development of quality infrastructure developments, work with tribal houses and resolve the issue of land claims so that rural areas can be proclaimed as formal townships. This will help residents to acquire wealth through property investment as the issuing of title deeds will enhance property values in this market

Understanding the challenges faced by professional rural dwellers during the process of building homes will help financial institutions to design financial products which are in line with the requirements of this market while taking other challenges such as land ownership issues into consideration. Government should work closely with the private sector to come up with initiatives which could promote home ownership in the rural areas and eventually promote the second hand property market in the rural areas.

Future research on the provision of housing finance should be done in relation to the banks concerns regarding the provision of housing finance in areas which are yet to be proclaimed and are under the ownership of the state and the tribal councils. Researchers in this field can also research other ways of promoting the introductions of other viable housing financial options without going through traditional banks and how these initiatives can be used to promote the second hand property market in the rural areas, while preserving the value of the property and thus increasing wealth creation amongst professional rural dwellers.

South Africa's rural area is owned by traditional councils and no research has been carried on the involvement of traditional councils during the process of securing finance especially in cases where collateral is required – since the land is not owned by the residents.

In my view, the governments of South Africa and banks providing mortgage bonds have neglected rural residential market, irrespective of the current purchasing power available in these areas. It is clear from the findings that although some rural professionals prefer to build properties from their own savings, their biggest challenge remains access to financial products designed to meet the specific housing needs of a rural professional dweller.

In his research Moss (2013) assumed that borrowers defaulted on their mortgages due to their lack of knowledge in finance, his findings indicated that almost two thirds in his area of

study, Protea Glen Johannesburg, defaulted on their mortgage payment, resulting in an increase of foreclosures in that housing market.

In sum, the objectives of this research have been achieved through the survey method of analysis, all primary research questions have been answered and a further study is recommended on the government's intention regarding un-proclaimed land which does not form part of the land and restitution program and how this land can be held as security with valid title deeds in order to attract financial institutions to invest in the rural areas of South Africa through housing finance.

This research has focused on the knowledge of professionals who preferred rural living and the current financial products available in the market to afford them the opportunity to build and own formal residential homes in the rural areas. The use of this research will help financial institutions in introducing financial products relevant to this market and it is pertinent that these products be backed by financial literacy opportunities for property investors in the rural areas including the dynamics thereof.

In conclusion, self-funding of residential developments in the rural areas plays an integral part in the provision for formal housing amongst professionals who prefer rural living. This however, is also influenced by the fact that people are not exposed to other financial products available in the market, including the one government entity (RISIMA) quoted in this paper. It is important that the government reassess its housing provision policies, amend land tenure legislations and partner with both private sector and traditional councils in formulating viable systems and programs which will be implemented to curb the issue of housing finance in the rural areas of South Africa.

References

Adarkwa, K.K. and Oppong, R.A., 2007. Poverty reduction through the creation of a livable housing environment: A case study of Habitat for Humanity International housing units in rural Ghana. Property Management, 25(1), pp.7-26.

Adebamowo, M., ODUWAYE, L. and Oduwaye, O.S., 2012. Problems mitigating housing finance through primary mortgage institutions in Lagos. International Business and Management, 4(1), pp.126-134.

Adedeji, Y.D. and Olotuah, A.O., 2012. An evaluation of accessibility of low-income earners to housing finance in Nigeria. European Scientific Journal, ESJ, 8(12).

Adedokun, O.A., Akinradewo, F.O., Adegoke, J.O. and Abiola-Falemu, J.O., 2012. Evaluation of the contribution of national housing fund scheme towards housing delivery in Nigeria. Journal of Building Performance, 3(1).

Anand Kumar, T.S., Praseeda Sanu, V. and Newport, J.K., 2008. Operational guidelines for sustainable housing micro-finance in India. International Journal of Housing Markets and Analysis, 1(4), pp.303-312.

Andrews, D. and Sánchez, A.C., 2011. The evolution of homeownership rates in selected OECD countries: Demographic and public policy influences. OECD Journal: Economic Studies, 2011(1), pp.1-37.

Bandyopadhyay, A. and Saha, A., 2011. Distinctive demand and risk characteristics of residential housing loan market in India. Journal of Economic Studies, 38(6), pp.703-724.

Bond, P. and Tait, A., 1997, March. The failure of housing policy in post-apartheid South Africa. In Urban Forum (Vol. 8, No. 1, pp. 19-41). Springer Netherlands.

Bredenoord, J. and van Lindert, P., 2010. Pro-poor housing policies: rethinking the potential of assisted self-help housing. Habitat International, 34(3), pp.278-287.

Campbell, J.Y., 2006. Household finance. The journal of finance, 61(4), pp.1553-1604.

Chapinduka Nyasulu, E. and Cloete, C.E., 2007. Lack of affordable housing finance in Malawi's major urban areas. Property Management, 25(1), pp.54-67.

Chen, J. and Deng, L., 2014. Financing affordable housing through compulsory saving: The

two-decade experience of housing provident fund in China. Housing Studies, 29(7), pp.937-958.

Datta, K. and Jones, G.A., 2001. Housing and finance in developing countries: invisible issues on research and policy agendas. Habitat International, 25(3), pp.333-357.

Davidson, C.H., Johnson, C., Lizarralde, G., Dikmen, N. and Sliwinski, A., 2007. Truths and myths about community participation in post-disaster housing projects. Habitat international, 31(1), pp.100-115.

Donkor-Hyiaman, K.A. and Owusu-Manu, D., 2016. Another look at housing finance in Africa: The anatomy of pension asset-backed housing financing. International Journal of Housing Markets and Analysis, 9(1), pp.20-46.

Ezimuo, P.N., Onyejiaka, C.J. and Emoh, F.I., 2014. Sources of real estate finance and their impact on property development in Nigeria: A case study of mortgage institutions in Lagos metropolis. British Journal of Environmental Research, 2(2), pp.35-58. Financial and Fiscal Commission. (2012). Housing Finance Options Analysis. Midrand: Financial and Fiscal Commission .

Ganiyu, B.O., Fapohunda, J.A. and Haldenwang, R., 2017. Sustainable housing financing model to reduce South Africa housing deficit. International Journal of Housing Markets and Analysis, 10(3), pp.410-430.

Gilbert, A., 2004. Helping the poor through housing subsidies: lessons from Chile, Colombia and South Africa. Habitat international, 28(1), pp.13-40.

Gülter, H. and Basti, E., 2014. The housing finance system in Turkey. International Journal of Housing Markets and Analysis, 7(3), pp.363-382.

Landman, K. and Napier, M., 2010. Waiting for a house or building your own? Reconsidering state provision, aided and unaided self-help in South Africa. Habitat international, 34(3), pp.299-305.

Madichie, N. and Madichie, O.A., 2016. Property development and the unresolved housing issue in northern Nigeria. African Journal of Economic and Management Studies, 7(4), pp.568-591.

Mamabolo, M.A., 2013. Implementation of road infrastructure development projects in rural

areas of South Africa: a case of Polokwane Municipality in Capricorn District (Doctoral dissertation, University of Limpopo (Turfloop Campus)).

Marais, L. and Cloete, J., 2017. Housing policy and private sector housing finance: Policy intent and market directions in South Africa. Habitat International, 61, pp.22-30.

McClure, K., 2000. The low-income housing tax credit as an aid to housing finance: How well has itworked?. Housing Policy Debate, 11(1), pp.91-114.

Moss, V., 2016. Mortgage Default Behaviour in South Africa's Low Income Homeowners Relates to Banks Borrower Education Programmes. International Journal of Finance & Banking Studies (2147-4486), 2(2), pp.66-75.

Nwuba, C.C., Kalu, I.U. and Umeh, J.A., 2015. Determinants of homeownership affordability in Nigeria's urban housing markets. International Journal of Housing Markets and Analysis, 8(2), pp.189-206.

Oluwole Oyewole, M., 2010. Housing development finance through cooperative societies: The case of Ogbomoso, Nigeria. International Journal of Housing Markets and Analysis, 3(3), pp.245-255.

Opoku, R.A. and Abdul-Muhmin, A.G., 2010. Housing preferences and attribute importance among low-income consumers in Saudi Arabia. Habitat international, 34(2), pp.219-227.

Opoku, R.A. and Abdul-Muhmin, A.G., 2013. Realizing the dream of owning a home: A preliminary study of house purchase financing options for low-income Saudis. International Journal of Housing Markets and Analysis, 6(3), pp.300-316.

Othman, A. and Abdellatif, M., 2011. Partnership for integrating the corporate social responsibility of project stakeholders towards affordable housing development: a South African perspective. Journal of Engineering, Design and Technology, 9(3), pp.273-295.

Othman, A.A.E. and Mia, B., 2008. Corporate social responsibility for solving the housing problem for the poor in South Africa. Journal of Engineering, Design and Technology, 6(3), pp.237-257.

Pati, S., 2015. A Critical Assessment of Housing Finance System and Policies in Emerging Economies: Evidence from India and China (Doctoral dissertation).

Pillay, A. and Naudé, W.A., 2006. Financing low-income housing in South Africa: Borrower

experiences and perceptions of banks. Habitat International, 30(4), pp.872-885.

Ramabodu, M.S., Kotze, B.G. and Verster, J.J.P., 2007. Diversity and value in Africa's real estate: Challenges facing property development in South Africa. Journal of Property Investment & Finance, 25(1), pp.7-22.

Rosenzweig, M.R., 1988. Risk, implicit contracts and the family in rural areas of low-income countries. The Economic Journal, 98(393), pp.1148-1170.

Sazama, G., 1996. A brief history of affordable housing cooperatives in the United States.

Smets, P., 2006. Small is beautiful, but big is often the practice: housing microfinance in discussion. Habitat International, 30(3), pp.595-613.

Tian, X., Hu, J., Zhang, C. and Zhao, Y., 2017. Housing expenditure and home purchasing behaviors of rural-urban migrants in China. China Agricultural Economic Review, 9(4), pp.558-566.

Tomlinson, M.R., 2007. The development of a low-income housing finance sector in South Africa: Have we finally found a way forward?. Habitat International, 31(1), pp.77-86.

Wapwera, S.D., Parsa, A. and Egbu, C., 2011. Financing low income housing in Nigeria. Journal of Financial Management of Property and Construction, 16(3), pp.283-301.

Yeung, S.C.W. and Howes, R., 2006. The role of the housing provident fund in financing affordable housing development in China. Habitat International, 30(2), pp.343-356.

Ying, Q., Luo, D. and Chen, J., 2013. The determinants of homeownership affordability among the ‘sandwich class’: Empirical findings from Guangzhou, China. Urban Studies, 50(9), pp.1870-1888.

Zou, Y., 2014. Contradictions in China's affordable housing policy: Goals vs. structure. Habitat International, 41, pp.8-16.

ANNEXURE 1 – CONSENT FORM

I **Andrica Matshidiso Lekganyane (student no: 720457)** a student at the University of Witwatersrand, have been granted permission by the University to carry out this research on the topic *"Professional Rural Dweller's Satisfaction with Financial Options of Residential Real Estate Developments in the Rural Areas of Limpopo, South Africa"* in partial fulfillment of the Requirement for the Degree of MASTER OF SCIENCE IN BUILDING (PROPERTY DEVELOPMENT AND MANAGEMENT). I hereby;

- Affirm to carry out this research with the utmost professionalism, and will grant the participants to act willingly.
- The participant has the right to ask questions regarding this research and agree on the method to be adopted.
- The participant has the right to answer questions they are not clear with.
- I will respect the confidentiality and anonymity of the research participants should they opt to be anonymous.
- A copy of this consent form will be given to the participants on request

…….. ……..

Researcher (Signature) *Date:*

By signing this consent form, I …… hereby confirm that I have read and understood the purpose of this research and I had the opportunity to ask questions where I required clarity. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I voluntarily agree to take part in this study.

ANNEXURE 2 – QUESTIONNAIRE

All personal information contained in this questionnaire will be kept strictly confidential and/or will be published upon receiving your written consent

Part A: Biographical Information

Full Name		☐ M ☐ F	Age:		
Marital status:	☐ Single ☐ Partnered ☐ Married ☐ Separated ☐ Divorced ☐ Widowed				
Profession:				Employer:	
Government☐ Private ☐ SOE ☐ Self-Employ ☐				Highest Qualification:	

Part B: Geographical Area

Type of Residence		Area of Residence:			
Village:		City / Town			
Province:				Distance to City:	
Property Features (No of rooms and description (Age, type etc):					

Part C: Research Questions

1. Do you live in a formal house Yes ☐ No ☐ Maybe ☐
2. Which year was your property constructed? ……
3. How long did it take you to build your property? …… Year(s) …... Months
4. How did you finance your development? ……..
5. What was your total cost for this development? …….....
   (Above question is optional)
6. Are you aware of property finance products in the market? Yes ☐ No ☐ Maybe ☐
   If yes, kindly provide reasons why you opted for the method of finance used instead of using other financial products;
   ……

7. Do you prefer equity financing over debt financing? Yes ☐ No ☐ Maybe ☐
8. Have you approached the bank for a mortgage loan? Yes ☐ No ☐ Maybe ☐

   If so, was your loan approved? Yes ☐ No ☐ Maybe ☐

9. Was the development completed within the project time-frame?
   Yes ☐ No ☐ Maybe ☐
   If no, what were your major challenges?
   …….....
10. Do you know what a building loan is? Yes ☐ No ☐ Maybe ☐
11. Are you aware of the process of applying for a building loan Yes ☐ No ☐ Maybe ☐
12. If you had more information regarding available financial products, would you have opted for a traditional building loan from a financial institution Yes ☐ No ☐ Maybe ☐
    If so, why?
    ……
    ……

ANNEXURE 3 – RISIMA HOME LOAN APPLICATION REQUIREMENTS

Home-loan application requirements with RISIMA

The following documents are required from a purchaser when applying for a home loan with RISIMA.

1. Certified Identity copy of applicant and of spouse (if married)
2. Recent pay-slip /salary statement
3. Certified copy of marriage certificate
4. Affidavit confirming the type of marriage e.g. In or Out of community of property
5. Affidavit in case of unmarried person
6. Certified decree of divorce in case of divorcee
7. Certified deed of surety in case of a minor
8. Certified death certificate in case of a widow/widower
9. Valid state guarantee in case of government employees
10. A deposit of 20% where applicant is self employed or private sector employees where the employer do not provide guarantees
11. Initiation fee of R1140.00 including VAT – Non-refundable
12. Approved building plans in case of a new construction
13. Full quotation and documented terms and conditions from the main contractor (if new construction)
14. Proof of current residential address
15. Tax clearance certificate
16. Confirmation in writing by employer for stop order deduction/guarantee
17. Latest three months statement