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An investigation into financing urban shelter development to low and moderate-income earners in Ghana: The case of Accra

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2013-07-12
http://hdl.handle.net/10539/12822

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Abstract

The housing situation in Ghana been described by various bodies as a sector in crisis. There is an increase in demand, especially in the affordable housing bracket where high and middle income earners mainly engage in self finance or take advantage of the few mortgage facilities available. This is beyond the reach of the majority of the population who are outside these income brackets. Housing finance plays an important role in urban shelter development and it is believed that expansion of credit programmes will have beneficial effects on low and moderate-income (LMI) groups. It is also key to poverty alleviation, livelihood and diversification. In Ghana, low and moderate-income groups source their loans mostly from informal lenders or from their personal savings, thus access to formal loans remains low. There is a need to further examine LMI groups' access to loans and investigate their preferences and perceptions regarding loans that their access can be improved and how their needs through credit can be more effectively met. Determining the problems and the loan needs of LMI groups are important considerations in designing housing finance systems that are appropriate for them.

The study is conducted in a typical case study area like Accra where accessibility of LMI groups is examined, with the primary objective of exploring the use of and access to housing finance. This research attempts to explore and understand the perceptions of LMI earners toward housing finance, and to collect information in proposing an appropriate credit system for them.

Two types of respondents were interviewed for the research; a sample of 75 respondents were drawn to reflect the typical characteristics of the LMI population and the contribution of formal and informal financial institutions to provide affordable housing finance packages to LMI earners. The research focused on how LMI groups perceived the housing finance products, their preferences, their reasons for borrowing, and their problems in accessing credit.

A mixed methods research design representing field surveys in the form of questionnaires (quantitative) and theoretical in the form of multiple case studies for methods of analysis (qualitative), approach is adopted to draw characteristic conclusions from the chosen LMI sample population.

Access to housing finance by LMI groups is limited to available credit services in the research area, thus LMI groups' choices and preferences were not well served which led to borrowing from informal lenders. Credit restrictions such as commodity specific credit programmes, credit that requires

collateral, lengthy and complicated procedures restricted the LMIs from accessing formal loans for housing. It is recommended that accessibility to housing finance loans by LMIs could be improved by providing innovative financing schemes that address problems of LMIs who lack collateral and minimise long processing of documents and other requirements. In this way LMIs may be encouraged to better utilise formal credit and decrease their reliance on informal lenders and personal savings, thus avoiding higher interest rates and thereby increasing their household incomes.

Keywords: Housing finance, access, low and moderate-income groups, Accra